RESILIENCE & BEYOND

SBM

SBM HOLDINGS LTD
ANNUAL REPORT 2020

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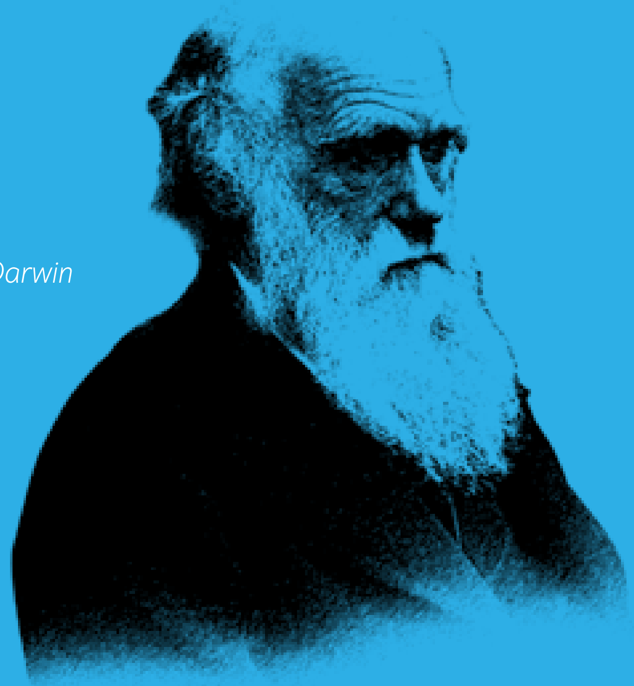

Charles Darwin

Robert Eugene (Bob) Richards

Confucius

Mahatma Gandhi

Malcolm de Chazal

Nelson Mandela

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CHAIRMAN's LETTER

Dear Shareholders,

The 2020 Annual Report is being presented in a year like no other. Against the backdrop of COVID-19, SBM Group has demonstrated its resilience, which is reflected through its solid financial performance during the Financial Year (FY) 2020. Bold in our decision, yet prudent in our actions to make structural changes, we have been able to service our customers and community leveraging on the support and energy of a dedicated team of professionals.

Our financial results show that the Group's strategy is starting to bear fruits, with reported profit after tax of MUR 1.02 billion, an increased income of MUR 11.2 billion and earnings per share of 39.5 cents. Moreover, in spite of the challenging business environment, our recent performances have helped to restore confidence as demonstrated by the gradual picking up of our share price. That said, our performance needs to be put into perspective by having a close look at the global economic situation.

GLOBAL OUTLOOK AMID THE COVID-19 PANDEMIC

Many countries across the world, including Mauritius, have not been spared by new waves of the COVID-19 pandemic and had to reinstate lockdown. In some places, this has slowed down vaccination campaigns, which are nonetheless grounds for hope on our economic recovery path. Over the past months, governments worldwide have taken bold economic and fiscal measures to improve production and sustain consumption levels. The effectiveness thereof is yet to be fully assessed. The pace at which vaccination campaigns are carried out and the time frame within which we will reach herd immunity will be crucial factors to be considered in our economic forecast.

For its part, the International Monetary Fund (IMF) is quite optimistic. Indeed, in its World Economic Outlook Report (WEO), issued in April 2021, the organisation expects that the global economy is projected to grow at 6% in 2021, moderating to 4.4% in 2022. In this document, the institution further underlines: "The projections for 2021 and 2022 are 0.8% point and 0.2% point stronger than in the October 2020 WEO, reflecting additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of the year."

MAURITIUS MACROECONOMIC ENVIRONMENT

In Mauritius, the path to economic growth will require much effort from all stakeholders. Last year, the country registered its worst economic contraction since 1980, according to Statistics Mauritius.

Measures taken to contain the virus, such as the closing of our borders, are still impacting some of our main economic pillars, such as export-oriented industries and tourism. Fortunately, the financial services sector has shown better resilience and the banking sector remained adequately capitalised with an estimated Capital Adequacy Ratio (CAR) of 18.6% as at September 2020.

OUR FINANCIAL PERFORMANCE

Despite difficult operating conditions, SBM Group managed to have a decent performance during FY 2020 as compared to FY 2019, thanks to all our operations, including the Non-Banking Financial Cluster and our overseas entities which delivered good results. Upon its appointment more than a year ago, the new Board conducted a thorough analysis of the situation, following which a decision was taken to adopt a more prudent approach and to review the Segment B business of the Mauritian banking subsidiary.

CHAIRMAN's LETTER (CONT'D)

Besides managing higher levels of impairment, SBM Bank (Mauritius) Ltd undertook a complete review of its credit processes, further strengthened its Credit Risk Framework and implemented a diligent monitoring of the performance of its various lines of business.

Some key metrics show that this strategy is effective in addressing all the issues that were identified, hence putting us on track to getting back to our previous level of profitability. We commendably managed to preserve our fundamentals, while putting in the effort to boost our business performance, coupled with measures to better manage costs.

Our foreign banking subsidiaries, namely SBM Bank (India) Limited, Banque SBM Madagascar SA and SBM Bank (Kenya) Limited, have also performed satisfactorily. The overall results of all our lines of business have surely played an important role in strengthening our positioning as a key financial institution in the region, earning us the 42nd rank, up by three, in the Top 200 African Banks by The Africa Report 2020.

STRENGTHENING BUSINESS RESILIENCE GOING FORWARD

Over the last year, the Board of Directors has been relentlessly working to strengthen our resilience. To do so, we analysed carefully ongoing trends in terms of measures to ensure business continuity while protecting our clients and staff members by implementing tailor-made protocols, the main objective of which is to minimise the impact on our customers, employees and other stakeholders.

We can confidently state that all measures are well in place and understood by all team members in accordance with the regulatory framework of the different jurisdictions where we operate. This led to the implementation of a split strategy of our teams with a view to optimising our resources and ensuring the highest level of service and assistance to our clients, whether corporate entities or individuals.

On the economic front, we have also been working in close collaboration with the relevant authorities in countries where we are present. We have given them our full support by taking part in the implementation of the various relief and incentive schemes put forward by governments and central banks.

In the current context, we also intend to give a new impetus to our digitalisation strategy. We are confident that leveraging on new technologies will give us a competitive edge and the capacity to design new and innovative products. The broad objective is to provide our customers with enhanced banking experience, especially to carry out remote and secure transactions. SBM Bank (Mauritius) Ltd and SBM Bank (India) Limited, for instance, have made significant and commendable progress in that area. Our customers, who are more and more looking for safe, rapid and user-friendly banking solutions, have now access to SBM Pocket (a digital payment service available on our Internet Banking) and SBM easy-pay (SBM Mobile App services allowing customers to pay their bills and carry out their transactions to a selected list of merchants). In India, as part of our collaborative banking approach, we have entered into partnerships with rising domestic fintech companies and launched several innovative products and services allowing customers to instantly open savings account with a VISA powered debit card, to effect real-time domestic business-to-consumer (B2C) transfers and cross-border payments and remittances with new corridors, amongst others.

Going forward, we will consolidate our fundamentals and further rationalise our processes, whereby we will explore new work options and make better use of the resources we have at hand. Cost optimisation will be an important lever that will ensure we protect our asset and create the financial leeway for future investments.

LET'S ROLL UP OUR SLEEVES

As a prudent optimist, I am confident that we will come out of this pandemic stronger than before, and better equipped to adjust to an ever-evolving environment. The coming months will be challenging, but we are confident that we can weather the storm if we make the best use of our skills, expertise and experience. That is why we are committed to investing in capacity building, namely in our human capital, so as to keep on developing effective responses.

To conclude, I wish to express my deepest appreciation to all our staff members across Mauritius, India, Madagascar and Kenya for their hard work and dedication. I am also grateful to all Board Members for their diligent work and to our shareholders for their unflinching support.

Sattar Hajee Abdoula
Group Chairman

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IT IS NOT
THE STRONGEST
OF THE SPECIES
THAT SURVIVES,
NOR THE
MOST INTELLIGENT,
BUT THE ONE
MOST RESPONSIVE
TO CHANGE.

- so says Charles Darwin -

ABOUT THIS REPORT

ABOUT THIS REPORT

This annual report gives a holistic description of SBM Group's financial and non-financial activities and performance. We endeavour to provide the Group's stakeholders with adequate and reliable information that would help them assess the Group's ability to create value in the short, medium and long term. The report hence features information on SBM Group's financial performance, strategy, business model, governance and risks and opportunities.

We have been guided by the principles of integrated reporting, as set out by the International Integrated Reporting Council, when putting together the content of this report to help our stakeholders make a balanced appraisal of our business and how we create value for our stakeholders.

REPORTING SCOPE AND BOUNDARY

This report covers the period 01 January to 31 December 2020. It presents developments relating to the operations of SBM Holdings Ltd (SBMH) and its subsidiaries (collectively referred to as "SBM/The Group/SBM Group") and also provides an update on recent important events that occurred between 31 December 2020 and the reporting date.

It is mainly presented in Mauritian Rupee (MUR), which is SBMH's reporting currency. In many instances, calculations are presented using rounded off figures to ease understanding.

REPORTING PRINCIPLES AND ASSURANCE

As a public listed company, SBMH follows a set of reporting principles. We also have an assurance model that ensures that we provide information that is credible and reliable to ensure the integrity of this annual report.

Our reporting process is guided by all applicable standards, principles, guidelines, laws and regulations including The Mauritius Companies Act 2001, Banking Act 2004, The Financial Services Act 2007, Financial Reporting Act 2004, Bank of Mauritius Guidelines, The Stock Exchange of Mauritius Listing Rules, International Financial Reporting Standards (IFRS), The National Code of Corporate Governance for Mauritius (2016) and The International <IR> Framework.

As the Group's external auditor, Deloitte has provided independent assurance on the annual financial statements and has expressed an unqualified audit opinion. The full content of our annual report has been reviewed by the Senior Management Team of SBMH and, in line with related mandates, specific reports were also reviewed and recommended to SBMH Board of Directors by the Corporate Governance & Conduct Review, Audit and Risk Management Committees. The Board of Directors of SBMH has reviewed and validated this annual report before its publication.

OUR REPORTING SUITE

While this report remains SBM Group's primary report for communicating with our various stakeholders, it is supplemented with our Sustainability Report, which we have published online as part of our efforts to reduce paper consumption. The Sustainability Report may be viewed on the Group's website, under our Investor Relations section.

Our interim and audited consolidated financial statements as well as announcements and presentations are also available online at www.sbmgroup.mu.

The annual reports of SBM Bank (Mauritius) Ltd, SBM Bank (Kenya) Limited and SBM Bank (India) Limited can also be accessed on their respective websites.

OUR STAKEHOLDERS

SBM Group has a set of key stakeholders which can have a direct or indirect impact on its businesses and which influence or are influenced by its economic, social and environmental performance. This report aims to address their information needs.

ABOUT THIS REPORT (CONT'D)

CAPITALS OF VALUE CREATION

The Group leverages six forms of capitals to maintain its competitive market position and create long term sustainable value for its stakeholders. These capitals are described below:

Financial Capital

Financial Capital refers to the money we obtain from providers of capital that we use to conduct our business activities and execute our strategy. The way we spend our financial resources is also indicative of our commitment to a sustainable future.

Human Capital

Our people are our most valuable asset. They are crucial to achieve our strategic objectives and to create value for our stakeholders. The Group cultivates Human Capital by carefully identifying, onboarding, developing and retaining talent. It does so by ensuring a healthy, safe, equal and sustainable environment for its people.

Social and Relationship Capital

Social and Relationship Capital is key for the sustainability of our business. It refers to the cooperative relationships we have built with our customers, capital providers, regulators and other stakeholders over time.

It is also about SBM's core values of putting our customers first in everything we do, treating our employees with integrity and respect, adhering to the highest ethical standards and being a socially responsible organisation.

Manufactured Capital

Manufactured Capital is our tangible and intangible infrastructure that we use to conduct our business activities.

We aim to make efficient and sustainable use of our equipment and buildings as well as IT infrastructure so as to serve our clients and stakeholders with zero compromise on security and in a spirit of ease of doing business.

Intellectual Capital

Intellectual Capital, also referred to as organisational capital, includes knowledge-based intangibles, intellectual property - such as patents, copyrights, software, rights and licences - as well as systems, procedures and protocols.

Natural Capital

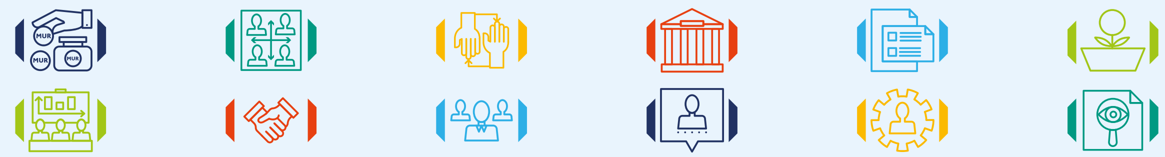
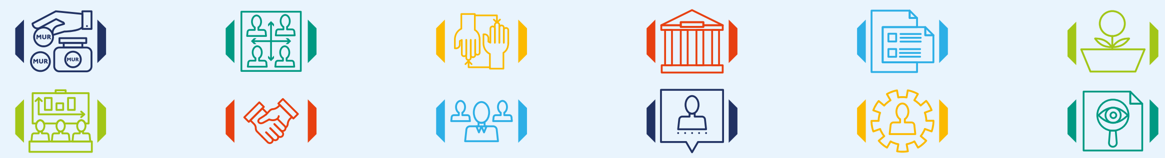
Natural Capital relates to the natural resources on which we depend to carry out business activity and create value for our stakeholders.

Although our control over and access to natural resources is limited, we strive to use them intelligently and responsibly.

ABOUT THIS REPORT (CONT'D)

INTEGRATED CONTENT ELEMENTS

The annual report considers the Content Elements as proposed by The International <IR> Framework. We feature the elements under the following sections:

Sections	IIRC content elements	Capitals impacted and stakeholders
About SBM Group	• Organisational overview	
Chairman's Letter	• Organisational overview and external environment • Strategy and resource allocation • Performance • Outlook	
Strategy Report	• External environment • Business model • Risks and opportunities • Strategy and resource allocation • Performance • Outlook	
Corporate Governance Report	• Organisational overview and external environment • Governance	
Risk Management Report	• Risks and opportunities • Governance • Performance	
Financial Review and Financial Statements	• Performance • Risks and opportunities • Strategy and resource allocation • Outlook	

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ABOUT THIS REPORT (CONT'D)

DEFINING MATERIALITY

SBM considers material matters as those that have or could have an impact on its current and prospective stakeholders. Throughout this annual report, information is provided on quantitative and qualitative matters relating to SBM Group's ability to create and deliver value and ensure sustainable performance.

The material matters are significant to achieve the Group's vision, mission, goal, strategy and are pertinent to our core values. Materiality is also influenced by our operating and regulatory environments, market drivers and the various risks, opportunities and other financial and non-financial matters. The impact has, or could have, significant effects on the Group's strategy, governance, performance, prospects, stakeholders as well as its ability to generate value over the short, medium and long term.

Management's determination of materiality for this report was based on informed judgement and the Group's endeavour to adopt the integrated reporting principles. The involvement of the Group's Annual Report Team, composed of professionals across functions, has also allowed for a more holistic presentation of our value creation model. The contents of this annual report were compiled by the team and validated by the Senior Management Team before being approved by the Chairpersons of different Committees and the SBMH Board of Directors.

Our annual report aims to provide a fair, accurate, reliable, transparent and balanced overview of the Group's activities and performance.

ANNUAL REPORT THEME

2020 has been a very challenging one for our organisation and the overall business world as we faced an unexpected and rapidly spreading pandemic that shook the societies, markets and geographies. During these times of great uncertainty, we are striving to adapt and remain, more than ever, resilient as the turmoil continues to unfold and linger.

As an organisation, we have been thriving our way through the difficulties, while taking the necessary measures to ensure the safety and well-being of our employees, customers and other stakeholders, with minimal disruption to our business activities. To capture the successful sail of the Group amidst all the challenges, the theme of our annual report is ***Resilience and Beyond***, inspired by all of us who keep persevering to overcome the unexpected instead of giving up.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

In this report, SBM has made various forward-looking statements with respect to its financial position, business strategy and management objectives among others. 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 SBM 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.

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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 evolution, economic and political conditions, pandemic situations and other force majeure, 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 list of factors is not exhaustive and when relying on forward-looking statements to make decisions with respect to SBM, investors and other parties should carefully consider these factors, as well as the inherent uncertainty of forward-looking statements and other uncertainties and potential events. SBM does not undertake to update any forward-looking statement that may be made, from time to time, by the organisation or on its behalf.

NAVIGATION TOOLKIT

We have used the following icons to help navigate through the information available across this report and cross reference between sections/chapters.

Cross referencing

More content on our website *www.sbmgroup.mu*

Read more in our Sustainability Report on our website

RESPONSIBILITY FOR THE ANNUAL REPORT

As responsible leaders, the Board of Directors of SBMH collectively acknowledges its accountability to ensure the reliability of this annual report.

The Board of Directors confirms, to the best of its belief, that the annual report, which is complemented by the Sustainability Report, addresses the relevant material matters and the integrated performance of the Group, as well as its impacts, in a fair and transparent manner. The Board unanimously approved and authorised the publication of SBM Holdings Ltd Annual Report 2020 on 12 May 2021.

On behalf of the Board

Mr Sattar Hajee Abdoula
Group Chairman
SBM Holdings Ltd

TALK TO US

We welcome and value our stakeholders' feedback. Please share your views on our annual report on ***investor.relations@sbmgroup.mu***

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LA SOUFFRANCE NE GRANDIT QUE LES GRANDS.

SUFFERING GROWS ONLY THE STRONG.

- Malcolm de Chazal -

ABOUT SBM GROUP

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ABOUT SBM GROUP

WHO WE ARE

Vision
To be one of the leading and trusted financial services providers in our geographies of presence, driven by innovation and technology.

Mission
To achieve strong and sustainable returns for our shareholders, meet the relevant needs of our stakeholders and support the development of the community at large.

Goal
We aim to prudently grow our assets, 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 offering non-banking financial services.

Values
- Customer centricity
- Trustworthiness
- Integrity
- Respect
- Prudence

SBMH
is listed on the
Stock Exchange of Mauritius

MARKET CAPITALISATION
MUR 10.9 billion as
at December 2020

18,518
shareholders

WHERE WE ARE

ABOUT SBM GROUP (CONT'D)

WHAT WE DO

SBM Group has a long history of 47 years in Mauritius. Over the years, it has expanded its operations in India since 1994, in Madagascar since 1998, and in Kenya since 2017.

SBM serves retail, SME as well as corporate customers via an extensive distribution network that covers both traditional brick-and-mortar branches and digital channels of service delivery. Capitalising on the knowledge and expertise of its professionals, the Group offers a broad range of banking and non-banking financial products and services.

>750,000 customers

out of which

- **~17%** are Internet Banking subscribers
- **~13%** are Mobile Banking subscribers

served through

- **103** branches & counters
- **2,845** employees
- **177** ATMs

Mauritius	India	Madagascar	Kenya
44	7	6	46

KEY HIGHLIGHTS

The Group has satisfactorily reported an improvement in its financial position, as measured by the key performance indicators.

Indicator	2019	2020
Total assets	MUR 258.4 billion	MUR 288.4 billion
Gross advances to non-bank customers	MUR 121.7 billion	MUR 136.0 billion
Investment securities	MUR 100.3 billion	MUR 121.1 billion
Deposits from non-bank customers	MUR 199.4 billion	MUR 226.9 billion
Shareholders' equity	MUR 24.5 billion	MUR 25.2 billion
Operating income	MUR 9.6 billion	MUR 11.2 billion
Operating expenses	MUR 6.1 billion	MUR 6.2 billion
Net impairment loss on financial assets	MUR 2.9 billion	MUR 3.8 billion
Profit after tax	MUR 17.4 million	MUR 1,021.0 million
Wealth distributed	MUR 4.7 billion	MUR 5.2 billion
Corporate social investment	MUR 43.6 million	MUR 70.2 million

ABOUT SBM GROUP (CONT'D)

GROUP STRUCTURE

SBM Holdings Ltd
Listed on the Stock Exchange of Mauritius

BANKING SEGMENT

SBM (Bank) Holdings Ltd

- SBM Bank (Mauritius) Ltd
- Banque SBM Madagascar SA*
- SBM Bank (India) Limited**
- SBM Africa Holdings Ltd
  - *SBM Bank (Kenya) Limited*

NON-BANKING FINANCIAL SEGMENT

SBM (NBFC) Holdings Ltd

- SBM Factors Ltd
- SBM Insurance Agency Ltd
- SBM eBusiness Ltd
- SBM Leasing Co. Ltd
- SBM Fund Services Ltd
- SBM Capital Markets Ltd
  - *SBM Mauritius Asset Managers Ltd*

NON-FINANCIAL SEGMENT

SBM (NFC) Holdings Ltd

Notes

* **Banque SBM Madagascar SA**
- SBM (Bank) Holdings Ltd - 99.99%
- SBM Capital Markets Ltd, SBM Fund Services Ltd and SBM Mauritius Asset Managers Ltd hold 1 share each (total of 0.01%)

** **SBM Bank (India) Limited**
- SBM (Bank) Holdings Ltd - 99.99%
- SBM Overseas One Ltd, SBM Overseas Two Ltd, SBM Overseas Three Ltd, SBM Overseas Four Ltd, SBM Overseas Five Ltd and SBM Overseas Six Ltd hold 1 share each (total of 0.01%)

SBM 3S Ltd
- SBM Holdings Ltd - 100%

SBM Africa Equity Fund Ltd
- SBM Holdings Ltd - 100% (Class B participating redeemable shares)

In process of winding up:
- SBM Bank Representative Office, Yangon Myanmar
- Africa Infrastructure Investment Holdings Company Ltd
- SBM Bank (Seychelles) Limited

ABOUT SBM GROUP (CONT'D)

BOARD OF DIRECTORS OF SBM HOLDINGS LTD

From Left to Right:
Mr Abdul Sattar Adam Ali Mamode Hajee Abdoula (also known as Sattar Hajee Abdoula) - Chairman, Mr Jean Paul Emmanuel Arouff, Ms Shakilla Bibi Jhungeer, Mr Varun Krishn Munoosingh

From Left to Right:
Mr Roodesh Muttylall, Ms Sharon Ramdenee, Mr Visvanaden Soondram, Mr Subhas Thecka

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ABOUT SBM GROUP (CONT'D)

Member of

DIRECTORS	Board of SBMH	Audit Committee	Corporate Governance & Conduct Review Committee	IT Committee	Nomination & Remuneration Committee	Risk Management Committee	Strategy Committee
Mr Sattar HAJEE ABDOULA	Chairperson	-	-	Chairperson	-	Member	Chairperson
Mr Jean Paul Emmanuel AROUFF	Member	-	Member	-	Chairperson	-	-
Ms Shakilla Bibi JHUNGEER	Member	-	Chairperson	-	Member	-	-
Mr Varun Krishn MUNOOSINGH	Member	-	Member	Member	-	-	-
Mr Roodesh MUTTYLALL	Member	Member	-	-	Member	-	-
Ms Sharon RAMDENEE	Member	Member	-	-	-	Chairperson	Member
Mr Visvanaden SOONDRAM	Member	-	-	Member	-	-	Member
Mr Subhas THECKA	Member	Chairperson	-	-	-	Member	-

KEY
- Chairperson of Board/Committee
- Member of Board/Committee

WHY INVEST WITH US

- Strong domestic franchise and a long track record of being the bank to grow with
- Regional presence
- Improving level of sophistication in the range of solutions offered to different stakeholders across the Group
- Listed on the Stock Exchange of Mauritius, liquid and strongly capitalised
- Socially and environmentally responsible organisation engaged in several projects across the various societies we serve and grow with
- Regular engagement with key stakeholders through annual meeting of shareholders, scheduled one-to-one meetings and communication via press communiqués

RECOGNITION AND AWARDS

SBM Holdings Ltd

THE GLOBAL ECONOMICS AWARDS 2020

Best Diversified Financial Services Provider - Mauritius

Best CSR Holding Company - Mauritius

GLOBAL BRAND AWARDS 2020

Most Trusted Financial Services Providing Group, Mauritius 2020

SBM Bank (Mauritius) Ltd

Ranked **42nd** among the Top 200 African Banks by The Africa Report 2020 edition

THE GLOBAL ECONOMICS AWARDS 2020

Best Bank of the Year - Mauritius

Best Customer Centric Bank - Mauritius

GLOBAL FINANCE WORLD'S BEST PRIVATE BANK AWARDS 2021

Best Private Bank in Africa for Excellence in Crisis: Client Services

SBM (NBFC) Holdings Ltd

CAPITAL FINANCE INTERNATIONAL BANKING AWARDS 2020

SBM Capital Markets Ltd is the winner for Best Investment Banking Services - Indian Ocean Rim

SBM Bank (Kenya) Limited

MARKETING SOCIETY OF KENYA AWARDS 2020

Winner for 'Marketing Realignment Through COVID-19: Online Response Category' for the 'What Women Want Campaign'

PUBLIC RELATIONS SOCIETY OF KENYA AWARDS 2020

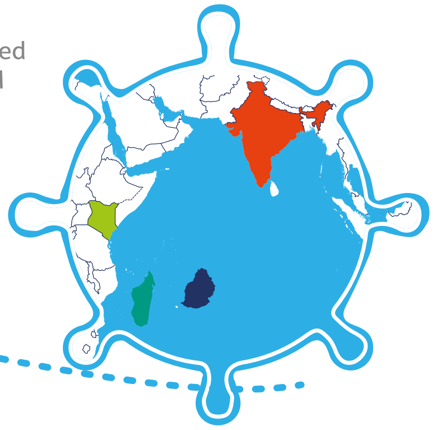
Runner Up for 'Consumer Relations Campaign of the Year Category' for 'SBM UnionPay Card Launch Campaign'

VISA BANKERS' AWARDS 2020

Winner for 'Affluent Usage - Best Infinite Card Usage Category'

PERSEVERING DURING THE COVID-19 PANDEMIC

The COVID-19 pandemic has caused unprecedented disruptions and created innumerable challenges in the world. In the wake of this difficult time, SBM Group has mobilised to ensure the health and safety of its employees, support its customers through the continuous provision of essential services and providing financial as well as non-financial assistance to COVID-19 impacted individuals and companies in the communities the SBM Group operates in. We remain committed to embrace and reinforce the measures taken by the authorities to limit the social and economic impact of the pandemic.



NAVIGATING THROUGH THE CRISIS

As the COVID-19 pandemic unfolded, dedicated teams set out action plans to respond to the challenges ahead. While the Group has well defined business continuity management strategies, this global pandemic called for additional measures to be worked out to deal with its potential impacts and secure our business. A special COVID-19 crisis management committee was consequently set up in each of our countries of operations. Chaired by the respective Chief Executive Officers and composed of Heads of business and support units, these committees took up the responsibility to guide our employees, customers and other stakeholders to deal with the exceptional circumstances being lived by devising clear response plans to keep our operations running during the sanitary curfews.

The key principles embraced to respond to the pandemic are detailed below:

- Implementation of a COVID-19 protocol with emphasis on sanitary measures to be adopted.
- Setting up and review of pandemic preparedness and response plans to deal with the different stages of the outbreak, ensuring an effective response based on the evolution of the pandemic and the number of cases registered.

Adoption of precautionary measures to ensure the health and safety of our stakeholders in collaboration with the local authorities.

Adoption of tailored and targeted communication strategies to convey regular messages to employees, customers and other stakeholders, including communication campaigns on sanitary measures and preventive actions related to phishing and scamming risks in coordination and collaboration with authorities in all jurisdictions where we operate.

Assessment of financial and operations impacts of the pandemic on the Group's activities.

Showcase of greater agility and flexibility for heightened collaboration and efficient decision-making during times of crisis.

PROTECTING OUR PEOPLE

SBM Group's business and resilience rely not only on its strong fundamentals but also on the collective versatility of its people. Our people remain our greatest asset and, during this time of crisis, keeping our teams safe was top priority.

We have:

Enhanced corporate health, hygiene and safety measures to protect our employees and mitigate sanitary risk.

Carried out COVID-19 screening tests and annual staff seasonal flu immunisation program.

Provided online doctor consultation through telephone and social media.

Provided transport facilities for employees working onsite during the lockdown period to prevent risk of contamination.

- Implemented a split strategy, dividing critical departments into sub teams working in different locations to ensure continuity of activities.
- Rolled out a work from home (WFH) plan to reduce staff movement and limit their exposure while minimising impact on customers. Practical guidelines were issued to employees for them to efficiently manage the WFH experience including ensuring confidentiality of information.
- Relocated some staff members to different sites, which is tested on a yearly basis.
- Introduced a rotation system to ensure business continuity.
- Adapted the setup of our branches by installing glass/plexiglass shields as a protective barrier where not already available.
- Re-organised services in line with new priorities and trends while ensuring social distancing.
- Increased the frequency of office cleaning for a hygienic environment.

- Suspended foreign business trips.
- Recommended staff members to avoid personal travels abroad.

- Favoured digital communication, virtual meetings and video conferences.
- Provided online training and virtual sports and wellness classes to maintain the well-being of employees.
- Encouraged sharing of experience by employees coping with the crisis situation.

The commitment shown by the employees of the Group who went beyond their call of duty to attend to customers and deliver an exceptional level of service has been remarkable.

Learn more on our people from our Sustainability Report at pages 12 to 16.

PERSEVERING DURING THE COVID-19 PANDEMIC (CONT'D)

PLAYING AN ESSENTIAL ROLE

We remained by the side of our customers and stakeholders and continued to serve them despite mounting fears as the pandemic led to curfews and lockdowns.

Key initiatives implemented during the pandemic period are described below:

- Relationship managers remained in contact with our customers and customer care centres remained accessible.
- A dedicated hotline was available 24/7 to assist customers.

Customers' card validity period was automatically extended following restrictions on movement which hampered timely card delivery.

- Awareness and communication campaigns were carried out to reorient customers to make greater use of digital channels, with assistance provided for greater adoption.
- SBM easy-pay, an online cashless and contactless payment solution available on SBM's Internet Banking platform and Mobile Banking app, was launched within one week during the lockdown period in Mauritius.

Learn more on our digital approach to doing business from our Sustainability Report at pages 27 to 29.

- Financial support was provided by SBM Bank (Mauritius) Ltd (SBMBM) to economic operators, small and medium enterprises, households and individuals over and above the Bank of Mauritius' COVID-19 Support Programme.
- SBM Bank (India) Limited (SBMBI) proposed relief assistance in line with the financial packages announced by the Government of India and the Reserve Bank of India.
- Banque SBM Madagascar SA (BSBMM) guided and assisted customers through tailored support.
- SBM Bank (Kenya) Limited (SBMBK) provided customers with tailored support measures and government-backed fiscal and monetary schemes.

SBMBM launched a special Financial Assistance Scheme to help Mauritians stranded abroad. The Scheme consisted of a loan package with an exceptional interest rate and repayment term as well as moratorium on capital, available to both SBM and non-SBM customers. Some 400 loans, amounting to MUR 21 million as at December 2020, were disbursed as part of this scheme.

SBMBM worked closely with SBMBI and BSBMM and the respective High Commission and Embassy in India and Madagascar to facilitate access to this financial assistance package.

Streamlined processes to digitalise operations and ensure business continuity.

SUPPORTING COMMUNITIES

As a responsible organisation, SBM Group extended support to vulnerable community members who experienced financial struggles as a result of the crisis.

SBMBM

- Contributed MUR 11.5 million to the COVID-19 Solidarity Fund set up by the Ministry of Finance and Economic Development in Mauritius. Employees also donated to this fund.

SBMBI

- Contributed, along with its employees, to the Prime Minister's Cares Fund, engineered by the Government of India, to provide relief to the poorer masses who were economically affected by the pandemic.
- Partnered with local agencies at Palghar, Maharashtra, India, to fund distribution of food packets and essentials to poor and displaced families in the region during the lockdown period.

Distribution of food by ISKCON Wada and SBMBI

BSBMM

- Contributed to a 'Basket Fund', through the Association Professionnelle des Banques (APB) member of Groupement des Entreprises de Madagascar (GEM), to help more than 100,000 persons directly impacted by the COVID-19 pandemic.

PERSEVERING DURING THE COVID-19 PANDEMIC (CONT'D)

SBMBK

- Donated KES 1 million to Machakos County Government for the county's COVID-19 Relief Fund.
- Donated KES 1 million worth of food to Shining Hope for Communities (SHOFCO) to provide emergency response support to slum communities during the crisis.
- Donated KES 200,000 to New Life Home Trust in Nairobi to help reduce the spread of COVID-19.

(L to R) Mr George Okewa, Director of Community Relations, SHOFCO, Mr Sharad Rao, Board Member of SBMBK and Mr Moezz Mir, CEO, SBMBK

(L to R) H.E Dr Alfred Mutua, Governor of Machakos County, Mr Jotham Mutoka, Deputy CEO and Chief Business Development Officer, SBMBK and Mr Andrew Munyao, Chief Finance Officer, SBMBK

(L to R) Ms Beth Muthui, VP and Head of Consumer Banking, SBMBK and Ms Janet Mutinda, National Director, New Life Home Trust

Learn more on how we continue to give back to the community from our Sustainability Report at pages 17 to 26.

CORPORATE RESILIENCE AND RESPONSIBILITY

At the time of writing, the coronavirus disease continues to spread across the world. The confirmed global COVID-19 cases has exceeded 155 million across 222 countries, with over 3.2 million deaths. The number of confirmed cases registered for the countries where SBM Group is present is: Mauritius - more than 1,200, India - more than 20 million, Madagascar - more than 37,000, and Kenya - more than 160,000. Our employees are working diligently, both onsite and from home, to ensure continuity of business operations.

Despite the downturns caused by the COVID-19 pandemic, our Group has remained resilient, braving the human tragedy that is irrevocably impacting the day to day lives of our customers and communities. We are persevering through collective actions and bold measures implemented to consolidate our fundamentals. SBM Group remains today a solid institution that will continue to operate responsibly and play a major role in partnering with businesses and catering for individual clients.

Learn more about our activities and performance throughout this annual report and our Sustainability Report.

MESSAGE FROM THE LEADERSHIP TEAM

"DESPITE THE CHALLENGES POSED BY THE PANDEMIC, SBMBM HAS MAINTAINED OPERATIONS DURING THE ELEVEN WEEKS LONG LOCKDOWN, DELIVERING THE SAME LEVEL OF SERVICE THAT CUSTOMERS IN MAURITIUS HAVE COME TO EXPECT OF THE SBM BRAND OVER THE PAST FOUR DECADES."

Saying that year 2020 has been disruptive would be an understatement. Indeed, the past year, with the COVID-19 pandemic and its socioeconomic aftermath, has served as a real wake-up call for all businesses, and the banking industry has been no exception. We have had to adapt, overnight, to a "new normal" that has changed the way we carry out our operations and even our interactions with customers.

Nonetheless, the pandemic and the ensuing crisis have also served as an incentive to be even more flexible and adaptable to market conditions. Despite the challenges posed by the pandemic, SBM Bank (Mauritius) Ltd (SBMBM) has maintained operations during the eleven weeks long lockdown, delivering the same level of service that customers in Mauritius have come to expect of the SBM brand over the past four decades.

We have also shown a quick reactivity level by implementing the numerous support schemes initiated by the Bank of Mauritius for individuals and businesses. We have, in addition, designed a special scheme which has been instrumental in financially supporting many of our fellow citizens stranded in various countries around the world. We have even managed to launch products adapted to the particular context such as SBM easy-pay and have continuously encouraged our customers to use our digital channels for their transactions, through regular communications via traditional and digital media, including our own social media pages.

FINANCIAL PERFORMANCE IN 2020

2020 was undeniably a challenging year in terms of performance.

Despite the unfavourable repercussions of the COVID-19 pandemic, SBMBM was able to achieve a growth of 9.7% in its deposits base to MUR 191.1 billion and a considerable increase of 27.1% to MUR 93.3 billion in its investment securities. A marginal increase of 3.5% or MUR 3.7 billion was noted in the gross loans during the year under review.

With the combined effect of low business activities and higher impairment, the Bank managed to publish a net profit figure of MUR 1.5 billion compared to MUR 500 million for the previous financial year with an increased operating income of MUR 8.7 billion for the year. Whilst net interest income and net fee and commission income shrank by 1% and 11% respectively, non-interest income reached MUR 2.9 billion in 2020, representing a 29.1% growth.

SBMBM continues its rigorous cost containment drive resulting in a decrease of MUR 402.8 million in non-interest expense to MUR 3.1 billion for the year under review. This led the Bank to keep its cost to income ratio at 35.3% for 2020 from 42.9% for 2019.

Throughout 2020, the Bank continued to ensure it is an important economic player supporting the SME, retail, and corporate segments in line with the various COVID-related measures announced by the Bank of Mauritius. Management has also proactively reviewed the Bank's portfolios and taken adequate provisions in line with the accounting standards.

Shareholder's equity stood at MUR 19.8 billion, representing a 9.6% increase from MUR 18.1 billion in 2019. With a Capital Adequacy Ratio of 15.9% and a Common Equity Tier 1 capital ratio of 14.3%, SBMBM comfortably met the minimum capital regulatory requirements.

LOOKING AHEAD

With the COVID-19 pandemic still impacting Mauritius and other major markets across the world, 2021 will continue to bring numerous challenges. We therefore need to strengthen our resilience and improve our adaptability to face this adverse situation that will continue to impact many industries for the foreseeable future. SBMBM has already approved the implementation of a three-year strategy map that will underline our operations, at many different levels, to strengthen our position on the market and open the door to new opportunities that will increase our market share across all segments. This strategy map will allow SBMBM to pivot and reboot its plan of action - capitalising on the COVID-19-driven pace of change and innovation, and setting the course for the future.

The most prominent feature of the three-year strategy entails a transformation in the way we perform our duties and run our institution, in a bid to steer the Bank in yet another phase of growth.

Among the other specificities of this three-year strategy are the revamping of all our retail branches - which has already seen the creation of some state-of-the-art branches; technology enhancement and a stronger focus on digitalisation of processes, with the ultimate goal of offering an improved customer journey to our clients, irrespective of market segment.

We shall also focus greatly on strengthening our risk culture across front office and back office; implement a sound and secure KYC practice based on AML/CFT rules and regulations, not only from a regulatory perspective, but also from a commercial one; and enhance capacity-building for our teams.

SBM Bank (Mauritius) Ltd, as a leading banking institution, will contribute largely to the economic recovery through resilience, proximity and innovation. Our history as a banking institution, coupled with the strategic initiatives that we have already started to implement, shows that we have the necessary tools and resources to attain this goal.

Jorge Stock
Officer-in-Charge
SBM Bank (Mauritius) Ltd

MESSAGE FROM THE LEADERSHIP TEAM

"WE WILL BUILD ON OUR FOUNDATIONS AND ON THE SYNERGY WITH THE GROUP'S ENTITIES TO SUPPORT OUR EXISTING CLIENT BASE, DEEPEN MARKET PENETRATION AND LOOK FOR NEW BUSINESS OPPORTUNITIES."

The year 2020 has been challenging on many fronts. Primarily, COVID-19 has engendered, and continues to cause, serious health, social and economic difficulties locally and across the globe.

Conscious of the lingering adverse impact of the pandemic on economic operators, we are, at SBM (NBFC) Holdings Ltd (SBM NBFC), striving to provide services that would help support businesses and individuals, namely through restructuring of facilities as well as adapted financing, investment and insurance solutions. I would like to emphasise that the continuity in service and, indeed, adapting to the new business imperatives have only been made possible by the exceptional commitment and engagement of our employees.

The Management Team of SBM NBFC has also reprioritised our expenditures to ensure that we operate in a lean and cost-efficient manner in view of the uncertainties regarding revenue streams.

FINANCIAL PERFORMANCE IN 2020

On the back of several initiatives, SBM NBFC achieved a robust performance, with profit after tax (PAT) increasing from MUR 124.0 million in 2019 to MUR 144.3 million in 2020. Excluding the Group's strategic investments through NBFC, PAT stood at MUR 72.1 million in 2020 (2019: MUR 60.5 million), corresponding to a strong return on equity of 24%.

These solid results were supported by growth in all major business entities, with SBM Factors Ltd being one of the standout performers with a PAT growth of 40% driven by business development efforts and service excellence. At the same time, we are conscious that the ongoing economic climate has heightened risks in this line of activity. The factoring unit has endeavoured to support cash flow requirements of businesses and has restructured facilities for clients whose revenues have been hit as a result of the COVID-19 pandemic. Moreover, monitoring of payment cycles has been enhanced.

SBM Capital Markets Ltd has recorded a notable increase in assets under management from MUR 9.2 billion in 2019 to MUR 10.7 billion in 2020, underpinned by an increase in client mandates as well as subscriptions in funds, helped by an improving investment performance. Trading activity was also solid, mainly in terms of international equities. In the corporate finance segment, we secured a bond mandate of MUR 2 billion for a Mauritian company and successfully raised MUR 250 million for a regional company via private placement. On the other hand, one sizable project was put on hold during the lockdown period due to adverse market conditions, leading to a decline in overall revenue for this segment.

Despite hampered sales efforts during the lockdown period, business volumes have improved over the year in respect of the insurance agency business fuelled by enhanced synergy with the Mauritius banking operations as well as greater market penetration and operational efficiency.

LOOKING AHEAD

Whilst the outlook remains clouded by significant uncertainty, we will continue to adopt some key principles that will hopefully see us emerge stronger from the crisis going forward. Primarily, we will continue to prioritise the health of our employees, clients and other partners by following official guidelines. We will also look for novel and efficient ways to do business, supported by enhanced technology. Moreover, we will build on our foundations and on the synergy with the Group's entities to support our existing client base, deepen market penetration and look for new business opportunities.

Given the current market conditions where traditional financing channels may become more constrained, and where investment yields have dipped, we are in a strong position to support client needs through alternative financing means, both short term and long term, across debt, equity and hybrid instruments. Our trading and asset management capabilities also give access to a broader range of investment opportunities in line with investors' risk appetite and investment horizon. We also plan to launch our leasing and e-business (payment intermediary) services in 2021.

These initiatives will be supported by further enhancements in terms of customer service, human resource development, operational excellence and risk management, among others.

Overall, despite the persistent difficulties in the operating environment, we expect a healthy growth in business volumes and profitability across all our lines of business, with the overall return on equity for the non-banking financial cluster - excluding Group strategic investments - remaining in the mid to high 20s.

Shailen Sreekeessoon
Chief Executive Officer
SBM (NBFC) Holdings Ltd

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MESSAGE FROM THE LEADERSHIP TEAM

"WITH THE ECONOMY GRADUALLY RESUMING NORMALCY, SBMBI IS POISED TO GROW ITS BUSINESS AND CULTIVATE ITS STRENGTHS TO COMPETE IN AN EFFECTIVE AND MEANINGFUL WAY IN THE INDIAN FINANCIAL LANDSCAPE."

The year 2020 started on an optimistic note for SBM Bank (India) Limited (SBMBI) with the Bank's loan book increasing by 130%, since SBMBI started operations as a Wholly Owned Subsidiary of the SBM Group in 2018, to reach nearly INR 11 billion in December 2019, and income gradually picking pace. We also enhanced our banking offering, which now includes debit card issuance and inward remittance services.

However, towards the end of the first quarter, we faced the global pandemic which was of unprecedented scale. The COVID-19 pandemic brought unexpected challenges as well as nationwide lockdowns and restrictions on travel and business. The Government of India along with the banking regulator, the Reserve Bank of India (RBI), recognised the impact that such measures would have on the economy and announced relief packages such as credit guarantee schemes, subordinated debt, interest and principal moratoriums besides a COVID-19 restructuring package.

The COVID-19 pandemic brought strict restrictions on movement across and within cities hindering business across sectors, causing the Indian economy to contract by 25% in the second quarter of 2020. Immense trepidation was felt in the financial sector regarding opacity in asset quality during the moratorium period and its impact going forward.

SBMBI quickly rose to meet the extreme challenges posed by the pandemic by implementing the relevant protocols to ensure that normal banking services were not impacted. SBMBI's IT security was further strengthened with the enhancement of security features in devices and necessary cyber security features being put in place.

To ascertain uninterrupted connect with our customers, branches were staffed on all working days, and we launched non-face-to-face account opening - through video calls, scan documents, among others - to allow seamless online onboarding of customers. SBMBI also added an unbanked rural centre branch to its network in Palghar, Maharashtra. Business continuity plans were triggered for personnel from the Treasury Department and other critical functions. Necessary back-up infrastructure was put in place to ensure uninterrupted functioning of all departments and data security and recovery.

FINANCIAL PERFORMANCE IN 2020

With the different measures taken, SBMBI overcame the initial setbacks triggered by the pandemic.

The funded loan book grew from INR 11 billion as at 31 December 2019 to INR 24 billion as at 31 December 2020, despite the challenges brought forth by a contracting economy in originating quality business.

Asset quality, which had been a concern at the start of the second quarter, stood assuaged as accounts seeking RBI extended moratorium on interest and/or principal payments reduced from 46% of the portfolio as at 31 May 2020 to 7% as at 30 September 2020. As at 31 December 2020, less than 1% of the loan accounts had sought relief under the COVID-19 restructuring scheme. 58% of SBMBI's total credit exposure (funded and non-funded) was rated A and above. With the addition of quality assets to the portfolio, GNPA (Gross Non-performing Assets) reduced from 12.9% (December 2019) to 4.2% (December 2020), and NNPA (Net Non-performing Assets) improved from 4.3% (December 2019) to 1.1% (December 2020).

The corporate assets book grew from INR 10 billion (December 2019) to INR 22 billion (December 2020). Retail assets also picked up momentum and grew from INR 750 million (December 2019) to INR 2 billion (December 2020). On the liabilities side, deposits from non-bank customers grew from INR 13 billion as at 31 December 2019 to INR 29 billion as at 31 December 2020, with CASA (Current Account Savings Account) ratio moving from 17% to 19%.

Notably, the ramp-up on the retail business side, in both assets and liabilities, was aided by the collaboration initiatives undertaken during the year for the roll-out of co-branded, secured commercial, secured corporate and contactless debit and credit cards. These allowed us access to multiple customer segments to upsell our retail products while also deepening the relationship with our collaborators.

The gross operating revenue of the Bank grew from INR 527 million in 2019 to INR 1.1 billion in 2020.

Despite facing a difficult year with a contracting economy, the Bank was profitable in 2020. Net profits of INR 108 million were realised in the year 2020 compared to the loss of INR 500 million incurred in 2019.

LOOKING AHEAD

With the economy gradually resuming normalcy, SBMBI is poised to grow its business and cultivate its strengths to compete in an effective and meaningful way in the Indian financial landscape. The Bank has been focussing on building its digital capabilities to achieve scale and outreach, including partnering with Fin-Tech players to provide value added services to its customers.

Further, with trade activities picking up, SBMBI can extend its plans to becoming a key player in the Indian Ocean Rim and East Africa region outwards to a more global platform via arrangements with international banks and financial institutions.

The journey ahead is long and arduous but well worth it and I am confident that SBMBI's team is up for the challenge. At SBMBI, we are hopeful that the year 2021 will be an inflection point in our growth story.

Sidharth Rath
Managing Director & Chief Executive Officer
SBM Bank (India) Limited

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MESSAGE FROM THE LEADERSHIP TEAM

"THE LEADERSHIP TEAM OF BSBMM REMAINS COMMITTED TO CREATE A POSITIVE WORK ENVIRONMENT FOR OUR PEOPLE AND TO BUILD A SUSTAINABLE FUTURE FOR THE BANK AND ALL ITS STAKEHOLDERS."

The year 2020 brought surprises that we could never have imagined with the world being faced with multiple threats and challenges. While the global pandemic dominated 2020 and Madagascar faced an uncertain economic outlook, it also suffered from severe droughts in different regions, mostly in the south, and other epidemics. Yet the country and its people have shown strength and resilience by rising up to these challenges with the means that they have.

We, at Banque SBM Madagascar SA (BSBMM), were also able to navigate through the ups and downs of the business journey of 2020 thanks to the collective efforts of our people. We demonstrated that we can persevere, adapt and flourish in the midst of testing times, and this allowed us to emerge stronger as one team and more enthusiastic to move forward.

Similar to many other banking institutions, we reviewed our ''modus operandi'' and revamped our strategy to address the new challenges during the year. In times of uncertainty, we relied on our values and core strengths to develop resilience. We focused our efforts on ensuring the safety and well-being of our people and established an innovative work culture that helped us to make it through the difficulties. We also explored new business opportunities and worked towards increasing our bottom line.

FINANCIAL PERFORMANCE IN 2020

BSBMM posted aggregate revenue of MGA 6.2 billion which came out higher than expected.

Profit after tax increased by 11.6 billion or 270% for the financial year 2020 compared to 2019 mostly as a result of an increase in net interest income by MGA 2.7 billion, representing a rise of 24% compared to 2019. This growth was driven by interest income on advances, which has gone up by MGA 1.2 billion supported by successful recovery initiatives, and interest income from Treasury Bills and placements with the Central Bank amounting to MGA 1.5 billion. BSBMM has also managed its balance sheet effectively by reducing its interest expenses by MGA 215 million on the back of its strategy to review the rates of interest on the Bank's large deposits at maturity. Non-interest income has also increased by MGA 1.4 billion, representing a rise of 31%, with the onboarding of new clients engaged in import activities during the last semester of 2020. Non-interest expenses decreased to MGA 1.4 billion following a reduction in IT expenses and staff costs.

LOOKING AHEAD

2021 and onwards will be the years to strive for a 'culture of excellence' at BSBMM; a philosophy endorsed by our team.

To sustain what we implemented and achieved during the year 2020 and the previous years, we are developing our human resources, by building the competencies and skills of our people, which is essential to enable us to leap ahead in 2021 and achieve our strategic objectives.

From a risk management perspective, we have reflected on the lessons learned from the challenges encountered during the past years and are taking a prudent approach to growing our business. We also aim to minimise reputational risk and will continue to adhere to regulatory requirements and guidelines.

In 2021, we intend to focus on building up a talented and engaged team, improving our processes, diversifying our product offering, enhancing our customer experience and improving BSBMM's financial performance, which should all help transform our Bank in the long run. BSBMM aims to grow into a more influential financial services provider for the corporate segment and consolidate and further develop its business relationship with the large and medium players in the market. Our Sales and Senior Management Teams will be interacting more with our existing and potential customers to better understand their needs and challenges and offer a customised service offering in response. We will introduce performance-related incentive schemes to be more effective in order to boost the overall performance of the Bank.

We will introduce performance-related incentive schemes to be more effective in order to boost the overall performance of the Bank.

We will improve our positioning in the banking industry and our presence in the local business/social circles and on social media to increase our brand awareness and visibility so as to expand our reach to more and more potential customers. On the social front, we are regularly involved in community and humanitarian activities to support and give back to the local society.

Despite the prevailing external uncertainties, the leadership team of BSBMM remains committed to create a positive work environment for our people and to build a sustainable future for the Bank and all its stakeholders.

Youdananda Munian
Officer-in-Charge, Head of Credit Risk & MLRO
Banque SBM Madagascar SA

MESSAGE FROM THE LEADERSHIP TEAM

"OUR STRONG CAPITAL AND ROBUST LEVELS OF LIQUIDITY GAVE US THE FLEXIBILITY TO SERVE OUR CUSTOMERS EFFECTIVELY DURING THEIR TIME OF NEED."

The year 2020 has been an extraordinary year with the challenging COVID-19 pandemic and the banking industry has had to adapt to a new normal of doing business. Our first responsibility during these unprecedented times is the health and safety of our employees and their families, our customers and our partners across the country. Therefore, at the onset of the crisis, being an essential services provider, the management of SBM Bank (Kenya) Limited (SBMBK) took necessary actions to enable our employees and our customers to operate within a safe environment. We implemented a rotation system and provided personal protection equipment to all our staff across our branches and offices, and adopted video conference facilities to engage with our stakeholders, among others.

The pandemic has had an adverse impact on economies, businesses and households across the globe. While we could never have predicted the nature or the extent of the crisis, SBMBK thankfully entered into the pandemic on a sound footing, both operationally and financially. Our strong capital and robust levels of liquidity gave us the flexibility to serve our customers effectively in their times of need.

We have ensured that our customers have access to both SBMBK specific support measures and the Central Bank's COVID-19 emergency measures. We have actively engaged with our customers and provided liquidity solutions through restructuring and extension of credit facilities to support those affected during the pandemic period, whilst also ensuring efficient payments to our partners and suppliers.

FINANCIAL PERFORMANCE IN 2020

SBMBK weathered the COVID-19 storm to deliver a fair performance in spite of the significant market volatility witnessed. Our balance sheet size grew by 9% from KES 72.5 billion in 2019 to KES 79.2 billion in 2020. This growth was attributed to an 11% increase in deposits from non-bank customers from KES 50.5 billion the previous year to KES 56.0 billion in 2020, supported by new relationships and enhanced collaborations with our clients. The Bank also made available the second tranche of moratorium deposits in line with the assumed liabilities of the acquisition of certain assets of Chase Bank Limited (in Receivership). The final tranche of moratorium deposits will be made available in 2021. The year also saw an increase in business volumes as demonstrated by growth in our net loans and advances by 61% from KES 15.5 billion the previous year to KES 25.0 billion in 2020. At the close of the year, the Bank held total investments in Government securities of KES 41 billion, which contributed 65% of the total interest income earned.

The Bank's net interest income increased by 35%, driven by the increased business volumes and improved yields on interest earning assets. The Bank's non-interest income increased by 55%, predominantly driven by increased trade on investment securities and increased earnings from trade in foreign currencies. In an effort to alleviate the impact of COVID-19 on customers and reduce the risk associated with handling of cash, the Central Bank of Kenya instituted a waiver on certain transactional fees charged on mobile banking that was effective as from March 2020.

We have implemented cost containment measures which were initiated in 2020. However, our operating costs have increased from KES 4.4 billion in 2019 to KES 4.8 billion in 2020.

The Bank recorded profit after tax of KES 654 million with the support of its dedicated staff, invaluable customers, business partners and regulators.

LOOKING AHEAD

The effects of the pandemic will still remain a material risk to business operations and economic recovery efforts. However, there have been notable signs of recovery in certain sectors like trade, transport and manufacturing following the easing of lockdown measures and this provides confidence towards a positive outlook for 2021. The financial sector will continue to play an integral role in stabilising the economy by ensuring the free flow of cash in the market.

The COVID-19 social distancing protocols being observed globally has changed how the consumer engages with the Bank. We have seen an increase in demand for our mobile and internet banking platforms, as compared to physical visits to branches. In order to adapt to this change, the Bank has embarked on a journey to upgrade its mobile and internet banking platforms, which will provide increased capacity and transactional features to meet the expectations of the consumers in this "new normal".

We shall continue to provide all the necessary support to our customers who have been impacted by the pandemic and are committed to being their financial partner through this unprecedented journey.

Moezz Mir
Chief Executive Officer
SBM Bank (Kenya) Limited

KILA JAMBO NA WAKATI WAKE.

THERE IS AN OPPORTUNE TIME FOR EVERYTHING.

- Kenyan proverb -

STRATEGY REPORT

INTRODUCTION

The journey through 2020 has been greatly influenced by the outbreak and evolution of the coronavirus pandemic. The operating environment went through significant challenges and changes which made it more important than ever for SBM to rapidly adapt and rethink its strategies.

Over the recent past, SBM has been working assiduously on a strategy to expand its presence in the region - namely India in Asia and Kenya in Africa - whilst consolidating its domestic banking business in Mauritius by, *inter alia*, diversifying its product offering, modernising its operations and building essential capabilities to support its growth.

In response to the unprecedented circumstances facing the Group in March 2020, SBM activated business continuity plans with the primary objective to ensure the provision of essential banking and other financial services to its valued customers across geographies of presence, while at the same time adopting precautionary sanitary measures to ensure the safety of its employees and customers.

As the pandemic hardly showed signs of abatement, and dragged on, SBM went on to design strategies to absorb and mitigate possible risks that it could face ahead. As a result, the main strategic priorities today revolve around going back to the basics and reinforcing the position of the Group in terms of operational performance and financial soundness.

A REVIEW OF THE OPERATING ENVIRONMENT

All sectors of economic activity have been impacted, some more than others. The banking and financial services sector has not been spared either. A return to previous levels of business and profitability hinges, in large part, on the depth and the duration of the pandemic, as well as the extent of credit deterioration that occurs within the banking sector. While credit quality indicators are expected to worsen, they are not likely to reflect the full depth of the decline of credit markets until after the moratoriums on repayment of credit facilities have expired.

Interestingly, new approaches have also emerged out of the turmoil, presenting unique opportunities to innovate and transform the ways of operating and doing business. The pandemic has accelerated digital transformation plans across industries, including the banking and financial services industry where Fintech had already started being disruptive.

Key observations on the macroeconomic situation of the countries where the Group is physically present are summarised below:

	2020 growth estimate (%)	Key observations	2021 growth forecast (%)
Mauritius	**-15.8**	• While the sanitary curfew and lockdown conditions have caused lasting damage to domestic production and consumption, tourism and related sectors of economic activity have been severely impacted by overseas travel restrictions for extended periods of time. Unemployment and inflation face upward pressures. The budget and current account balances are likely to deteriorate as well. • While the banking and financial services sector appeared fairly resilient by end of 2020, the full consequences induced by the pandemic were yet to be felt. Nonetheless, credit growth rates have dulled and NPA ratios have worsened. • A gradual recovery is expected in 2021, supported by unprecedented social, fiscal and monetary measures adopted.	**+6.6**
India	**-8.0**	• India has been grappling with the pandemic since its outbreak. The economy has greatly suffered from the wide spread of the COVID-19 virus, movement restrictions, sudden closure of factories and decline in demand. The services sector has been particularly hit while the primary sector showed resilience. Unemployment and inflation have been trending upwards, and external trade has fallen year-on-year. • Demand for credit initially dropped but started recovering during the second half of 2020 as sentiment improved. However, asset quality is expected to worsen should sources of stress linger/renew. • The recent resurgences in cases of contamination have weakened the road to recovery. Widespread vaccine deployment is expected to improve consumer and business confidence and lead to a rebound.	**+12.5**
Kenya	**-0.1**	• Kenya has not been spared, with the pandemic slowing down economic activities in key sectors of the economy. Moreover, the fiscal outlook has been deteriorating with lower revenue collections and growing borrowing requirements. However, an accommodative monetary policy and a gradual re-opening have supported the economy. • In sync with the economy, the banking sector has recorded weaker profitability, asset quality and capital adequacy metrics which are likely to persist as disruptions in businesses and operations endure. • The economy is expected to recover in 2021, supported by easing of containment measures, increased international travel, pick-up in demand, and on-going public investments in infrastructure projects among others.	**+7.6**
Madagascar	**-4.2**	• The economy has been hit to the extent of pushing more than 1 million people in extreme poverty as a result of job losses, particularly in the informal sector with sudden income losses. Fiscal resources have been depleted and the budget deficit has worsened considerably. The current account has also sustained a deficit balance. • The banking sector has, so far, recorded a mixed performance. While demand for loans and advances remained largely positive, non-performing loans have been trending up leading to increased provisioning. • The economy is projected to recover in 2021. Nonetheless, downside risks are present in the form of prolonged COVID-19 outbreak, longer-lasting disruptions in tourist flows, additional shortfalls in tax revenue, and emergence of social discontent, among others.	**+3.2**

Note: the growth estimates and forecasts have been sourced from IMF publications dated April 2021

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STRATEGY REPORT (CONT'D)

OUR STRATEGY AND VALUE CREATION MODEL

INPUT

Financial Capital
- Share capital
- Reserves
- Debt funding
- Reinvested cash flows

Manufactured Capital
- Building
- Equipment
- IT infrastructure

Human Capital
- Skills and talents
- Values
- Training
- Leadership

Intellectual Capital
- Policies and processes
- Intellectual property: software, patents and copyrights

Social Capital
- Customer service
- Community engagement
- Partnerships with stakeholders

Natural Capital
- Land, water, energy

OUR STRATEGY

CONSOLIDATION
Grow the Group's core local businesses in key geographies of operations

COST OPTIMISATION
Assess cost structures and shape strategies to bring down cost metrics nearer to industry standards

CAPACITY BUILDING
Build capabilities in critical areas demanding attention to support the strategy of the Group

RATIONALISATION
Assess and review performance and strategy of the Group's businesses and investments

OUR PROCESSES

Stakeholder management
- Shareholders, debt holders and investor community
- Suppliers and strategic partners
- Employees and directors
- Customers
- Communities
- Government and regulators

Operations management
- People
- Processes
- Systems

Risk management
- Credit
- Market
- Operational
- Liquidity
- Strategy
- Reputational

OUR SOLUTIONS OFFERING

- Deposits
- Credit
- Cards
- Automated payments
- FX

- Trade finance
- Trading of financial instruments
- Stockbroking
- Factoring

- Bancassurance
- Wealth management
- Custody
- Advisory
- Structured products

OUTPUT / OUTCOMES

OUTPUT	OUTCOMES
Financial Capital • Strong balance sheet • Shareholder returns	• Group Total Assets of **MUR 288.4 Bn** • Group PAT of **MUR 1.0 Bn** • Group ROE of **4.1%** • Group CAR of **20.7%**
Manufactured Capital • Multiple channels of service delivery • Efficient operations	• **103** branches • **177** ATMs • **>3,500 POS** terminals • **>933,000** Internet Banking and Mobile Banking transactions
Human Capital • Multi-skilled and dedicated workforce	• Workforce of **>2,800** dedicated employees • **>78,000** hours of training • Training spend of **> MUR 14 Mn**
Intellectual Capital • SBM brand • Technology-led innovative solutions offering	• Domestic market share of **>20%** • New and innovative products and services launched during the year
Social Capital • Trusted by a growing number of customers • Active corporate citizen	• Customer base of **>750,000** • **>2,600** scholarships granted under CSR to date • CSR spend of **MUR 70 Mn**
Natural Capital • Green and sustainable financing • Efficient use of natural resources	• Reduced water consumption • Reduced energy consumption • Reduced paper consumption

STRATEGY REPORT
(CONT'D)

DELIVERING ON OUR STRATEGY

Consolidation

Consolidation is one of the key pillars of the Group's strategy, earlier focused on the Mauritian banking business and more recently on the Indian and Kenyan markets as well where the Group has strengthened its presence. In the midst of the pandemic, the Group acknowledged the important role it plays to ensure a healthy socio-economic fabric and renewed its commitment to go back to the basics by serving the communities it operates in.

Key initiatives

SBM Bank (Mauritius) Ltd (SBMBM) played on improvement in service offering and customer proximity to consolidate its positioning as the second-largest domestic bank.

SBMBM launched SBM Easy-Pay, an online payment solution, at a time when strict health and safety measures were being applied across the country. The Bank revamped its solutions offering to youngsters, SBM Amigos, with enhanced features including a mobile app to adapt to changes in customer preferences brought about by technology. In the same vein, the Bank implemented an online customer on-boarding solution which automatically signs up the customer to SBM Internet Banking, Mobile Banking, e-statement and debit card by enabling the customer to access online bank account opening forms by scanning a QR code. The Bank is also in the process of rolling out contactless VISA and MasterCard cards. In a bid to provide a seamless online experience to its private wealth clients, the Bank launched an online Private Wealth Client Investment Portal. To support initiatives aiming at digitalising its solutions offering, the Bank enhanced its e-secure platform with additional layers of security.

In a quest to be closer to its customers, SBMBM held open days and forums, particularly targeted at SMEs, where the Bank created awareness on the suite of products and services available to meet their development needs during the last quarter of 2020, once face-to-face contact resumed. Affirming its commitment to serve local entrepreneurs, the Bank reviewed its sales model so as to make its banking services available to SMEs across all its branches in Mauritius and Rodrigues.

Besides strengthening its partnerships with sister companies and external solutions providers to enhance its value proposition, SBM (NBFC) Holdings Ltd ran several awareness and sales campaigns for the lower-risk funds offered, of particular interest to customers within a context of lower-for-longer interest rates.

SBM Bank (Kenya) Limited (SBMBK) leveraged technology and customer experience to strengthen its presence in the market. The Bank sharpened its focus on customer service and made available its contact centre 24 hours a day/365 days a year, on top of regular servicing of customers via its network of 46 branches countrywide. A majority of SBMBK transactions have moved onto its digital channels, Mfukoni Mobile Banking, and its online banking solution, boosted by added efforts to enhance contactless transactions and maintain social distancing post the outbreak of the coronavirus pandemic.

Since its conversion into a Wholly Owned Subsidiary, SBM Bank (India) Limited (SBMBI) has made significant progress to augment its product offering and market reach. This has been achieved via partnerships with rising domestic fintech companies, saving capital expenditure which would otherwise have had to be incurred. This approach to collaborative banking has allowed:

- the instant opening of savings account with a VISA powered debit card equipped with smart card management features which cultivate financial discipline via a system of notifications and reminders [Partner: Finin];
- to launch a goal-based recurring deposit platform with easy online on-boarding and assisted journeys accessible via 1,000,000+ PayNearby retail touch points [Partner: PayNearby];
- the issue of more than 120,000 cards to retail, SMEs and corporates bundled with reward programs and expense management tools with features such as on-the-go control and real-time visibility of transactions [Partners: KODO, Karbon, EnKash, Bank Open, Razorpay, YAP, RuPay, Paisabazaar, Slicepay and Stashfin];
- to offer real-time domestic business-to-consumer (B2C) transfers and cross-border payments and remittances with new corridors and increased frequency [Partners: Mastercard and InstaReM];
- the distribution of life insurance products including protection, health, savings and investment plans to help customers meet their various life-stage requirements with holistic financial planning solutions [Partners: HDFC Life, Bharti Axa Life, Bharti Axa and ICICI Lombard GI and Go Digit GI];
- to launch SBM Private Wealth, a suite of banking solutions to select UHNW customers, including traditional and alternative investments, advice on succession planning, wealth management, investments advisory, family office, estate planning, airport lounge access across the globe, brand offers, signature experiences such as personal concierge among others, as a result of collaboration with the best partners in the domain.

Late last year, SBMBI also launched a first-of-its-kind container branch in the vicinity of the ISKCON Gowardhan Eco village at Palghar, Maharashtra. Conceptualised in a shipping container, the branch is equipped with all essential amenities of a full-service branch.

STRATEGY REPORT (CONT'D)

Cost Optimisation

The Group and its subsidiaries have been consolidating their core businesses but have, simultaneously, been striving to do so by reviewing and optimising their cost structures. Cost optimisation has thus been at the centre of the Group's efforts to maintain a healthy financial performance, particularly given the uncertainties surrounding revenue generation as a result of reduced economic activity as well as exceptional measures of support such as repayment moratoriums in the context of COVID-19.

Key initiatives

- Policies and procurement practices have been reviewed to allow for
  - sourcing of services in a more cost efficient manner; and
  - better negotiation of prices from buying at bulk as a Group, particularly with regard to IT and systems related spending.
- Initiatives and projects have been re-assessed and re-prioritised to adapt to the current context, pushing expenses that can wait for better times.
- Greater adoption of social media for digital marketing and branding purposes.

As a result of better cost management, operating expenses were well contained and the overall cost to income ratio improved from 63.4% in 2019 to 54.8% in 2020.

Rationalisation

Cost optimisation efforts have been sustained in a more holistic manner with rationalisation initiatives. The Group has shown determination to reassess its activities and operations in light of the potential impact of the COVID-19 pandemic on its businesses.

Key initiatives

SBM Holdings Ltd (SBMH) decided to cease operations in the Seychelles in the face of a challenging context entailed by the pandemic. SBM Bank (Seychelles) Limited (SBMBS) surrendered its license to the Central Bank of Seychelles in December 2020 following completion of administrative procedures to finalise its closure. *A priori*, SBMBS repaid all its depositors, transferred its loan portfolio to other local banks and provided a compensation package to its employees to the satisfaction of relevant authorities.

SBMBK conducted a review of the distribution of its branch network with the aim to rationalise presence while maintaining client proximity and provision of services in line with current and potential client activity. As a result, SBMBK closed 5 branches in November 2020. At the same time, it assured customers in those 5 branches uninterrupted service through other flagship branches and alternative channels such as cards, Mobile Banking, Internet Banking, and Agency Banking among others.

Capacity Building

Operating in a very dynamic environment which is heavily influenced by disruptive technology-led advancements and evolving macroeconomic conditions, the Group believes in continuous capacity building. Capacity building has been carried out by the different entities of the Group in various forms including recruitment of essential resources to meet the needs of the business and provision of training to meet skills development needs.

Key initiatives

SBM conducted a group-wide training programme, enabled by technology, where employees from the different subsidiaries were able to participate and bond together, despite the geographical differences and travel bans in place. These training covered strategy-related concepts including development of the strategy, translation of the strategy, alignment of the organisation, planning operations, monitoring strategy, and learning, testing and adapting the strategy.

At individual subsidiary level, organisation-wide awareness campaigns were held on products, service excellence, AML, compliance, cyber security, and fraud among others.

At individual employee level, adapted training, both in-house and external, were provided based on training needs analyses conducted.

Systems upgrades and enhancements have been pursued to solidify and facilitate IT security, AML and compliance, work flows, customer relationship management, and risk management among others.

SBMBM strengthened the management team with the appointment of Mr Jorge Stock as Chief Operating Officer in February 2020. Mr Stock was later appointed as Officer-in-charge in the functional role of Chief Executive (CE) of SBMBM in November 2020 following the resignation of the previous CE.

SBM NBFC appointed Mr Shailen Sreekeessoon as CE in July 2020.

The Group welcomed new directors on its Board. Further details can be found in the Corporate Governance Report at pages 62 to 65.

IF I HAVE THE BELIEF THAT I CAN DO IT, I SHALL SURELY ACQUIRE THE CAPACITY TO DO IT EVEN IF I MAY NOT HAVE IT AT THE BEGINNING.

- Mahatma Gandhi -

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

The Board of SBM Holdings Ltd (the Board) has always acknowledged the importance of good corporate governance and the role that it plays in supporting the long-term prosperity of its business. By ensuring good governance standards, the Board aims to create value for all its stakeholders by ensuring that SBM Holdings Ltd (SBMH) and its subsidiaries (collectively referred to as the Group or SBM Group) adhere to proper governance rules, practices and processes across geographies they operate.

PRINCIPLE ONE – GOVERNANCE STRUCTURE

SBMH is a public company listed on the Official Market of the Stock Exchange of Mauritius (SEM) since 03 October 2014 following a restructuring exercise of the Group approved by the Bank of Mauritius (BOM) under section S32A of the Banking Act 2004. Prior to this, the State Bank of Mauritius Ltd (now SBM Bank (Mauritius) Ltd), was the holding company, being listed since 1995. SBMH is a public interest entity as defined by the Financial Reporting Act 2004.

Corporate Governance Framework

Corporate governance is a collection of rules, practices and processes by which an organisation is structured and operates. It essentially involves balancing the interests of a company's stakeholders such as shareholders, employees, customers, government, regulators, suppliers, and the community. Since corporate governance also provides a framework for attaining the company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

Our Approach to Corporate Governance

Good governance is key to the Group's ability to deliver on its purpose and strategy.

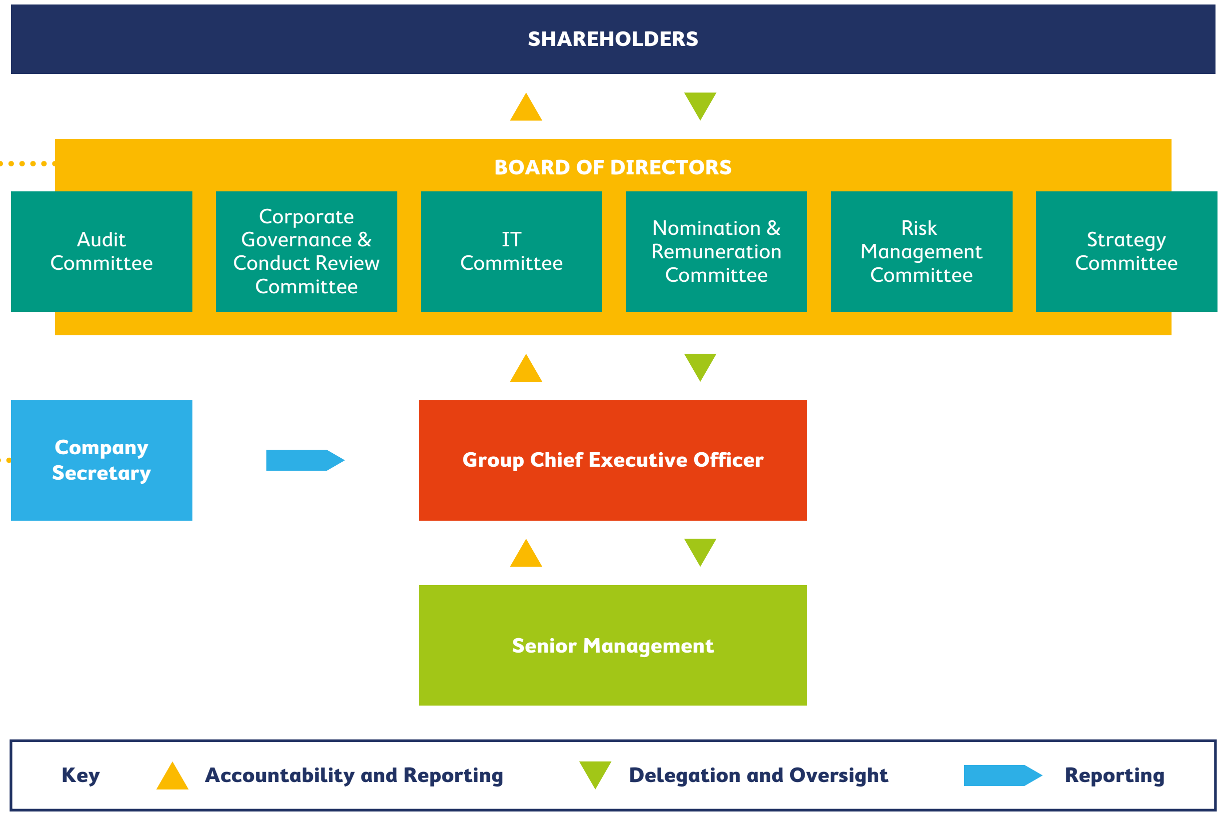
We are led by the firm belief that good corporate governance drives a set of desirable ethical values and shapes a culture that enhances long-term shareholder value.

Our governance structure is designed to ensure that decisions are taken at the appropriate authority level with the proper level of oversight. The Board is committed to protecting and enhancing the interests of its stakeholders by endorsing transparent business practices.

The Group operates within a clearly defined governance framework that promotes fairness, accountability and transparency. The Group's corporate culture is anchored on: (a) competent leadership, (b) effective internal controls, (c) a strong risk culture, and (d) accountability to shareholders. The internal controls cover financial, operational, compliance, technology, as well as risk management policies and systems.

The following diagram illustrates the main corporate governance practices at SBMH.

Organisational and Governance Structure



CORPORATE GOVERNANCE REPORT (CONT'D)

BOARD OF DIRECTORS

MR SATTAR HAJEE ABDOULA

Independent Non-Executive Chairman

Appointed:
11 March 2020

Fellow of the Institute of Chartered Accountants in England and Wales (FCA, ICAEW)

Background and Experience

Mr Hajee Abdoula is a seasoned Chartered Accountant and one of the leading insolvency practitioners in Mauritius. Well known for being an innovative and strategic thinker, his expertise is sought after by many large companies in various sectors, both locally and internationally. He has also been an advisor for the Government of Ghana to determine the framework for the creation of the Ghana International Financial Services Centre. He has been involved in the global business sector for many years, serving both as a Board Member and advisor on structuring and tax matters on several occasions. He is a Member of the Mauritius Institute of Professional Accountants and INSOL International, an international association of restructuring and insolvency professionals. He holds an Auditor's Licence from the Financial Reporting Council of Mauritius, an Insolvency Practitioner's Licence of Mauritius, and the ICAEW Insolvency and Practicing Licences. He has been a Non-Executive Director and Chairman of Audit Committee of a UK FTSE 100 company at the time of its listing on the UK Stock Exchange.

Directorship in Other Entities

Banque SBM Madagascar SA (Chairman), SBM Africa Holdings Ltd, SBM Bank (India) Limited, SBM Bank (Kenya) Limited (Chairman), SBM Bank (Seychelles) Limited (Chairman) – *in process of winding up*, SBM Capital Markets Ltd (Chairman), SBM eBusiness Ltd (Chairman), SBM Factors Ltd (Chairman), SBM Leasing Co. Ltd (Chairman), SBM (NBFC) Holdings Ltd (Chairman), SBM 3S Ltd (Chairman) and various Boards of local/global business/foreign entities.

MR JEAN PAUL EMMANUEL AROUFF

Non-Executive Director

Appointed:
11 March 2020

Masters in Journalism, Ecole Supérieure de Journalisme de Paris

Background and Experience

Mr Arouff is currently the Senior Advisor and Director of Strategy at the Ministry of Finance. He has over 20 years of experience in journalism, specialised in reviewing economic and financial markets. He was previously the Editor-in-Chief of Business Magazine, a leading economic news publication in the region, and acted as the country correspondent for the international news agency Reuters on economic and financial matters. In January 2020, he was appointed as Senior Advisor and Director of Communications at the Prime Minister's Office.

Directorship in Other Entities

Landscope (Mauritius) Ltd, SBM (Bank) Holdings Ltd, SBM Bank (Mauritius) Ltd and SBM (NFC) Holdings Ltd.

MS SHAKILLA BIBI JHUNGEER

Independent Non-Executive Director

Appointed:
13 March 2020

Masters in International Law and Criminal Justice, University of East London
Bachelor of Laws (LLB), Buckinghamshire Chilterns University College

Background and Experience

Ms Jhungeer is a barrister. She attended the Bar Vocational Course (BVC) at the College of Law, London from 2009 to 2010 and was called to the Bar at Lincoln's Inn on 14 October 2010 and to the Mauritius Bar Association on 20 January 2012. She has previously served as Board Member of the Independent Commission Against Corruption (ICAC) from February 2015 till October 2019. She also sits on the council of SBM "Women On The Move", a platform designed to promote women empowerment across all subsidiaries of SBM Group.

Directorship in Other Entities

Air Mauritius Ltd, SBM (Bank) Holdings Ltd, SBM (NBFC) Holdings Ltd, SBM 3S Ltd and State Insurance Company of Mauritius Ltd.

MR VARUN KRISHN MUNOOSINGH

Non-Executive Director

Appointed:
13 August 2020

Masters Degree in Economics, University of Mauritius
Bachelor Degree in Economics & Finance, University of Mauritius

Background and Experience

Mr Munoosingh is an Assistant Permanent Secretary (APS) at the Prime Minister's Office, position which he holds since November 2017. He started his professional journey in the Civil Service in 2015 as a Civil Status Officer before joining the Ministry of Defence and Rodrigues as APS. He was previously a Board Member of the Road Development Authority and the Fishermen Welfare Fund Board. He is a highly versatile and results-driven individual, showing keen interest and passion in Public Policy-Making and Administration.

Directorship in Other Entities

None.

CORPORATE GOVERNANCE REPORT (CONT'D)

BOARD OF DIRECTORS

MR ROODESH MUTTYLALL

Independent Non-Executive Director

Appointed:
30 June 2015

Fellow of The Association of Chartered Certified Accountants, UK (FCCA)
Fellow of The Chartered Governance Institute, UK (FCIS)
Chartered Financial Analyst, USA (CFA)

Background and Experience

Mr Muttylall is the Head of Corporate Finance and also the Company Secretary of a listed entity in Mauritius. He was formerly the Chief Finance Executive of a group operating in the hospitality sector. As an ambitious and dynamic person, he has a rich career path which dates back to 1998. He has held various senior positions such as Financial Controller in a Global Business Company and similar roles in the tourism sector. He also worked for SBM Group from 2000 to 2001. He is also a Member of the Mauritius Institute of Professional Accountants and Fellow Member of the Mauritius Institute of Directors.

Directorship in Other Entities

Banque SBM Madagascar SA, SBM (Bank) Holdings Ltd, SBM Bank (Mauritius) Ltd and University of Technology, Mauritius.

MS SHARON RAMDENEE

Independent Non-Executive Director

Appointed:
14 December 2018

PhD Business & Management (current reading)
MBA (with distinction) specialising in Strategy and Marketing, Warwick Business School, UK
Fellow of The Institute of Chartered Accountants in England & Wales (FCA, ICAEW)
Bachelor Degree in Law and Business, University of Warwick, UK

Background and Experience

Ms. Ramdenee is currently the CEO of Agiliss Ltd, one of the leading fast-moving consumer goods companies operating in Mauritius, and also in the region. In Mauritius, Ms. Ramdenee previously held the role of Finance Director of Saint Aubin Group, having also held a commercial and business development role in the organisation. In the UK, she worked for Ernst & Young LLP with a portfolio of high-profile clients located both in United Kingdom and internationally. She qualified as a Chartered Accountant with Ernst & Young London.

Directorship in Other Entities

Agiliss Ltd, SBM Bank (Seychelles) Limited – *in process of winding up* and SBM (NFC) Holdings Ltd.

MR VISVANADEN SOONDRAM

Non-Executive Director

Appointed:
11 March 2020

Fellow of The Association of Chartered Certified Accountants, UK (FCCA)

Background and Experience

Mr Soondram is currently the Deputy Financial Secretary at the Ministry of Finance, Economic Planning and Development. Throughout his rich career, he has held several key positions within that same Ministry.

Directorship in Other Entities

SBM (Bank) Holdings Ltd and SBM Bank (Mauritius) Ltd.

MR SUBHAS THECKA

Independent Non-Executive Director

Appointed:
23 June 2017

Fellow of The Association of Chartered Certified Accountants, UK (FCCA)
Master of Business Administration, Glasgow Caledonian University, Scotland
Graduate Diploma in Marketing, CIM, UK
Diploma in International Marketing, University of Mauritius

Background and Experience

Mr Thecka is a Senior Lecturer at the Charles Telfair Institute since 2006 where he teaches accounting and finance and is also a Member of the Mauritius Institute of Professional Accountants (MIPA). He has worked for 20 years at the management level in different sectors and 16 years as Lecturer at tertiary level.

Directorship in Other Entities

SBM Bank (Seychelles) Limited – *in process of winding up*.

CORPORATE GOVERNANCE REPORT (CONT'D)

THE ROLE OF THE BOARD OF DIRECTORS

The Board provides leadership and strategic guidance for execution by the Senior Management Team so as to safeguard stakeholders value creation within a framework of prudent and effective internal controls. The Board directly and indirectly through its Committees, leads and provides direction to the Senior Management Team by setting out the strategy for the Group and overseeing the strategic execution. The Board also monitors the Group's operating and financial performance, reviews the Group's policies, and ensures that effective governance, internal control and risk management systems are in place. Another key function of the Board is to implement the Group's succession planning for its Directors and Senior Management Team.

Compliance with The National Code of Corporate Governance for Mauritius (2016)

The Board acknowledges its responsibility to apply and implement the principles contained in The National Code of Corporate Governance for Mauritius (2016) (the Code). For the year 2020, the Board confirms that it has applied all the requirements and provisions of the Code and where appropriate, adopted the recommended best practices as stipulated in the Code, except for Principle Two. Reasons for non-application is due to absence of Executive Directors on the Board.

Governance during the COVID-19 Pandemic

The Group is presently operating within a changing environment amidst the global pandemic and the constant evolution and challenges occurring in the financial marketplace. Since the outbreak, the Board has adapted and responded quickly to the coronavirus pandemic and is continuously assessing associated risks and opportunities, under the guidance of its internal and external advisers as and when required.

At the SBM Group, the Board of Directors and Management Teams of all subsidiary entities continued to work tirelessly, albeit remotely, leveraging technology. The Board's primary focus has been the health and safety of its staff and its stakeholders, besides the continuous and uninterrupted provision of essential banking and other financial services to its customers during testing times. SBMH's robust governance framework allows the Board to maintain on-going and effective oversight over the impacts of the pandemic as they continue to unfold post lockdown. Further details on how the Group persevered during the COVID-19 pandemic are provided in the Annual Report.

KEY GOVERNANCE POSITIONS

The Chairman and the Group Chief Executive Officer (Group CEO) are collectively responsible for the leadership of the Group and for promoting the highest standards of integrity and probity. In line with best practice, there is a clear demarcation of responsibilities between the Chairman (who is responsible for the leadership and effectiveness of the Board) and the Group CEO (who is responsible for managing the Company's business) to ensure that there is a proper balance of power and authority and that no individual has unfettered powers of decision and control.

Mr Sattar Hajee Abdoula is the Chairman of the Board of SBMH. He ensures that the Board comprises a majority of Independent Non-Executive Directors who objectively challenge the Senior Management Team and also ascertains that appropriate decisions are taken to ensure continuity at the Board level. He maintains a calm, collaborative and respectful atmosphere when running Board/Committee meetings and fosters an environment where all the Directors are given the opportunity to contribute to the discussions.

The Board is in the process of recruiting a Group CEO following the retirement of Mr Andrew Bainbridge (former Group CEO) in August 2019. The initial agreement reached with Mr Andrew Bainbridge to provide limited scope consultancy services in the field of banking, finance, credit risk and strategy has lapsed on 31 August 2020. In order to solidify the current Senior Management Team, the Board created the position of Deputy Group Chief Executive Officer (Deputy Group CEO). Mr Roshan Boodhoo joined SBMH as the Deputy Group CEO on 08 March 2021.

The key governance positions and roles, which are set out in the table on the next page, have been approved by the Board and are critical to ensure the Board's performance towards the Group's strategy and achievement of a high level of good governance.

CORPORATE GOVERNANCE REPORT (CONT'D)

Chairman *Mr Sattar Hajee Abdoula*	• Provides leadership and governance to the Board so as to create conducive environment and conditions as well as effective performance delivery by the overall Board; • Ensures that all key issues are discussed by the Board in a timely manner; • Chairs all Board Meetings and ensures that the Board as a whole plays a full and constructive part in the formulation of the Group's strategy and policies, and that the decisions taken by the Board are in the Group's best interests and fairly reflect a consensus reached by the Board; • Ensures that the strategy and policies agreed by the Board are effectively implemented by the Group CEO and the Senior Management Team; • Sets the Board Meeting schedules and agendas, in consultation with the Group CEO and the Company Secretary, to take full account of the important issues facing the Group and the concerns of all Directors. He also ensures that adequate time is allocated for thorough discussion of critical and strategic matters; • Arranges informal meetings of the Directors at least once annually including meetings amongst the Non-Executive Directors during which the Group CEO is not present, and ensures that sufficient time and consideration is given to complex, contentious or sensitive issues; • Is also responsible for the induction of new Directors and their continuing development, as well as Board Evaluations (with the assistance of the Board and through the Corporate Governance & Conduct Review Committee) and succession planning (through the Nomination & Remuneration Committee).
Group CEO *The Board is in process of recruiting a Group CEO*	• Will be responsible for promoting and conducting the affairs of the Group with the highest standards of integrity, probity and corporate governance, in accordance with the strategy and within the budgets approved by the Board; • Will act as a liaison person between the Board and the Senior Management Team; • Will develop and propose the Group's strategies and policies for the Board's consideration; • Will implement, with the support of the Senior Management Team, the strategies and policies as approved by the Board and its Committees in pursuit of the Group's objectives; • Will maintain regular dialogue with the Chairman on critical and strategic issues facing the Group, and will ensure that these issues are brought to the Board's attention; • Will assess the principal risks of the Group and ensure that they are being monitored and managed and will also ensure that the Group has a sound internal control system; • Will chair the Executive Committees with a view of ensuring that the Senior Management Team pursues and achieves the objectives of the Group as approved by the Board.
Directors *The Board of SBMH comprises eight Directors*	• Promote the success of the Group; • Analyse and monitor the performance of the Senior Management Team against the objectives set and ensure that the Group has adequate and proper internal controls as well as a robust risk management system; • Participate actively in the Board's/Committees' decision-making, exercise independent judgement, and bring valuable knowledge and experience to the Board; • Exercise reasonable care, skills and diligence in discharging their duties.
Group Chief Financial Officer (Group CFO) *Mr Sivakrisna Goinden (Financial Controller) has been assigned some of the duties of the Group CFO*	• Will provide leadership and direction, with particular focus in the fields of strategy, finance and accounting; • Will manage the processes for financial forecasting and budgets and oversee the preparation of all financial reporting in addition to tax related matters; • Will also advise on long-term strategy, business and financial planning.
Company Secretary *Mrs Dayawantee Ramjug Chumun is the Company Secretary of SBMH*	• Is responsible for the efficient administration of the Group, particularly with regards to ensuring compliance with statutory and regulatory requirements; • Provides guidance to the Board in respect of its duties, responsibilities, and powers in line with all applicable laws and regulations; • Arranges meetings of the Shareholders and the Directors and ensures that minutes of all these meetings are properly recorded in accordance with paragraph 8 of the Fifth Schedule and paragraph 6 of the Eighth Schedule of The Mauritius Companies Act 2001 (the Act); • Ensures that all statutory registers are properly maintained and certifies in the annual financial statements of the Company that all returns as required under the Act have been filed with the Registrar; • Ensures that a copy of the annual financial statements and, where applicable, the annual report are sent in accordance with sections 219 and 220 to every person entitled to such statements or report as per the Act.

BOARD CHARTER AND CODE OF ETHICS

The Board has approved the following key guiding documents and policies, which are available for consultation on the Group's website:

Code of Ethics and Business Conduct (COE)

The main objective of SBMH is to achieve long term growth and sustainability through great service provision and high ethical behaviours. The purpose of the COE is to guide appropriate behaviour to meet this objective and a number of organisational goals, both internally and externally.

Board Charter

The aim of the Board is to adopt practices that are consistent with the principles of good corporate governance and best practice recommendations.

The key guiding documents are reviewed at regular intervals to keep abreast of the developments in law, regulations and governance best practices. Any change proposed is approved by the Board through the Corporate Governance & Conduct Review Committee (CG & CR Committee).

The Board has also approved a statement of accountabilities.

LEADERSHIP TEAM

The Board ensures that the Group has the right Leadership Team to execute the strategy and achieve the objectives of the Group.

SBM Group has a diverse and experienced Senior Management Team that comprises the Deputy Group CEO, the Head of Project Implementation and Capital Planning, the Financial Controller and the Chief Executive Officer (CEO) of each operating subsidiary entity, who effectively collaborate to achieve the strategy and objectives that contribute to the overall success of the Group.

CORPORATE GOVERNANCE REPORT (CONT'D)

Below is the profile of the Senior Management Team of SBM Group:

SBM HOLDINGS LTD

MR ROSHAN BOODHOO

Deputy Group Chief Executive Officer

Appointed:
08 March 2021

Master of Arts in Finance and Investment, The University of Nottingham, UK
Executive Master of Business Administration (Finance), Institute of Business Management, India
Bachelor in Banking and International Finance, University of Technology, Mauritius
Fellow of the International Compliance Association
Fellow of the Institute of Management Specialists
Fellow Chartered Financial Manager

Background and Experience

Prior to joining SBM Group, Mr Boodhoo was the Group CEO of Alliance Financial Services Ltd since 2009, a company having operations in Mauritius, Luxembourg, London, Dubai, Cape Town and Shanghai; and whereby most of their foreign operations had been established under his leadership. Mr Boodhoo started his career in the corporate finance and credit finance department of an international bank in Mauritius. He has since occupied high profile positions such as Director for entities in the financial and non-financial services sectors, as well as act as consultant with emphasis on estate and wealth planning. As a business-savvy individual, he has earned the reputation of a fast thinker and a highly motivated and focused leader who thrives in a fast-paced environment.

SBM HOLDINGS LTD

MR KABIRSINGH (KAVI) BABOOLALL

Head of Project Implementation and Capital Management

Appointed:
10 August 2017

Fellow of The Institute of Chartered Accountants in England and Wales (FCA, ICAEW)
Bachelor Degree in Accounting and Finance, University of Warwick, UK

Mr Baboolall is a finance professional with a career spanning almost 18 years. He has led the overseas expansion of the SBM Group in Kenya and India. He gained extensive exposure in the UK investment banking sector with HSBC and has run his own company, through which he advised and managed projects for two European investment banks: Royal Bank of Scotland and UBS. Afterwards, he relocated to Mauritius. Mr Baboolall serves as Director in several entities of SBM Group. He is also a Councillor on the SBM Foundation, which is the CSR arm of SBM Group.

SBM HOLDINGS LTD

MR SIVAKRISNA (KOVI) GOINDEN

Financial Controller

Appointed:
01 September 2017

Fellow of The Association of Chartered Certified Accountants, UK (FCCA)
Post Graduate Diploma in Business Administration, Herriot Watt University, UK

Mr Goinden is a seasoned professional with more than 18 years of experience in the finance and accounting field, out of which nearly 14 years have been spent in the banking sector. He currently oversees the finance and procurement functions of different entities across SBM Group as well as the Strategy and Research department of SBMH. He was actively involved in the acquisition of the ex-Fidelity Commercial Bank Limited in 2017 as well as the acquisition of the carved-out assets and liabilities of the Chase Bank (Kenya) Limited (In Receivership) in 2018. He was also involved in the successful implementation of the Wholly Owned Subsidiary (WOS) project in India in 2018.

SBM BANK (MAURITIUS) LTD

MR LUIS JORGE STOCK

Officer-in-Charge

Appointed:
16 November 2020

Post Graduate Diploma in Financial Technology and Financial Innovation, Saïd Business School, University of Oxford, UK
Bachelor Degree in Economics & French, Anglia Ruskin University, Cambridge, UK

Background and Experience

Mr Stock is currently the Officer-in-Charge, in the functional role of Chief Executive Officer, of SBMBM. He is a dynamic professional who has 25 years of experience in the banking sector. He held managerial positions in banks where he led his teams on important projects. He was previously the CEO at First Capital Bank S.A. Mozambique and has occupied senior roles such as Executive Director, Head of Organisation, Head of Global Marketing, Retail and Corporate Banking in various countries like Mozambique, Angola, Portugal and Switzerland.

SBM (NBFC) HOLDINGS LTD

MR SHAILENDRASINGH (SHAILEN) SREEKEESSOON

Chief Executive Officer

Appointed:
01 July 2020

Fellow of The Association of Chartered Certified Accountants, UK (FCCA)
Masters Degree in Finance and Economics, London School of Economics and Political Science
Bachelor Degree in Economics, London School of Economics and Political Science

Mr Sreekeessoon has over 20 years of experience in the business and financial sectors in Mauritius, including more than 10 years at senior management level. His experience includes marketing and economic research, strategy, strategic communications, programme management, commercial and investment banking and SME financing. Formerly the Head of Strategy and Research, he joined the non-banking cluster of SBM Group in July 2019. He is a Member of the Board of Directors of several entities across the Group.

SBM BANK (INDIA) LIMITED

MR SIDHARTH RATH

Managing Director and Chief Executive Officer

Appointed:
12 November 2018

Post Graduate Diploma in Management, Xavier Institute of Management, Bhubaneswar, Odisha, India
B.Com (Hons) Accountancy & Management, from Berhampur University, Odisha, India

Mr Rath is a professional who has over 28 years of experience in the financial sector. He was previously the Group Executive and Head of Corporate, Transaction and International Banking of Axis Bank. He has headed multiple businesses and product groups which include client coverage and relationship for corporates, financial institutions and governments, global markets, asset-liability management, trade & transaction banking and capital markets. He was instrumental in setting up corporate and project advisory services, capital markets and investment banking and asset management businesses for Axis Bank. He was a member of the Securities Exchange Board of India, Corporate Bonds and Securitisation Advisory Committee (CoBoSAC), Member of the Advisory Board of the National Securities Clearing Corporation Ltd (NSCCL) and Director on the Board of Swift India Ltd.

CORPORATE GOVERNANCE REPORT (CONT'D)

BANQUE SBM MADAGASCAR SA

MR YOUDANANDA MUNIAN

Officer-in-Charge

Appointed:
01 October 2020

Advanced Diploma in Accounting and Finance, The Institute of Commercial Management, UK

Background and Experience

Mr Munian has a long career in the banking sector, having held several roles within SBM Group prior to his appointment in Madagascar where he is also Head of Credit, Money Laundering Report Officer (Level 2), Risk Officer and Coordinator for the desk of Private Banking and International Banking of SBMBM and cross-selling champion for Banque SBM Madagascar SA (BSBMM). Given his role, he has been actively involved in the formulation, review and implementation of the Bank's strategy.

SBM BANK (KENYA) LIMITED

MR MOEZZ MIR

Chief Executive Officer

Appointed:
01 October 2018

Bachelor Degree in Economics, Kingston University, London
HND in Business and Finance, Middlesex University, London

Mr Mir is a highly experienced corporate and investment banker. He is known for being a commercially focused and results-oriented individual whose endeavour, driven by his entrepreneurial spirit, leads to business turnaround, strategy formulation and execution. He has held a number of executive level positions including serving as Managing Director within leading financial institutions, especially in the East African region. He is responsible for the overall operations of the 46 branches of SBMBK in his capacity as CEO.

**Of note that SBM Bank (Seychelles) Limited had surrendered its banking licence to the Central Bank of Seychelles on 18 December 2020 and is in process of closing down.*

PRINCIPLE TWO – THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

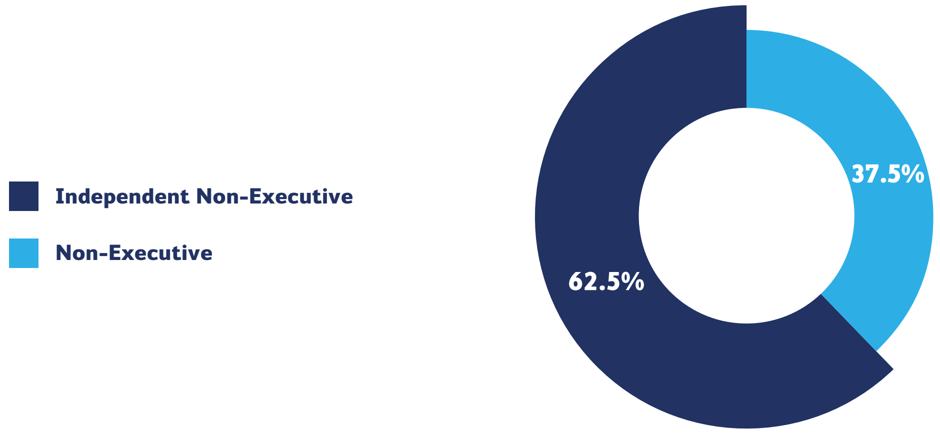
The Board guides the success of a Company by steering the overall corporate direction, setting policies, choosing Senior Executives and ensuring that major decisions taken are ethical and prudent. The Board undertakes to work towards the vision and mission of the Company and ensures that this philosophy is upheld across the organisation.

SBMH has a unitary Board of eight Directors, consisting of five (including the Chairman) Independent Non-Executive Directors and three Non-Executive Directors. As per the Section 14.1 of the Constitution of the Company, "The number of Directors shall not be less than seven (7) nor more than Eleven (11)"

The Board acknowledges that Principle Two of the Code requires that "All Boards should consider having a strong executive management presence with at least two Executives as Members." The recruitment of the required Senior Executives of SBMH is in process.

The Board was reconstituted in March 2020 and subsequent changes were brought at the last Annual Meeting of Shareholders held in July 2020. The profiles of the Directors are disclosed under Principle One. A sufficient number of Directors do not have any relationship with the organisation and with the majority shareholder. All the Directors reside in Mauritius.

Board Balance



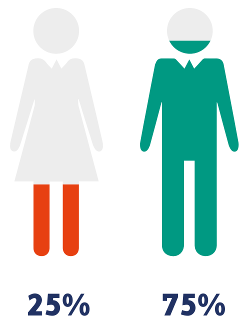
Board Diversity

Diversity of Board Members is important to ensure that the Board has the necessary professional background, skills and diversity of thought and perspectives to optimise the decision-making process. Diversity and inclusion are key considerations in the SBMH Board selection processes. When recommending new directors to the Board, the Nomination & Remuneration Committee (REMCO) has regard to the balance of skills, knowledge and experience required for the Board and its Committees to operate effectively. SBMH also acknowledges the requirement for gender representation on its Board of Directors.

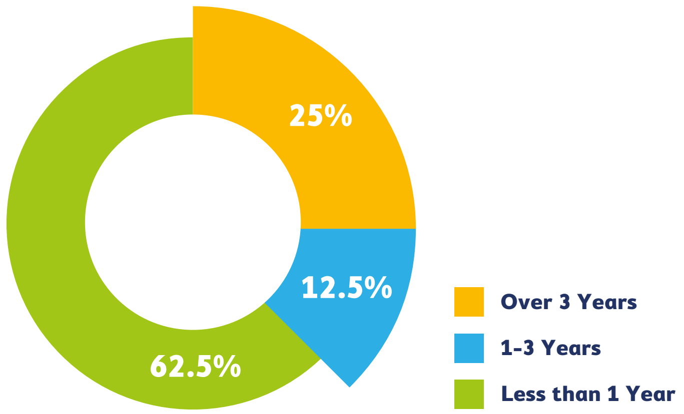
CORPORATE GOVERNANCE REPORT (CONT'D)

The charts below provide an overview of the current structure of the Board of SBMH.

Gender



Non-Executive Directors Tenure



Board Skills And Experience

(Number of board members with experience)

Public Administration	2	Accounting and Audit	4	Economics	3	Finance	7
Services	1	Legal	1	Others	6		

Age Group

< 30	1	30 to 40	2	41 to 50	2
51 to 60	2	> 60	1		

Powers of the Board

The Board plays a central role in the strategic guidance of the Company and the Group as well as in supervising the overall business activities. It has powers to guide the overall administration and can make direct intervention in major decisions required for the proper conduct of business.

The objectives of the Board are to work in unity with the Senior Management Team so as to create stakeholders' value and ensure long-term sustainability of the Group. Senior Executives are expected to deliver on agreed performance targets aligned to the organisation's strategy and to act in the best interests of the Group and its stakeholders. The role and responsibilities of the Board are set out in the Board Charter.

The Board acknowledges that it should be of sufficient size to meet the requirements of the business and the criteria for determining the sufficiency include, among others, the following: (a) the size of the Group, (b) each operating entity having a strong Board and Senior Management Team and (c) the activities of each operating entity being subject to its respective regulatory requirements. The Board is aware of its fiduciary duties and ensures that SBMH adheres to all relevant rules and legislations in force in all the countries where it operates.

Board Meetings

In line with good corporate governance, the annual Board calendar is worked out by the Company Secretary at the beginning of each financial year (FY). Once finalised, in consultation with the Chairman of the Board and the Group CEO, the annual calendar is then communicated to the Directors and the Senior Management Team.

The Chairman of the Board sets, in consultation with the Group CEO and the Company Secretary, the Board Meeting schedule and agenda taking into account the challenges and concerns faced by the Group and its Directors, and ensures that adequate time is allocated for thorough discussion of critical and strategic matters. Board notes are uploaded onto the iPads of the Directors, which are handed over to them at the time they are on-boarded, well ahead of the meetings, to facilitate meaningful, informed and focused deliberations and decisions during the meetings. Where physical attendance is not possible, meetings are conducted by means of audio and/or video conferences in accordance with the Constitution of the Company.

The Board Meetings are attended by the Board Members. However, for specific matters, officers of the Company and its subsidiaries, advisors and subject matter experts are also invited.

In line with good governance practices, separate Meetings of (a) the Independent Non-Executive Directors without the Non-Executive and Executive Directors and (b) the Independent Non-Executive Directors with the Non-Executive Directors and without the Executive Directors are conducted in closed sessions by the Chairman.

During FY 2020, separate Meetings of the Non-Executive Directors only were held due to the absence of Executive Directors on the SBMH Board. The primary objective of these sessions is to provide the Independent Non-Executive Directors with the opportunity to discuss among peers and to raise matters which they may not wish to discuss in the presence of any interested Non-Executive Director. A clear division of responsibilities at the Board level ensures that no Director has unfettered decision-making powers.

Despite the national confinement and curfew that was in force in Mauritius as a result of the COVID-19 pandemic, the SBMH Board held 29 meetings during the financial year ended 31 December 2020. The attendance of the Directors is detailed in the next table.

CORPORATE GOVERNANCE REPORT (CONT'D)

MEMBERS	BOARD STATUS	BOARD MEMBER SINCE	MEETING ATTENDANCE
Mr Sattar Hajee Abdoula[1] *(Chairman)*	IND	March 2020	26
Mr Jean Paul Emmanuel Arouff[1]	NED	March 2020	25
Mr Andrew Bainbridge[2]	NED	August 2019	11
Mr Azim Fakhruddin Currimjee[3]	IND	June 2016	3
Mr Medha Gunputh[3]	NED	February 2015	3
Mr Maxime Hardy[3]	IND	June 2015	3
Ms Shakilla Bibi Jhungeer[4]	IND	March 2020	24
Mr Kee Chong Li Kwong Wing, *G.O.S.K*[5]	IND	April 2015	3
Mr Vidianand Lutchmeeparsad[6]	NED	June 2015	1
Mr Varun Krishn Munoosingh[7]	NED	August 2020	9
Mr Roodesh Muttylall	IND	June 2015	29
Mr Sarwansingh Purmessur[8]	NED	March 2020	12
Ms Sharon Ramdenee	IND	December 2018	26
Mr Patrice Georges Maxime Robert[9]	IND	April 2020	7
Mr Visvanaden Soondram[1]	NED	March 2020	20
Mr Subhas Thecka	IND	June 2017	28

KEY TO DIRECTORS

NED - Non-Executive Director **IND - Independent Non-Executive Director**

Notes:

1. Messrs Sattar Hajee Abdoula, Jean Paul Emmanuel Arouff and Visvanaden Soondram were appointed as Board Members effective 11 March 2020.
2. Mr Andrew Bainbridge ceased to be Board Member effective 27 July 2020.
3. Messrs Azim Fakhruddin Currimjee, Medha Gunputh and Maxime Hardy ceased to be Board Members effective 12 March 2020.
4. Ms Shakilla Bibi Jhungeer was appointed as Board Member effective 13 March 2020.
5. Mr Kee Chong Li Kwong Wing, *G.O.S.K* ceased to be Chairman and Board Member effective 13 March 2020.
6. Mr Vidianand Lutchmeeparsad ceased to be Board Member effective 10 March 2020.
7. Mr Varun Krishn Munoosingh was appointed as Board Member effective 13 August 2020.
8. Mr Sarwansingh Purmessur was appointed on 13 March 2020 and ceased to be Board Member effective 27 July 2020.
9. Mr Patrice Georges Maxime Robert was appointed on 29 April 2020 and ceased to be Board Member effective 27 July 2020.

Key Focus Areas for FY 2020

During the year the Board focused on the matters outlined below:

Strategy

- Monitored developments in the operating environment
- Reviewed progress on execution of strategy against the strategic plans of all the banking and non-banking entities of the Group on a quarterly basis
- Assessed and reviewed the strategy of the Group in other jurisdictions as a result of the COVID-19 pandemic and resolved to exit the Seychelles
- Reviewed and approved the strategy for the Group for FY 2021-2023
- Monitored the evolution of SBMH share price
- Monitored the implementation of approved strategic initiatives of the Group and provided guidance to deal with risks and issues that arose

Financial Matters

- Reviewed and approved the Group's financial statements on a quarterly basis
- Assessed and monitored the Group's financial performance and its main businesses through reports from the Financial Controller
- Discussed and resolved that no dividend be paid for the financial year ending 31 December 2020 in light of the potential impact of the COVID-19 pandemic on the Group's performance as well as the directives received from the Bank of Mauritius
- Reviewed the valuation of equity investments held by the Group
- Reviewed the reports from the Audit Committee, Internal Audit and Anti-Fraud Teams
- Reviewed the capital requirements of the Group and its subsidiaries
- Took note of the financial statements of the operating entities of the Group
- Reviewed and recommended the re-appointment of Deloitte as the statutory auditor for SBM Group to its shareholders for approval
- Reviewed and approved the budget for the Group for FY 2021-2023
- Approved to enlist the services of Ernst & Young for the review of the ECL model
- Approved the implementation of a Group Transfer Pricing Policy

Governance, Legal and Risk

- Reviewed and approved the Directors' training needs for FY 2020
- Reviewed and approved amendments proposed to existing/new policies for the Group
- Reviewed related party transactions on a quarterly basis
- Considered matters relating to Board succession and approved appointments to the Board Committees
- Ensured that the Group has a solid risk management system in place in terms of people, systems, policies, controls and reporting
- Monitored the implementation of a governance review remediation plan on a quarterly basis
- Monitored the share dealings by Directors and their Associates as defined by the internal policies
- Reviewed and approved the Terms of References of the Board Committees/Management Committees
- Approved the proposal for an Internal Board Evaluation Exercise for FY 2020
- Approved the launch of the "Women on the Move" initiative
- Recommended to the shareholders the nomination of Directors
- Approved the new panel of legal advisers for the Mauritius-based entities

Technology

- Monitored the implementation of the IT projects undertaken by the Group
- Approved the setting up of an IT Committee at SBMH level

Others

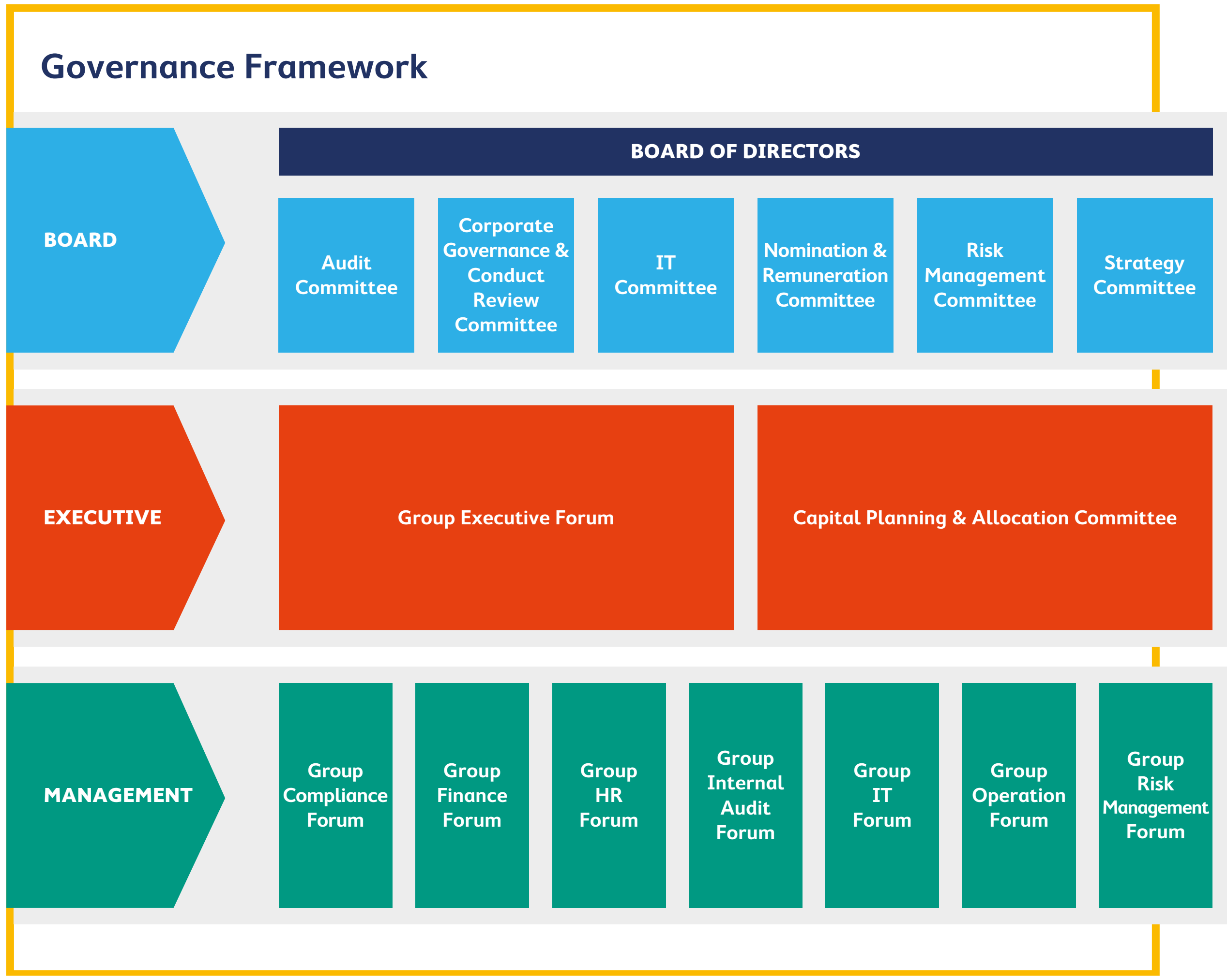
- Approved the appointment of a head-hunter for the recruitment of Senior Executives at SBMH level
- Approved/took note of the minutes of proceedings
- Reviewed reports from Chairpersons of Committees
- Approved the remuneration/productivity bonus for employees
- Approved the selection of the agency for the design of SBMH Annual Report 2020
- Reviewed and approved the SBMH Annual Report 2019
- Monitored the Group's governance initiatives being driven at Management level

CORPORATE GOVERNANCE REPORT (CONT'D)

OUR BOARD GOVERNANCE STRUCTURE

Our Board Governance Structure ensures that the right people have access to the right information. Delegated authorisers should ensure effective decision making at appropriate levels throughout our organisation.

The Board has established the following Committees, including some statutory Committees, all of which operate within the written Terms of Reference, which are generally reviewed by the Board on a regular basis. The Committees play an essential role in supporting the Board to implement its strategy and provide focused oversight of key aspects of the business. The Governance Framework of the SBMH Board is illustrated below. The full Terms of Reference for each Committee is available on the Company's website.



AUDIT COMMITTEE

The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Company. It also oversees the audit process and performs other duties and responsibilities as assigned by the Board.

The Audit Committee continues to play a valuable role in SBMH Corporate Governance Framework by providing independent challenge and oversight across SBMH's financial reporting and internal control procedures. The Committee currently comprises three Independent Directors and is chaired by Mr Subhas Thecka.

The Committee held 11 Meetings during the year, with members of the Senior Management Team invited to attend as and when specialist technical knowledge was required. The Committee met without the Senior Management Team before each meeting and also met separately with the Head of Internal Audit, Anti-Fraud Officer and the External Auditors respectively.

No. of meetings held: 11

MEMBERS	BOARD STATUS	COMMITTEE MEMBER SINCE	MEETING ATTENDANCE
Mr Subhas Thecka *(Chairman)*	IND	August 2017	11
Mr Azim Fakhruddin Currimjee[1]	IND	June 2016	1
Mr Maxime Hardy[1]	IND	July 2015	1
Mr Roodesh Muttylall	IND	July 2015	11
Ms Sharon Ramdenee	IND	April 2019	9

KEY TO DIRECTORS
IND - Independent Non-Executive Director

Notes:
1. Messrs Azim Fakhruddin Currimjee and Maxime Hardy ceased to be Member of the Audit Committee effective 12 March 2020.

CORPORATE GOVERNANCE REPORT (CONT'D)

Committee Activities during the year	
Financial Reporting	• Considered, analysed, reviewed and debated information, key judgements and significant matters raised by the Senior Management Team, the Internal Audit Team and the External Auditors. This ensures that the results and the financial statements of the Group at the end of the year provide a fair representation • Monitored the integrity of the annual and interim financial statements during the year, with focus on key accounting policies, financial reporting issues and judgements together with the findings set out in the reports from the External Auditors • Considered the clarity and completeness of the disclosures within the financial reports
External Audit	• Maintained the integrity of the relationship with the External Auditors • Monitored the independence and effectiveness of the External Auditors in terms of their audit quality and expertise • Considered significant audit matters regarding the audit opinion • Recommended the appointment of the External Auditors for FY 2020
Internal Audit	• Monitored and reviewed the effectiveness of the Internal Audit functions in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation • Reviewed quarterly reports from the Internal Audit Team which covered the progress on the audit plan and approved proposed amendments to the plan to ensure its alignment to the changing nature of the Group's risk profile • Ensured that the work completed by the Internal Audit Team during the year was directed towards key areas including information and data security and cross-business risks mitigation such as management of third parties • Ensured that timely actions were taken by the Senior Management Team to address the adverse findings from the Internal Audit Team • Where appropriate, the Senior Management Team was invited to attend meetings to present an update on the status of measures implemented to address audit findings and recommendations • Ensured that there was effective communication between the External Auditors and the Internal Audit Team to ascertain reliability of evidence
Internal Control Systems	• Reviewed the internal controls and processes of the Group on a quarterly basis. The regular monitoring of the Internal Control Framework allowed the identification of issues and formal tracking of remediation plans • Ensured that significant controls are in place with regards to cyber security • Ensured integrity and accountability from everyone working for the Group

Looking Ahead

- Further develop the relationship with the Audit Committee of all operating entities to ensure that the Group operates effectively and in a streamlined manner
- Review policies and procedures to adapt to the challenging environment as a result of the COVID-19 pandemic
- Actively promote ethical and responsible decision making

CORPORATE GOVERNANCE & CONDUCT REVIEW COMMITTEE

The Corporate Governance & Conduct Review Committee (CG & CR Committee) must keep abreast with the current environmental, social and governance trends to ensure that the Group has sound practices and complies with the current legislations. The CG & CR Committee must also ensure that the Directors, Senior Management and employees act in an ethical and responsible manner.

The CG & CR Committee is chaired by Ms Shakilla Bibi Jhungeer effective March 2020 and was previously chaired by Mr Roodesh Muttylall. The Committee held 9 meetings during the reporting year.

No. of meetings held: 9

MEMBERS	BOARD STATUS	COMMITTEE MEMBER SINCE	MEETING ATTENDANCE
Ms Shakilla Bibi Jhungeer *(Chairperson)*	IND	March 2020	9
Mr Jean Paul Emmanuel Arouff	NED	March 2020	9
Mr Varun Krishn Munoosingh[1]	NED	September 2020	4
Ms Sharon Ramdenee[2]	IND	March 2020	2

KEY TO DIRECTORS

NED - Non-Executive Director **IND - Independent Non-Executive Director**

Notes:
1. Mr Varun Krishn Munoosingh was appointed as Member of the CG & CR Committee effective 07 September 2020.
2. Ms Sharon Ramdenee ceased to be Member of the CG & CR Committee effective 13 August 2020.

Committee Activities during the year
• Reviewed the Corporate Governance Report for SBMH Annual Report 2019 • Reviewed the Governance Review Report and monitored progress relating to actions initiated • Assessed the Directors' training needs for FY 2020 • Reviewed the amendments proposed to existing policies/new policies for the Group including a Subsidiary Governance Policy • Reviewed the Board and Board Committees composition • Reviewed the Related Party Transactions for reporting quarters • Reviewed the Terms of Reference of the Board Committees/Management Committees • Considered other governance matters • Recommended to the Board to launch the "Women on the Move" initiative

Looking Ahead

- Review and update the major policies and ensure alignment across the Group
- Ensure that specialised training sessions are regularly provided to Directors
- Continue to oversee and monitor the Group Corporate Governance Framework

CORPORATE GOVERNANCE REPORT (CONT'D)

IT COMMITTEE

The IT Committee was discontinued effective 13 March 2020. However, further to discussion held at the SBMH Board in November 2020, it was agreed to re-establish an IT Committee at SBMH level with the aim to provide strategic guidance and direction on the Group's IT transformation program across all entities within the Group. The IT Committee comprises three Members as follows:

No. of meetings held: 0

MEMBERS	BOARD STATUS	COMMITTEE MEMBER SINCE
Mr Sattar Hajee Abdoula *(Chairman)*	IND	November 2020
Mr Varun Krishn Munoosingh	NED	November 2020
Mr Visvanaden Soondram	NED	November 2020

KEY TO DIRECTORS
NED - Non-Executive Director **IND - Independent Non-Executive Director**

No meeting of the newly established IT Committee was held in FY 2020.

NOMINATION & REMUNERATION COMMITTEE

The Nomination & Remuneration Committee (REMCO) assists the Board to develop and implement a fair and transparent policy that guides the overall Human Resources (HR) strategy of the Company as well as the remuneration of the Directors and the Senior Management Team. The REMCO continuously aims to foster a culture where employees feel welcomed, included and are fairly rewarded despite the challenging environment linked to the COVID-19 pandemic. The REMCO also reviews the leadership and succession needs of the organisation and ensures that appropriate procedures are in place to nominate, train and evaluate Directors.

The REMCO is chaired by Mr Jean Paul Emmanuel Arouff since August 2020 and was previously chaired by Messrs Medha Gunputh and Sarwansingh Purmessur successively. The REMCO held 13 meetings during the year and the Officer-in-Charge of the Human Resource Department of SBMBM attended the meetings.

No. of meetings held: 13

MEMBERS	BOARD STATUS	COMMITTEE MEMBER SINCE	MEETING ATTENDANCE
Mr Jean Paul Emmanuel Arouff *(Chairman)*[1]	NED	August 2020	5
Mr Andrew Bainbridge[2]	NED	August 2019	6
Mr Azim Fakhruddin Currimjee[3]	IND	August 2017	3
Mr Medha Gunputh[3]	NED	July 2015	3
Mr Maxime Hardy[3]	IND	July 2015	3
Ms Shakilla Bibi Jhungeer[1]	IND	August 2020	5
Mr Vidianand Lutchmeeparsad[4]	NED	June 2016	1
Mr Roodesh Muttylall	IND	August 2017	12
Mr Sarwansingh Purmessur[2]	NED	March 2020	5

KEY TO DIRECTORS
NED - Non-Executive Director **IND - Independent Non-Executive Director**

Notes:
1. Mr Jean Paul Arouff and Ms Shakilla Bibi Jhungeer were appointed as Chairman and Member of the REMCO respectively effective 13 August 2020.
2. Messrs Sarwansingh Purmessur and Andrew Bainbridge ceased to be Chairman and Member of the REMCO effective 27 July 2020.
3. Mr Azim Fakhruddin Currimjee, Mr Medha Gunputh (as Chairman) and Mr Maxime Hardy ceased to be Member of the REMCO effective 12 March 2020.
4. Mr Vidianand Lutchmeeparsad ceased to be Member of the REMCO effective 10 March 2020.

Committee Activities during the year
• Considered matters relating to Board succession planning, including the recruitment and appointment of Senior Executives at SBMH level and the appointment of Members to the Board • Recommended the appointment of a head-hunter for the recruitment of Senior Executives at SBMH level • Monitored the recruitment of senior personnel across all subsidiaries • Ensured transparent and fair recruitment • Recommended the payment of the productivity bonus and salary review of SBMH staff • Discussed on the HR matrix being rolled out across the Group

CORPORATE GOVERNANCE REPORT (CONT'D)

Board Diversity

The Group continues to pay full regard to the benefits of diversity, including gender diversity, when searching for candidates for appointment at Board, Committees and Senior Management levels. The Group believes that better business decisions can be made by having representation from different genders and cultural backgrounds with different skill sets, experience and knowledge, which reflects our customer base and the wider population in our markets.

Directors' Time Commitment

The terms and conditions of the appointment of the Non-Executive Directors are set out in a letter of appointment, which includes the expectations and the estimated time required from the Directors to perform their role.

All Directors ensure that sufficient time is allocated to the Company to discharge their responsibilities effectively. In line with its mandate, the REMCO monitors the attendance, committee composition and length of service, amongst others, on an on-going basis.

Looking Ahead

- Consider recruitment and appointment for key senior management positions
- Review succession plan for the Board and the key roles in a fair and transparent manner across the Group
- Review future talent pipeline and ensure the gaps are plugged in a timely manner
- Review the training needs of the Directors in conjunction with the CG & CR Committee
- Ensure employees are remunerated fairly and based on merit
- Continuously ensure that the health, safety and well-being of employees are safeguarded during and post the pandemic period

RISK MANAGEMENT COMMITTEE

The Board has established the Risk Management Committee (RMC) to assess and monitor the Group's overall current and future risk appetite, oversee the Senior Management Team's implementation of the Risk Appetite Framework and reporting on the state of risk. This Committee assists the Board in fulfilling its oversight responsibilities with regards to the risk appetite of the Group, the Group's Risk Management and Compliance Framework and the governance structure that supports same.

The Group has an elaborate Risk Management System to keep the Board abreast of the risk assessment and mitigation procedures. The RMC is chaired by Ms Sharon Ramdenee since March 2020 and was previously chaired by Mr Azim Fakhruddin Currimjee. The Committee held 5 meetings during the year. The Acting Head of Risk Management of SBMBM and his team currently attend the meetings.

No. of meetings held: 5

MEMBERS	BOARD STATUS	COMMITTEE MEMBER SINCE	MEETING ATTENDANCE
Ms Sharon Ramdenee *(Chairperson)*	IND	July 2019	4
Mr Sattar Hajee Abdoula[1]	IND	August 2020	2
Mr Andrew Bainbridge[2]	NED	August 2018	3
Mr Subhas Thecka	IND	August 2017	5

KEY TO DIRECTORS

NED - Non-Executive Director   **IND - Independent Non-Executive Director**

Notes:

1. Mr Sattar Hajee Abdoula was appointed as Member of the RMC effective 13 August 2020.
2. Mr Andrew Bainbridge ceased to be Member of the RMC effective 27 July 2020.

Committee Activities during the year

- Ensured that the Group has a robust risk management system in terms of human resource, systems, policies, control and reporting
- Reviewed the risk appetite of the Group as approved by the Board
- Monitored the Group's financial, operational and legal risk profile and the risk heat map on a quarterly basis
- Reviewed its mandate to ensure compliance with the statutory laws and obligations
- Evaluated the stress testing scenarios
- Reviewed the Group's policies for managing risks particularly in the areas of credit, market, interest rate, liquidity, operational and technological risks and made recommendations thereon to the Board for approval
- Reviewed material litigation against the Group and its subsidiaries
- Reviewed new policies and amendments proposed to existing policies for the Group
- Closely monitored the impact of the global pandemic on SBMH and its subsidiary entities

Looking Ahead

- Assess the effectiveness of the Group's risk management system, including the identification of the principal risks facing SBMH
- Maintain a sound risk management and internal control system
- Closely monitor the risks associated with the new accounting standards on business
- Continue to monitor the impact of the global pandemic on the Group's activities and performance

CORPORATE GOVERNANCE REPORT (CONT'D)

STRATEGY COMMITTEE

The Strategy Committee: (a) discusses matters of strategic nature and makes proposals to the Board on the Group's strategy, (b) monitors performance against targets set in line with the approved strategy using the Balanced Scorecard methodology and (c) reviews progress on the implementation of the Group's strategic initiatives to ensure that the Group is on track to meeting its strategic objectives.

The Strategy Committee is chaired by Mr Sattar Hajee Abdoula since March 2020 and was previously chaired by Mr Kee Chong Li Kwong Wing, *G.O.S.K.* The Committee held 3 meetings during the year. In the absence of a Group CFO, the Financial Controller currently oversees the Strategy and Research Department.

No. of meetings held: 3

MEMBERS	BOARD STATUS	COMMITTEE MEMBER SINCE	MEETING ATTENDANCE
Mr Sattar Hajee Abdoula *(Chairman)*	IND	March 2020	3
Mr Andrew Bainbridge[1]	NED	August 2019	1
Ms Sharon Ramdenee[2]	IND	August 2020	2
Mr Visvanaden Soondram	NED	August 2020	1

KEY TO DIRECTORS
NED - Non-Executive Director **IND - Independent Non-Executive Director**

Notes:
1. Mr Andrew Bainbridge ceased to be Member of the Strategy Committee effective 27 July 2020.
2. Ms Sharon Ramdenee was appointed as Member of the Strategy Committee effective 13 August 2020.

Committee Activities during the year

- Reviewed the Group's strategy
- Ensured the strategic investments or divestments made are in line with the Group's strategy
- Assessed and reviewed the presence of the Group in other jurisdictions as a result of the global pandemic and recommended to the Board to exit the Seychelles
- Monitored progress on the execution of the strategy of the Group and its operating subsidiaries against their respective strategic plans using the Balanced Scorecard
- Monitored the implementation of Group strategic initiatives
- Reviewed the performance and outlook of the operating environment including the economy and competing peers
- Monitored the evolution of SBMH share price and reviewed the feedback/comments from the investors for improvement

Looking Ahead

- Monitor developments in the operating environment
- Monitor the implementation of selected growth and enabling initiatives
- Monitor progress on the execution of the Group strategy and make necessary recommendations in areas of underperformance
- Monitor the evolution of the share price of SBMH and take appropriate actions based on feedback/comments from investors
- Continue to ensure all future strategic investment decisions are implemented as approved by the Board

MANAGEMENT COMMITTEES

While the Board oversees the direction and good conduct of the businesses of the Group, the Group CEO/ Senior Management Team is responsible for the executive leadership and operational management of the affairs of the organisation and is supported by the following Management Committees:

In the absence of a Group CEO, the Group Executive Forum (GEF) is currently chaired by Mr Kabirsingh Baboolall while the Capital Allocation & Planning Committee (CAPCO) is currently chaired by Mr Sivakrisna Goinden. These Forums will be chaired by the Deputy Group CEO effective April 2021. The Terms of Reference of the GEF and CAPCO are reviewed by the SBMH Board on a regular basis.

In order to ensure adequate oversight and effective control as well as improve synergy between the different entities of the Group, seven Group Forums have been established at Management level namely: (i) Human Resource Management, (ii) Risk Management, (iii) Internal Audit, (iv) Compliance, (v) Operations, (vi) IT and (vii) Finance. These Forums promote the sharing of ideas, knowledge and best practices with the aim of developing a stronger group structure. Representatives from each subsidiary entity attend these Forums, which meet at regular intervals as defined in their respective Terms of References. These Forums are chaired mainly by key officers appointed at SBMBM or SBM NBFC level, who are double hatting at the Group level, pending the recruitment of key resources at SBMH. These Forums report to the GEF.

The Company Secretary

The role of a Company Secretary is critical to promote good governance across the Group. The Company Secretary supports the Chairman and helps the Board and its Committees to function effectively and efficiently.

Mrs Dayawantee (Poonam) Ramjug Chumun is the Company Secretary of SBMH. She is an Associate of the Institute of Chartered Secretaries and Administrators (UK) and an ACCA Affiliate. She started her career at SBM in 2002 and joined the SBM Corporate Affairs function in 2007. Formerly Company Secretary of the SBM Non-Banking cluster and SBMBM, she was appointed as the Company Secretary of SBMH in March 2015. She has extensive experience in company secretarial and corporate governance matters and has been instrumental in the implementation of several Group corporate governance initiatives.

The Company Secretary plays a leading role in the good governance of SBMH by supporting the Chairman and helping the Board and its Committees to function efficiently and effectively, ensuring governance processes remain fit for purpose and considering any improvement as appropriate. Under the direction of the Chairman, the Company Secretary is responsible for ensuring proper information flow within the Board and its Committees and between the Senior Management Team and Non-Executive Directors, in addition to facilitating induction and assisting in the professional development of Non-Executive Directors as required.

CORPORATE GOVERNANCE REPORT (CONT'D)

All Directors receive accurate, timely and clear information on all relevant matters and have access to the advice and services of the Company Secretary. The Company Secretary attends all Board Meetings and is also responsible for advising the Board on corporate governance matters. She also oversees the day-to-day administration of the Company. The appointment or removal of the Company Secretary is approved by the Board.

The roles and responsibilities of the Company Secretary are defined under Principle One.

PRINCIPLE THREE – DIRECTOR APPOINTMENT PROCEDURES

> The Board provides strategic direction and leadership, monitors the implementation of strategic and business plans, and approves capital plans to support and promote a sustainable business.

Appointment

Sections 14.1, 14.3 and 14.6 of the Constitution of SBMH
• "The number of Directors shall not be less than Seven (7) nor more than Eleven (11). The Chief Executive of the Company shall be an ex officio member of the Board"
• "Each Non-Executive Director shall be elected by a separate resolution at the Annual Meeting of Shareholders and shall hold office until the next Annual Meeting and subject to any BOM restrictions, shall be eligible for re-election"
• "Notwithstanding Articles 14.1 and 14.2, the Board may at any time appoint any person as Director provided the total number of Directors does not at any time exceed eleven. Any Director so appointed shall hold office only until the next Annual Meeting, and shall be eligible for re-election."

The Directors are elected/re-elected by the shareholders at the Annual Meeting of Shareholders and hold office until the next Annual Meeting.

The rigorous and transparent procedures for appointing new Directors are guarded by the CG & CR Committee and the REMCO, which are responsible for reviewing the composition of the Board and its Committees and assessing whether the balance of skills, experience, knowledge and diversity is appropriate to enable the Board to operate effectively. The Board ultimately assumes the responsibility for the appointment of Directors.

As per the established process, the Board scouts for suitable candidates while ensuring adherence to the criteria laid down in the SBMH Constitution, the Group Fit & Proper Person Policy, the BOM Guidelines on Fit and Proper Person, and the Code to ensure an appropriate mix of Independent, Non–Executive and Executive Directors as well as a mix of skills, gender balance, knowledge and experience amongst others.

In line with Section 14.6 of its Constitution, any Director appointed by the Board between two Annual Meetings should hold office only until the second Annual Meeting and is eligible for election. In addition, due consideration is given to the Director's existing directorships to minimise any potential conflict of interest and time management to enable the latter to discharge his/her duties and responsibilities diligently. Once the appropriate approval is received, a letter of appointment is issued to the newly appointed Director.

Appointments are made following a formal, rigorous and transparent process as illustrated below:

Board Appointment Process

1. Review of the composition of the Board
2. Proposal received
3. Due diligence process to determine the eligibility and fit and proper status of the prospective Director
4. The CG & CR Committee and the REMCO meet and assess the fitness and probity of the prospective candidate
5. Following recommendation from the REMCO and CG & CR Committees, the Board either approves, if the appointment is made out of the normal annual appointment cycle, or recommends to the shareholders at the Annual Meeting of Shareholders for approval
6. A Letter of Appointment is issued once the appropriate approval is received

The Chairman with the assistance of the Board, through the CG & CR Committee, assumes the responsibility for the induction of new Directors as this enables the latter to be on-boarded in an informed manner, allowing them to better contribute at the board room table, to feel more confident about their knowledge of the organisation, its activities, its staff and risks, and ultimately improve their ability to govern. The Board affirms that all the new Directors have participated in an induction and orientation process during the reporting period.

The Board, with the assistance of the CG & CR Committee, continuously reviews the professional development and on-going education of Directors. Further details are provided under Principle Four.

Succession Planning

> Good succession planning enables a company to ascertain continuity in leadership and business in case an unforeseen event occurs.

The Board recognises the importance of continuity/succession planning for Directors and the Senior Management Team and keeps under review the appropriate skills and experience required to support the delivery of the Group's strategic initiatives.

The REMCO, in collaboration with the CG & CR Committee, proactively reviews the succession planning requirements of the Board and the Senior Management Team once they are on-boarded. The Board is considering putting in place a Succession Planning Policy which will be applicable for the Senior Management Team and Directors.

CORPORATE GOVERNANCE REPORT
(CONT'D)

PRINCIPLE FOUR – DIRECTORS' DUTIES, REMUNERATION AND PERFORMANCE

Legal Duties

All Directors on the Board are fully apprised of their legal duties as laid out in The Mauritius Companies Act 2001.

Code of Ethics and Business Conduct (COE)

The Board is fully committed to abide by the Group's COE, which sets out the principles and standards of behaviour that are expected of employees of the Group (including part-time and temporary employees) when dealing with stakeholders. SBM Group encourages its partners (such as related corporate bodies, joint venture partners or companies in which it is a strategic investor) to adopt and maintain similar conduct and ethics to those outlined in the Group's COE. The COE has been drafted in a structured manner with the joint consensus of the Board and the Senior Management Teams of the operating entities of SBMH. Directors and employees are made aware of the COE and the consequences of non-compliance. The Board regularly monitors and evaluates compliance with the COE.

Board Induction

Following the changes in the Board composition in 2020, all newly appointed Directors have attended an extensive, formal and tailored induction training to be able to perform and discharge their responsibilities and duties as effectively as possible within the shortest practicable time. In addition, interactive training sessions were organised in collaboration with the Senior Management Team to enable Directors to get acquainted with the activities of the Group and effectively contribute to strategic decisions.

On completion of the induction programme, the Directors were deemed to have been provided with the required knowledge and understanding of the nature of the business, and the opportunities and challenges facing SBMH.

Continuous Development Programme

Continuous training is essential for Directors to cope with the constant changes in the business environment. To ensure that they are kept abreast with legal and regulatory developments in the business of banking, a bespoke program, covering a range of topics, was facilitated by internal and external subject specialists on the following topics:

- Risk Governance and Management, including SBM Risk Management Framework
- Cyber Security Awareness
- Anti-Money Laundering and Countering the Financing of Terrorism
- Framing Strategy Alignment and Execution

Training courses and personal development initiatives undertaken by the Directors are closely monitored by the Chairperson of the CG & CR Committee and the Company Secretary.

Driving Gender Equality

Being a keen advocate of gender equality, the Board of SBMH implemented the 'Women on the Move' platform to foster long-lasting positive change and allow our colleagues to take control of their professional growth.

Performance Evaluation

An annual review is conducted to reflect on the performance and effectiveness of the Board, and to consider how individual Directors and the Board/Committees as a whole need to perform in order to provide the required leadership for the success of the organisation.

The effectiveness of the Board and its Committees is reviewed annually in accordance with the requirement of the Code. Following an external review by an independent external corporate governance consultancy firm in 2019, an internally facilitated performance evaluation of the Board, the Committees and the individual Directors of SBMH, led by the Chairman with the support of the SBMH Corporate Affairs Team, was conducted during the reporting year.

This has been driven by the Board's belief that an effective Board is key to the delivery of a company's strategy and that this exercise helps to: i) identify attributes, ii) set priorities for improvement and iii) promote open discussion, all of which lead to a more effective Board. The Board/Committee/Individual Director Evaluation Cycle for the past five years is as follows:

- **2016** Internal evaluation
- **2017** Externally facilitated evaluation conducted by Reverend Kim Andersen
- **2018** Internal evaluation
- **2019** Externally facilitated evaluation conducted by Value Alpha Limited
- **2020** Internal evaluation

The process for the 2020 Board/Committees/individual Directors evaluation is set as follows:

1. Completion of a detailed questionnaire to assess the effectiveness of the Board, its Committees and individual Directors
2. Preparation of a composite report
3. Result presented and discussed at the Board and Committee Meetings
4. Key areas for development and action plan approved by the Board

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CORPORATE GOVERNANCE REPORT (CONT'D)

The findings shared with the Board indicated that it is constructive, collegiate and supportive and that there is effective leadership from the Chairman, all of which ensure that appropriate corporate governance practices prevail across the Group. All the Board Committees are operating well and the Directors' contribution to the deliberation of the Board/Committees meetings are productive.

The Board also acknowledges that a continuous and constructive review of its performance is an important factor in achieving its objectives and realising its full potential. The Board has hence agreed on an action plan for the year ahead, focusing on the following key areas for further development:

- Increase the effectiveness of the Board and its Committees in terms of their ability to deliver on the Group's strategic objectives, which could be refined in light of the challenging working environment linked to the COVID-19 pandemic
- An assessment of the composition and diversity of the Board, including Director capabilities and effectiveness, on-going development needs and succession planning, with individual feedback for Directors to address
- Succession planning for the Senior Management Team to ensure that the Group is equipped with the right skills and experience to drive forward in a challenging operating environment
- Deliver a practical business-focused governance work programme for the year ahead
- Promote the work on succession planning throughout the organisation
- Improve the understanding and endorsement of corporate values and culture

Related Party Transactions and Conflicts of Interests

The Board has adopted a Group Related Party Transactions and Conflict of Interest Policy (Policy) which is reviewed at least annually. The objective of this Policy is to ensure proper approval, disclosure and reporting of transactions as applicable between the Group and any of its related parties is in the best interests of the Group and its stakeholders.

Good governance requires that the Directors and the Senior Management Team need to avoid situations where they have, or could have, a direct or indirect conflict with the interests of the Company. They have a continuing duty to immediately disclose to the Board/the Company Secretary of any conflict/potential conflict as and when they arise and, if authorised, to be included in the Interests Register, which is maintained and updated on a regular basis. The Board affirms that all conflicts of interest and related party transactions had been conducted in accordance with the Policy.

As part of the induction process, a newly appointed Director is required to complete a Related Party Declaration Form. Each Director also has the obligation to disclose any conflict at the beginning of each Board and Board Committee Meeting or before a particular proposal is discussed at that Meeting. The Interests Register is also available to the shareholders of the Company upon request to the Company Secretary.

The Group recognises that the Non-Executive Directors have other business interests and directorships outside the Company. All the existing directorships are detailed within the Director biographies under Principle One.

Directors' Interests and Dealings in SBMH shares

The Directors of SBMH confirm that they have adhered to the absolute prohibition principles and notification requirements of the Model Code for Securities Transactions by Directors as set out in Appendix 6 of the SEM Listing Rules.

The Board adheres to the Group Insider and Share Dealing Policy which provides guidance to Directors and employees of SBM Group. The objective of the Group Insider and Share Dealing Policy is to ensure compliance with the laws and regulations relating to insider dealing and trading in SBMH securities as well as setting minimum standards of observance. In accordance with good governance and best practices, the Company Secretary maintains a register detailing the dealing in securities of SBMH by the following persons:

- Directors, Senior Management Team and any of their associates of the following entities: (a) SBMH, (b) SBMBH, (c) SBM NBFC, (d) SBM NFC and (e) the operating entities of the Group.
- Staff of selected departments and any of their associates.

The register is updated on a regular basis and a quarterly reporting is made to the CG & CR Committee/Board, highlighting the dealings and breaches noted for the specific period under review.

The table below outlines the interests of the SBMH Directors in the Company as at 31 December 2020:

Directors	Direct Shareholdings	Indirect Shareholdings
Mr Sattar Hajee Abdoula	2,860	26,832
Ms Sharon Ramdenee	100,000	-

No other Director of SBMH had an equity stake in SBMH or its subsidiaries either directly or indirectly as at 31 December 2020.

Remuneration

Board of Directors

The remuneration of the Non-Executive Directors is approved by the shareholders and is based on market standards, competencies, efforts and time commitment to the Company.

The table on the next page depicts the total fees earned by Directors in 2019 and 2020 in their capacity as Board and Committee Members of SBMH and its subsidiaries:

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CORPORATE GOVERNANCE REPORT (CONT'D)

Directors of SBM Holdings Ltd	SBM Holdings Ltd	Other Subsidiaries	SBM Holdings Ltd	Other Subsidiaries
	2020		2019	
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Mr Sattar Hajee Abdoula (Chairman)[1]	2,260	1,312	-	-
Mr Jean Paul Emmanuel Arouff[1]	425	585	-	-
Mr Andrew Bainbridge[2]	350	1,421	17,521	412
Mr Azim Fakhruddin Currimjee[3]	191	289	1,140	1,122
Mr Medha Gunputh[3]	191	172	1,080	662
Mr Maxime Hardy[3]	143	40	840	-
Ms Shakilla Bibi Jhungeer[4]	500	150	-	-
Mr Kee Chong Li Kwong Wing, *G.O.S.K*[5]	290	767	1,640	3,472
Mr Vidianand Lutchmeeparsad[6]	174	233	960	126
Mr Varun Krishn Munoosingh[7]	140	-	-	-
Mr Roodesh Muttylall	530	940	900	-
Mr Sarwansingh Purmessur[8]	225	-	-	-
Ms Sharon Ramdenee	760	-	450	-
Mr Patrice Georges Maxime Robert[9]	60	-	-	-
Mr Visvanaden Soondram[1]	300	600	-	540
Mr Subhas Thecka	690	-	780	-
Directors of SBM Bank (Mauritius) Ltd				
Mr Anoopum Ishwar Gaya[10]	30	305	180	1,520
Mr Rishikesh Hurdoyal[11]	36	655	150	1,310

Notes:
1. Messrs Sattar Hajee Abdoula, Jean Paul Emmanuel Arouff and Visvanaden Soondram were appointed as Board Member effective 11 March 2020.
2. Mr Andrew Bainbridge ceased to be a Board Member effective 27 July 2020.
3. Messrs Azim Fakhruddin Currimjee, Medha Gunputh and Maxime Hardy ceased to be a Board Member effective 12 March 2020.
4. Ms Shakilla Bibi Jhungeer was appointed as Board Member effective 13 March 2020.
5. Mr Kee Chong Li Kwong Wing, *G.O.S.K* ceased to be Chairman and Board Member effective 13 March 2020.
6. Mr Vidianand Lutchmeeparsad ceased to be Board Member effective 10 March 2020.
7. Mr Varun Krishn Munoosingh was appointed as Board Member effective 13 August 2020.
8. Mr Sarwansingh Purmessur was appointed on 13 March 2020 and ceased to be a Board Member effective 27 July 2020.
9. Mr Patrice Georges Maxime Robert was appointed on 29 April 2020 and ceased to be a Board Member effective 27 July 2020.
10. Mr Anoopum Gaya ceased to be a Member of the IT Committee of SBMH effective 27 February 2020.
11. Mr Rishikesh Hurdoyal ceased to be a Member of the IT Committee of SBMH effective 13 March 2020.

None of the Non-Executive Directors have received variable remuneration in the form of share options or bonuses associated with the organisation's performance, other than the fees as stipulated in the table above.

Executive Management

The Group aims to attract, motivate and retain the best candidates regardless of gender, ethnicity, age, who are committed to having a fruitful career and who perform their role effectively in the interest of the Company and its shareholders. The remuneration packages of the Senior Management Team are approved by the Board upon recommendation of the REMCO.

Information Technology and IT Security

As part of its Digital Transformation Strategy, the SBM Group is exploring opportunities that would bring synergies, cost efficiency, operational excellence and agility across all its banking/non-banking subsidiaries. This Group wide initiative will also enable the different entities offer more innovative products and services to its customers along the Asia-Africa corridor.

The Group has already put in place various control functions to explore and enhance the technological cross-functional collaboration between its entities and to optimise the knowledge spectrum, service delivery and IT governance mechanisms.

Cyber threat being one of the major disruptors and risks that an organisation can face in the digital and modern age, the Group has been working relentlessly to ensure that all its entities are well protected. In line with this, a series of control measures and risk mitigants have been put in place, with the Group setting out benchmarks and enforcing compliance across its entities to ensure adherence to the CIA (Confidentiality, Integrity and Availability) triad. The Group has also adopted the concept of "security by design" for all its new initiatives to ascertain that the related potential vulnerabilities and associated risks are mitigated at a very early stage.

The internal IT Security Teams have been reinforced with new resources and are supported by best of breed service providers to counter the latest adversaries and associated threats.

The Group has an Information Technology Risk Policy, which is complemented by many standards. It is also carrying out an ongoing exercise to strengthen its IT Policy and IT Security Framework and assurance of policy compliance is provided by both internal and external independent assurance functions across the Group's entities.

The Policy Framework takes into account the local law, regulation, and context of all entities to ensure local extended flavours are maintained for enhanced compliance.

We invite you to read more on our digital approach to doing business in our Sustainability Report which can be accessed on the Group's website.

PRINCIPLE FIVE – RISK GOVERNANCE AND INTERNAL CONTROL

The Board assumes the ultimate responsibility for the effective management of risk across the Group by determining its risk appetite and ensuring that each business area implements appropriate risk controls.

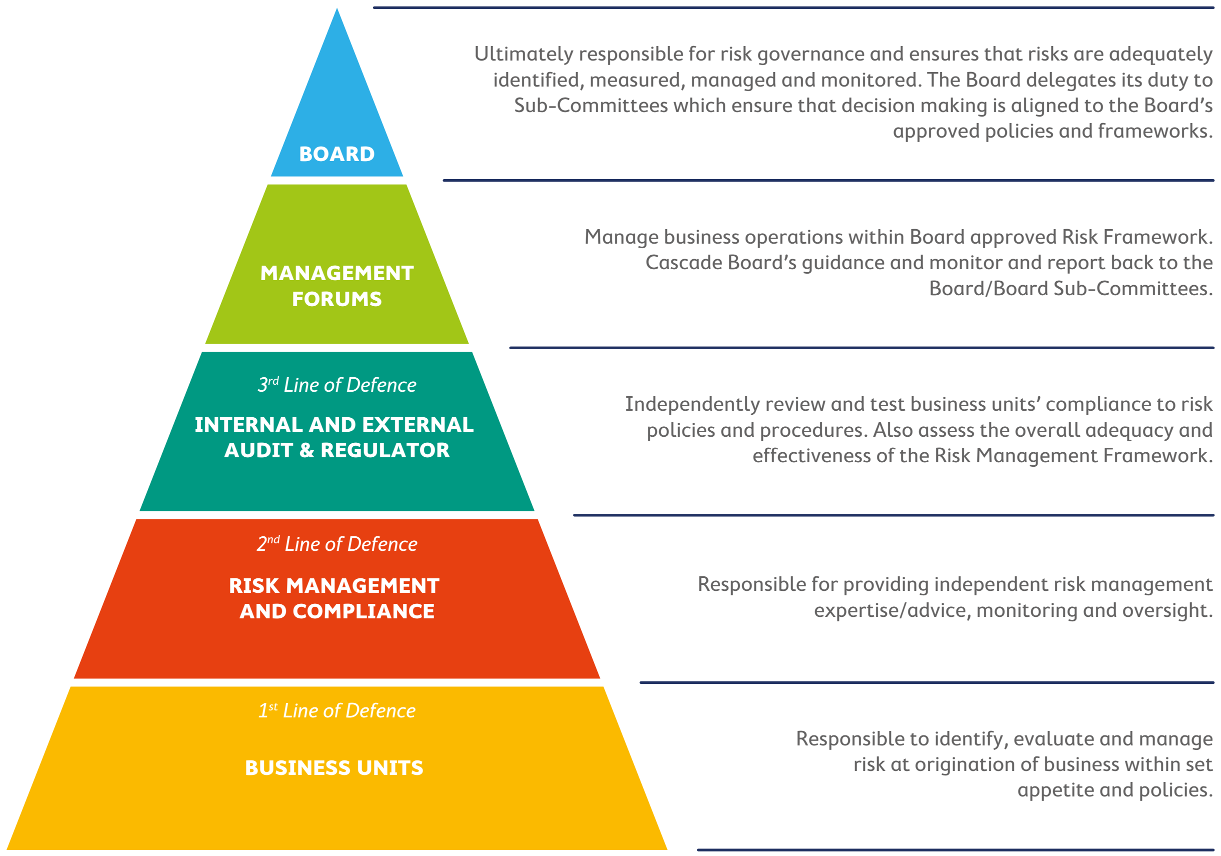
The Board is committed to protect and enhance the Group's reputation and assets in the best interests of shareholders and other stakeholders alike. Having acknowledged that the Group's businesses are impacted by a number of risks and uncertainties, particularly following the outbreak of the COVID-19 pandemic, the Board undertook to continuously review its risk management and internal control systems.

CORPORATE GOVERNANCE REPORT (CONT'D)

Risk Governance and Internal Control

SBMH has a well-established Risk and Governance Framework which is based on three lines of defence. These lines of defence pull together the different aspects of risk responsibility across the organisation into a single process. They also enable management to maximise risk adjusted returns while remaining within the board-approved risk appetite and risk tolerance levels. This approach ultimately promotes transparency, accountability and consistency through clear identification and segregation of risks while, at the same time, safeguarding the Group's reputation.

The diagram below provides an overview of the governance structure in place.



More details can be found in our Risk Management Report.

Risk governance ensures that regulatory and business requirements are fully embedded in our business processes and governance frameworks across all risk functions.

Hence, in addition to ensuring adequacy of credit risk governance, the governance framework facilitates identification and escalation of other major risks such as operational risk, market risk and liquidity risk whilst providing assurance to the Board. This role falls under the responsibility of the Acting Head of Risk Management who has direct and unimpeded access to the Group Chairman and the RMC.

Whistleblowing Policy

The Board is responsible to ensure that appropriate procedures and processes are in place to enable employees to raise any issue or concern anonymously. The Board adopted a Group Whistleblowing and Complaints Handling Policy which is reviewed at least annually. Employees are encouraged to promptly report their concerns over malpractices to their direct reports, or the HR department, or through whistleblowing. The Group believes that it is important to have a culture of openness and accountability in order to prevent such situations to occur or to address them when they do occur. Following preliminary enquiries, a full investigation is launched where such action is deemed appropriate. All investigations are subsequently reported to the Audit Committee of SBMH. A copy of the Group Whistleblowing and Complaints Handling Policy is available on the Group's website.

PRINCIPLE SIX – REPORTING WITH INTEGRITY

In line with the requirement of The Mauritius Companies Act 2001, a copy of the Annual Report (the Report) is distributed to each shareholder not less than 21 days before the date fixed for holding the Annual Meeting of the Shareholders. The Report is also published on the Group's website.

Directors' Responsibilities

The Directors are responsible for the fair preparation of the financial statements in accordance with the International Financial Reporting Standards and the requirements of The Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004 and for such internal control as the Directors determine are necessary to enable the preparation of financial statements free from material misstatements, whether due to oversight or error.

Any deviation from the above are reported in the Independent Auditor's Report attached to the financial statements.

The Financial Review will be part of the Annual Report.

Human Resources Report

Human capital remains at the heart of the organisation's success.

Our people remain at the heart of everything we do. As part of our human capital strategy, we endeavour to provide our employees with the right support, within a positive environment, to continuously encourage a high-performance culture. We offer regular development opportunities that contribute to building up an agile workforce, while also promoting diversity across the organisation. By so doing, the Group aims to build and develop its talent base.

In these changed times, our people strategy is also centred around creating a safe environment where employees feel protected and motivated to deliver sustainably in line with our business objectives.

Further details are provided in the Sustainability Report, which can be viewed on the Group's website.

Training and Development

Details on how the Group builds capabilities are provided in the Sustainability Report, which can be viewed on the Group's website.

CORPORATE GOVERNANCE REPORT (CONT'D)

Environmental Report

The Group aims to make diligent use of the natural resources on which it depends to carry out its operations and to protect the environment by adopting sustainable initiatives to avoid and/or reduce adverse impact on the environment.

Further details are provided in the Sustainability Report, which can be viewed on the Group's website.

Corporate Social Responsibility (CSR)

Through the SBM Foundation, the Group continues to give back to the community by engaging in various CSR initiatives. As at date, the Group has allocated more than 2,600 scholarships to bright and needy students through its SBM Scholarship Scheme. SBM also supports various social partners/NGO projects for a positive and sustainable impact on the society.

SBM employees are also very committed to the society and remain actively engaged in various social initiatives. More details on SBM's CSR activities can be found in the Sustainability Report, which can be viewed on the Group's website.

Donations

The Group does not make any political donation to any party or any politically affiliated organisation.

PRINCIPLE SEVEN – AUDIT

External Audit

- ***Appointment of External Auditors for FY 2020***

  Following the formal tender process undertaken in 2019, Deloitte was appointed as the Group's Statutory Auditor for FY 2020, at the Annual Meeting of Shareholders held in June 2019, to hold office until the next meeting.

- ***Appointment of External Auditors for FY 2021***

  Further to the recommendation of the Board of SBMH through its Audit Committee, Deloitte was reappointed as the Group's Statutory Auditor for FY 2021 at the last Annual Meeting of Shareholders held in July 2020 to hold office until the next Annual Meeting of Shareholders. The SBMH Board and Audit Committee believe that the independence and objectivity of the External Auditors as well as the effectiveness of the audit process are safeguarded and remain strong.

Meeting with the Audit Committee

The Audit Committee meets privately with the External Auditors once quarterly to discuss on critical issues and potential threat to independence and remains satisfied that they are not unduly influenced by Management. The financial performance of SBMH and its subsidiaries, the accounting principles adopted as well as any audit related issues are discussed in the presence of the Senior Management Team.

Kindly refer to Principle One for the financial literacy or expertise of the Members of the Audit Committee.

Evaluation of the External Auditors

The Audit Committee is responsible for overseeing the relationship with the External Auditors and for considering their terms of engagement, remuneration, effectiveness, independence and continued objectivity. The Committee annually reviews the audit requirements of the Group, for the business and in the context of the external environment, placing great importance on ensuring a high quality and effective external audit process. The Audit Committee had taken cognisance of the additional tests/reviews being conducted by the Deloitte Team to assess the probable impact of the global pandemic on the Group's business.

Audit fees and fees for other services

The fees paid to the External Auditors for the FY 2019 and 2020 are tabulated below:

	2020 MUR' 000	2019 MUR' 000
SBM Holdings Ltd		
Statutory audit and quarterly reviews - Deloitte	690	-
Other services - Deloitte	63	-
Statutory audit and quarterly reviews - Ernst & Young	-	759
Other services - Ernst & Young	-	14
SBM (Bank) Holdings Ltd		
Statutory audit and quarterly reviews - Deloitte	236	-
Other services - Deloitte	25	-
Statutory audit and quarterly reviews - Ernst & Young	-	152
Other services - Ernst & Young	-	8
SBM Bank (Mauritius) Ltd		
Statutory audit and quarterly reviews - Deloitte	10,379	-
Other services - Deloitte	9,878	-
Statutory audit and quarterly reviews - Ernst & Young	-	8,712
Other services - Ernst & Young	-	1,466
SBM Bank (India) Limited		
Statutory audit - M.P Chitale & Co. Chartered Accountants	873	-
Statutory audit and quarterly reviews - Deloitte	1,424	-
Other services - Deloitte	1,442	-
Statutory audit - S.R Batliboi & Associates LLP (member of Ernst & Young)	-	2,066
Banque SBM Madagascar SA		
Statutory audit - Delta Audit Deloitte Associates	617	182
Statutory audit and quarterly reviews - Deloitte	524	-
Other services - Deloitte	744	-
Other services - Ernst & Young	-	47

CORPORATE GOVERNANCE REPORT (CONT'D)

	2020 MUR' 000	2019 MUR' 000
SBM Bank (Kenya) Limited		
Statutory audit and quarterly reviews - Deloitte	3,782	-
Other services - Deloitte	422	-
Statutory audit and quarterly reviews - Ernst & Young	-	3,311
SBM Bank (Seychelles) Limited		
Statutory audit - Pool & Patel	406	-
Statutory audit - Ernst & Young	-	421
Other Services - Pool & Patel	14	-
SBM Africa Holdings Ltd		
Statutory audit - Ernst & Young	-	84
SBM (NBFC) Holdings Ltd		
Statutory audit - Deloitte	173	-
Other services - Deloitte	36	-
Statutory audit - Ernst & Young	-	121
Other services - Ernst & Young	-	139
SBM Mauritius Asset Managers Ltd		
Statutory audit - Deloitte	86	-
Other services - Deloitte	33	-
Statutory audit - Ernst & Young	-	144
Other services - Ernst & Young	-	38
SBM Fund Services Ltd		
Statutory audit - Deloitte	86	-
Other services - Deloitte	33	-
Statutory audit - Ernst & Young	-	156
Other services - Ernst & Young	-	22
SBM Securities Ltd		
Statutory audit - Deloitte	-	-
Statutory audit - Ernst & Young	-	227
Other services - Ernst & Young	-	38
SBM Factors Ltd		
Statutory audit - Deloitte	86	-
Other services - Deloitte	33	-
Statutory audit - Ernst & Young	-	120
Other services - Ernst & Young	-	13

	2020 MUR' 000	2019 MUR' 000
SBM (NFC) Holdings Ltd		
Statutory audit - Deloitte	58	-
Other services - Deloitte	28	-
Statutory audit - Ernst & Young	-	120
Other services - Ernst & Young	-	8
SBM Capital Markets Ltd		
Statutory audit - Deloitte	121	-
Statutory audit - Ernst & Young	-	125
Other Services - Ernst & Young	-	20
SBM Insurance Agency Ltd		
Statutory audit - Deloitte	35	-
Other services - Deloitte	33	-
Statutory audit - Ernst & Young	-	108
Other services - Ernst & Young	-	15
SBM eBusiness Ltd		
Statutory audit - Deloitte	35	-
Other services - Deloitte	33	-
SBM 3S Ltd		
Statutory audit - Deloitte	58	-
Other services - Deloitte	33	-
SBM Leasing Ltd		
Other services - Deloitte	33	-

The Group's External Auditors may also be requested to provide specialist advice where, as a result of their position as Auditor, they are deemed to be best placed to perform the work in question. The Audit Committee considers the independence, in both fact and appearance, of the External Auditors as critical prior to them taking up any new assignment from the Group.

The non-audit work is therefore performed by a separate team that holds the necessary expertise and is independent of the Audit Review Team. The non-audit services provided by the Deloitte Team are special regulatory assignments and their objectivity and independence are safeguarded as the non-audit services are carried out by different teams under the supervision of different partners/managers.

Internal Audit

The purpose of Internal Audit at SBM Group is to provide to the Senior Management Team and the Board of Directors, through the Audit Committee, independent, objective assurance and consulting services designed to add value and improve the operations across the Group.

CORPORATE GOVERNANCE REPORT (CONT'D)

The mission of Internal Audit at SBM Group is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit helps the Group to meet its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

The Group Internal Audit is governed by the Group Internal Audit Charter/Policy which is approved by the SBMH Board through the Audit Committee. The Group Internal Audit function is being handled by the Internal Audit Team of SBMBM, with the Head of Internal Audit of SBMBM also double hatting at the Group level. Within the Group, SBMBM, SBM Bank (India) Limited (SBMBI), Banque SBM Madagascar SA (BSBMM), SBM Bank (Kenya) Limited (SBMBK) and SBM (NBFC) Holdings Ltd (SBM NBFC) each have their own permanent Internal Audit function, reporting directly and functionally to their respective Audit Committees. The annual audit plan for each entity is approved by the respective local Audit Committee. The Internal Audit of each entity has a dotted reporting line to the Group Internal Audit function. The Head of Internal Audit has a direct reporting line to the Chairman of the SBMH Audit Committee and also reports administratively to the Group CEO/GEF. The Head of Internal Audit has regular meetings with the Chairman of the SBMH Audit Committee, in the absence of management representatives, thereby further establishing the Internal Audit's independence. Also, to maintain objectivity, the Internal Audit Team is not involved in or responsible for any area of operations within the Group. The Internal Audit Team has unrestricted access to key personnel, documents, records and explanations deemed necessary for the performance of its duties.

The SBMH Audit Committee:

(a) Reviews and approves the Internal Audit plan and resources and evaluates the effectiveness of the function;
(b) Takes note of the audit plans of all entities within the Group and monitors progress in the execution of the plans;
(c) Ensures that, across the Group, a consistent risk-based audit methodology is applied and audits are conducted in line with the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing (Standards).

All areas of activity across the Group fall under the scope of the Internal Audit function. This includes systems, processes, operations, people and decision-making. All auditable areas are included in the audit universe. Using a risk scoring model, risks of each auditable area (high, medium or low) are determined. Audits are conducted following a risk-based audit methodology which is in line with global best practices. The very basic principle is that high risk areas are audited on a more frequent basis. All key processes across the Group are audited to identify key risks and to assess control adequacy and effectiveness. Audit procedures are designed in response to the risks identified. Audit findings are discussed and finalised with the respective Heads of Departments and Senior Management. Audit findings are, thereafter, tabled at the Audit Committee of the respective entity on a quarterly basis. The findings, as well as the methodologies, are reviewed and discussed with the Chairman and other Members of the Audit Committee.

The Internal Audit Teams across the Group consist of auditors with a mix of banking and auditing experience. Audit resources consist of fully qualified auditors, accountants, and fraud examiners whilst other staff members are pursuing their professional studies. In addition, the Internal Audit Teams have certified Information Systems Auditors to audit the Information Technology of the Group.

In May 2020, a Group Internal Audit Forum was set up, comprised all Heads of Internal Audit across the Group with the objective to coordinate audit activities to further add value to the Group from an audit perspective, among others. A Sub-Committee comprising of IT Auditors was also set up subsequently. Action points and follow ups are reported to the GEF.

In an endeavour to promote synergies, increased coordination and audit efficiencies, group initiatives are being undertaken for harmonisation of audit plans and methodologies across the Group in 2021. The Internal Audit Teams will also make enhanced use of data analytics and computer assisted audit techniques.

Internal Audit aims to grow into a more valuable function and resource to the Senior Management Team and the Board.

• *SBM Holdings Ltd*

Due to the global pandemic and lockdown in many countries, there was a need to reprioritise the audit plans and focus on special assignments mandated by the Audit Committee. As a result, no overseas audits were carried out. However, through regular interaction with the Overseas Audit Teams, assurance was obtained on critical areas.

• *SBM Bank (Mauritius) Ltd*

There are four clusters within the Internal Audit function of SBMBM namely: (1) Credit, (2) Operations, (3) IT Audit and (4) Others. Each cluster specialises in specific types of audit and is under the supervision of an Audit Lead. The Audit Leads, who report to the Head of Internal Audit, are responsible for supervising, reviewing and directing the audit field work of their respective clusters. In addition, the Audit Leads coordinate on an on-going basis with the Internal Audit Teams across the Group.

Despite disruptions to the Internal Audit work caused by COVID-19, efforts were made to minimise the impact on the audit plan. All key risk areas and all planned branch audits were completed at 100%. Close follow ups have been undertaken with the Senior Management Team for timely closure of open audit items.

During 2020, the Internal Audit Team was also mandated by the Senior Management Team and the Audit Committee to carry out special ad-hoc assignments and investigations.

The achievement of the IT Audit plan was limited due to resource constraints. Nonetheless, the Internal Audit Team was able to ensure coverage of high-risk areas and areas that could not be covered in-house were outsourced to a Big 4 audit firm.

• *SBM Bank (India) Limited*

Due to the lockdown prevailing in India as a result of the global pandemic and staff working from home, delivery of the audit plan got delayed in SBMBI. Audit works which could not be carried out in-house were outsourced to reputable audit firms. Overall, key risk areas were covered throughout those audits.

During FY 2020, a Big 4 audit firm was appointed to carry out a review of the corporate governance and control functions of SBMBI as required by the Reserve Bank of India. The Internal Audit Team appointed an external firm to document the Internal Audit Manual.

The Internal Audit function was subsequently strengthened with the recruitment of 2 Senior IT Auditors. In FY 2021, the Internal Audit Team intends to implement an audit management system to improve audit efficiency.

• *SBM Bank (Kenya) Limited*

The Internal Audit function at SBMBK is structured into 4 clusters namely: (1) Credit, (2) Operations, (3) IT and (4) Others. In FY 2020, despite the pandemic, the approved audit plan was largely achieved. This was made possible following a reprioritisation of the audit activities and an effective audit planning.

In FY 2021, the current audit management system is expected to be upgraded to the most recent version. This will improve the quality of reporting to the Senior Management Team and the Board, besides providing greater efficiencies in the audit process.

CORPORATE GOVERNANCE REPORT (CONT'D)

- ***Banque SBM Madagascar SA***

The FY 2020 audit plan was achieved to a satisfactory level despite the difficult operating conditions arising from the pandemic. All key risk areas have received audit attention during the year. Quarterly reviews were performed on high risk areas and all branches were covered.

For the year 2021, focus will be maintained on key risk areas.

- ***SBM (NBFC) Holdings Ltd***

SBM NBFC has its own dedicated Audit Team since April 2017 with a functional reporting line to its Risk Committee. Administratively, the Internal Audit Team reports to the CEO. The Internal Audit function covers the following subsidiaries:

- SBM Factors Ltd
- SBM Capital Markets Ltd
- SBM Insurance Agency Ltd
- SBM Fund Services Ltd
- SBM Mauritius Asset Managers Ltd
- SBM eBusiness Ltd
- SBM Leasing Co Ltd

For FY 2020, the Audit plan was largely achieved.

Due to the increasing number of IT systems in operation, an IT Auditor will be recruited during FY 2021.

PRINCIPLE EIGHT – RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

Timely and informed communication across all functions and engagement of stakeholders is the key to a successful business.

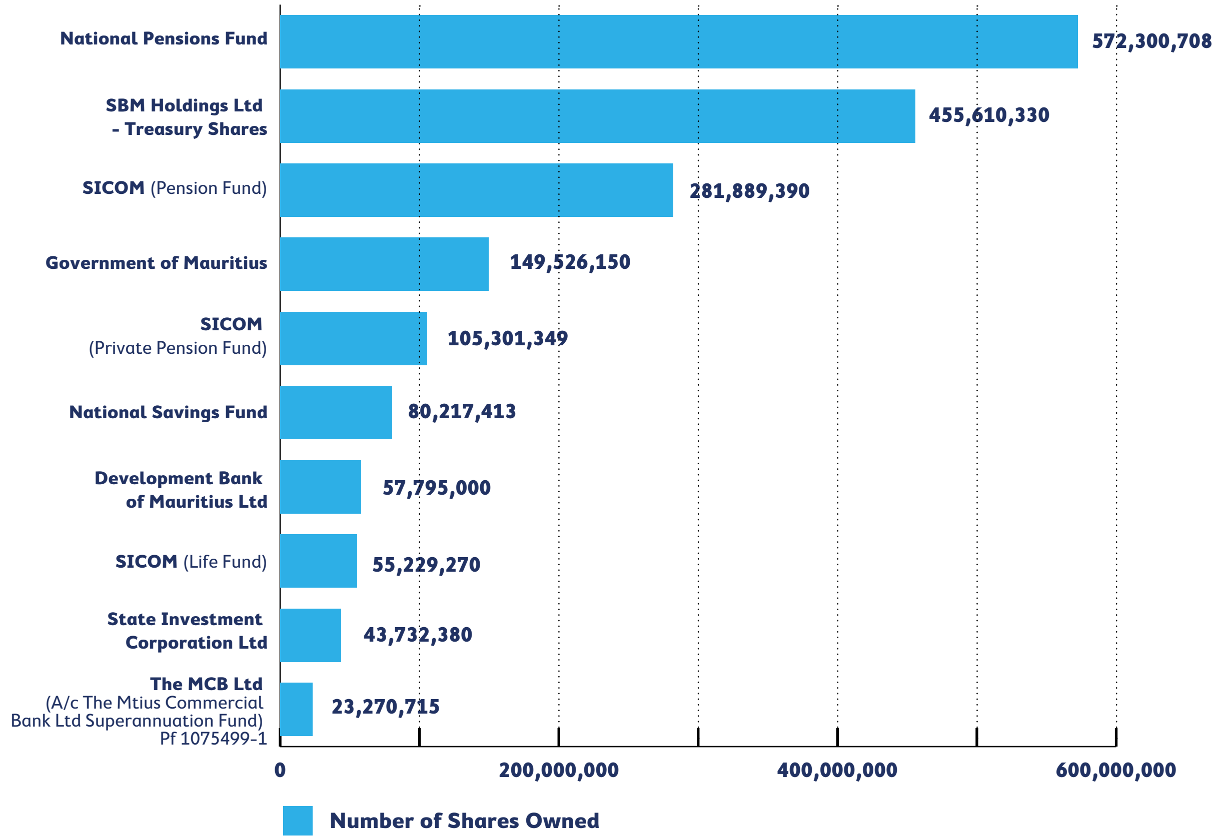
Shareholders

As at 31 December 2020, SBMH had 18,518 shareholders, out of which 371 were foreign shareholders. The tables below provide further insights on SBMH's shareholding:

LOCAL AND FOREIGN SHAREHOLDING

	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
Foreign	371	2.00	79,101,491	2.60
Local	18,147	98.00	2,958,300,739	97.40
Total	18,518	100.00	3,037,402,230	100.00

Top 10 Shareholders



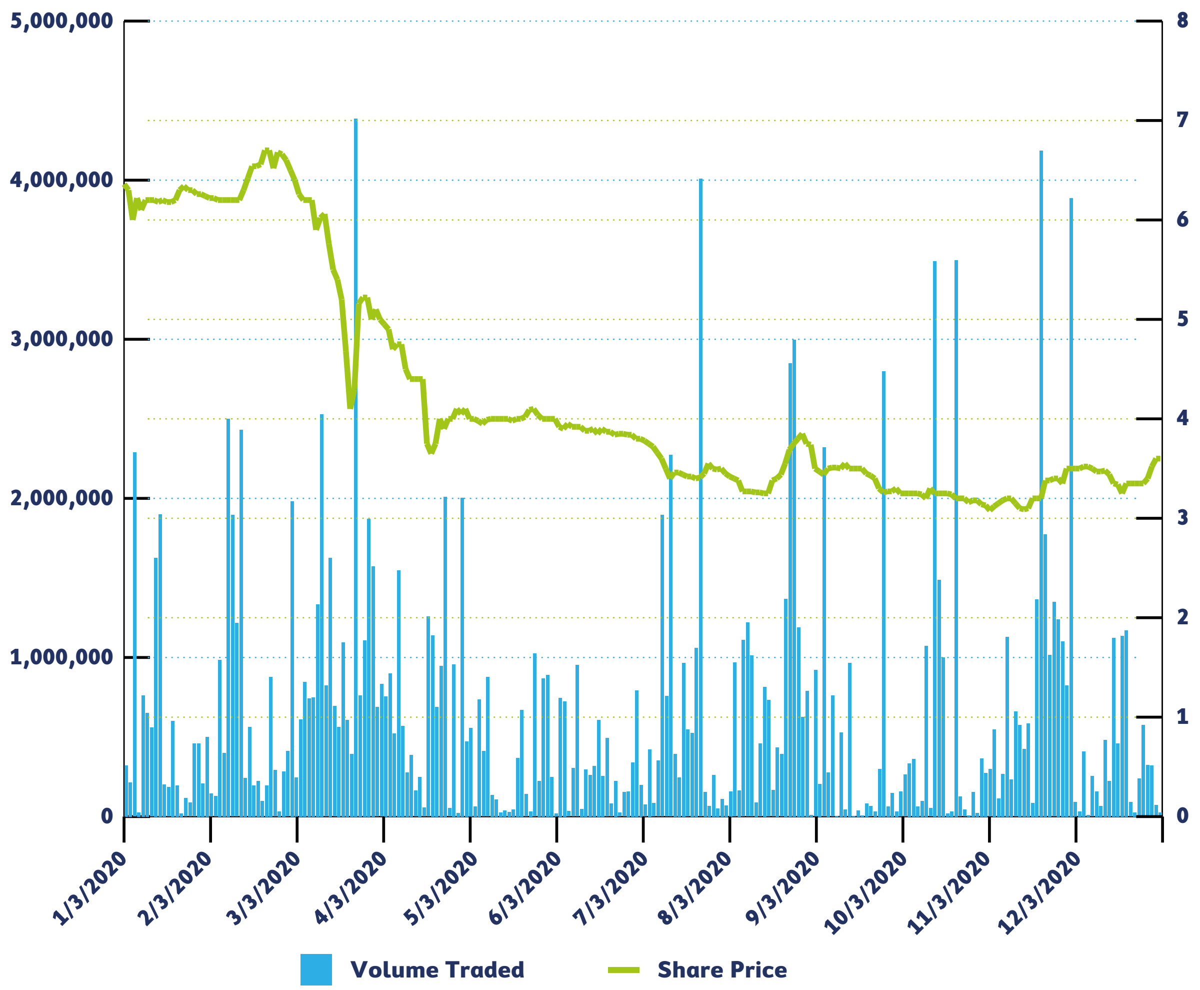
Note: SICOM - State Insurance Company of Mauritius Ltd

Shareholders Spread

Size of Shareholding	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
1-50,000	16,162	87.28	155,500,704	5.12
50,001-100,000	917	4.95	68,306,903	2.25
100,001-500,000	1,052	5.68	231,183,048	7.61
500,001-1,000,000	185	1.00	128,592,749	4.23
1,000,001-5,000,000	160	0.86	319,630,527	10.52
5,000,001-10,000,000	19	0.10	131,069,357	4.32
10,000,001-25,000,000	14	0.08	201,516,952	6.63
25,000,001-50,000,000	1	0.01	43,732,380	1.44
50,000,001-100,000,000	3	0.02	193,241,683	6.36
>100,000,000	5	0.03	1,564,627,927	51.51
TOTAL	18,518	100.00	3,037,402,230	100.00

CORPORATE GOVERNANCE REPORT (CONT'D)

Share Price Evolution



Share Capital Structure

SBMH's stated share capital is MUR 32,500,203,861 consisting of 3,037,402,230 fully paid ordinary shares of no par value which includes 455,610,330 shares held in treasury as at 31 December 2020.

Dividend

The Board's decision not to declare any dividend payment in FY 2020 was in light of the following:

- Directives from central banks advising banks to refrain from paying dividends and making other transfers from profit
- The potential impact of the COVID-19 pandemic on the Group performance
- The capital requirements of the Group

Shareholders Information

All shareholders have the same voting rights.

Stakeholder Relations and Communications

Stakeholder engagement is essential to grow our business and fulfil the Group's purpose. The Group practises regular engagement and collaboration with its stakeholders so as to build a sustainable business and deliver on the Company's commitments.

The Board is responsible for leading stakeholder engagement, ensuring that all obligations are fulfilled towards those directly, or indirectly, impacted by the Group's operations. The Board believes that it has to consider its stakeholders in its key business decisions so to ascertain sustainable value creation over the longer term.

The COVID-19 pandemic has been unprecedented in scale and pace of impact and has changed the way people around the world live their lives. The Board recognises that balancing the needs and expectations of its stakeholders is becoming more and more crucial. The main stakeholders of SBMH are:

Please refer to the Sustainability Report which provides further details on how the Group engages with its stakeholders.

CORPORATE GOVERNANCE REPORT (CONT'D)

Shareholders' Diary

Financial year 2021

March 2021	Release of year end results (2020)
May 2021	Release of quarter 1 2021 results
August 2021	Release of quarter 2 2021 results and declaration for payment of interim dividend (if applicable)
Date to be confirmed	Annual Meeting of Shareholders
November 2021	Release of quarter 3 2021 results and declaration for payment of interim dividend (if applicable)
March 2022	Release of year end results (2021) and declaration for payment of interim dividend (if applicable)

Annual Meeting of Shareholders

The Annual Meeting of Shareholders is the Group's highest decision-making body, where the shareholders participate in the supervision and governance of the Group and exercise their rights to voice out their opinions and vote.

SBMH aims to have all the Members of the Board of Directors present at the Annual Meeting of Shareholders, during which the Group's strategy and performance are presented to the shareholders. The Board ensures that the Notice of Meeting and the proxy form are sent to the shareholders at least 21 days before the meeting, in accordance with The Mauritius Companies Act 2001. The Notice of Meeting clearly defines the procedures on proxy voting and includes the deadline for receiving the proxies back.

The date and venue of the next Annual Meeting of the Shareholders of SBMH will be communicated at a later stage.

Other Statutory Disclosures

Significant contracts

To safeguard the interests of SBMH, the Group and its shareholders and to ensure that instructions from SBMH are being safely, soundly and sustainably implemented across the Group, SBMH has entered into shareholders agreements with some subsidiary entities.

Directors and officers liability insurance

The Group has subscribed to a Directors and Officers Liability Insurance Policy in respect of legal action or liability that can arise against its Directors and Officers. The cover does not provide insurance against fraudulent, malicious or wilful acts or omissions.

Statement of Compliance

(Section 75(3) of the Financial Reporting Act 2004)

SBM Holdings Ltd

Year ended 31 December 2020

We, the Directors of SBM Holdings Ltd, confirm to the best of our knowledge, that SBM Holdings Ltd has complied with its obligations and requirements under The National Code of Corporate Governance of Mauritius (2016) in all material aspects except for the following:

	Areas of Non-Compliance
Principle 2: The Structure of the Board and its Committees	As at 31 December 2020, the Group does not have any Executive Directors and the key senior management positions comprising of Group CEO and Group CFO were still vacant. <u>Reason for non-compliance:</u> The Board was reconstituted in March 2020 and subsequent changes were brought at the last Annual Meeting of Shareholders held in July 2020. The recruitment of Executive Directors is currently in progress. The Board is also in the process of recruiting a Group CEO following the retirement of former Group CEO in August 2019. Meanwhile the Board created the position and appointed a Deputy Group Chief Executive Officer in March 2021. Furthermore, part of the responsibilities of Group CFO has been assigned to the Financial Controller.

Mr Sattar Hajee Abdoula
Chairman

Ms Shakilla Bibi Jhungeer
Chairperson – Corporate Governance & Conduct Review Committee

Date: 31 March 2021

Company Secretary's Certificate

For the Financial Year ended 31 December 2020

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

Mrs D Ramjug Chumun
Company Secretary

Date: 31 March 2021

IT MAY SOUND STRANGE, BUT MANY CHAMPIONS ARE MADE CHAMPIONS BY SETBACKS.

- Robert Eugene (Bob) Richards -

FINANCIAL REVIEW

FINANCIAL REVIEW

1. REVIEW OF GROUP PERFORMANCE FOR FY 2020

1.1 Executive Summary

The year under review has been fraught with challenges of varying nature and complexity across the geographies where SBM Group operates. Nonetheless, the Group has satisfactorily reported an improvement in its financial position, as measured by the key performance indicators.

Total assets have maintained an uptrend to close at MUR 288.4 billion as at 31 December 2020 (2019: MUR 258.4 billion). The growing asset base has been sustained with a year-on-year increase, with 11.7% rise in gross loans and advances to non-bank customers and 20.7% in investment securities, which ended the year at MUR 136.0 billion and MUR 121.1 billion, respectively. The expansion has been largely supported by a growth of 13.8% in deposits from non-bank customers to reach MUR 226.9 billion, reflecting the continued trust in the Group.

As a result of the above movements in business volumes, the Group generated net interest income of MUR 7.2 billion, up by 8.3% from last year. Non-interest income rose from MUR 3.0 billion in FY 2019 to MUR 4.0 billion in FY 2020, mainly on account of financial assets measured at fair value through other comprehensive income.

The Group laid particular focus on cost management during the year. Non-interest expenses were fairly contained at MUR 6.2 billion. This allowed an improvement in the cost to income ratio to 54.8% (2019: 63.4% as restated).

Thus, the Group managed to improve profit before credit loss expense and memorandum items by 43.7% from MUR 3.5 billion in FY 2019 to MUR 5.1 billion in FY 2020.

However, given the difficult operating conditions that emerged in the wake of the COVID-19 pandemic, credit loss expense rose from MUR 2.9 billion last year to MUR 3.8 billion during the year under review.

The Group ended with a profit after tax of MUR 1.0 billion (2019: MUR 17.4 million as restated).

1.2 Income Statement Analysis

Operating income

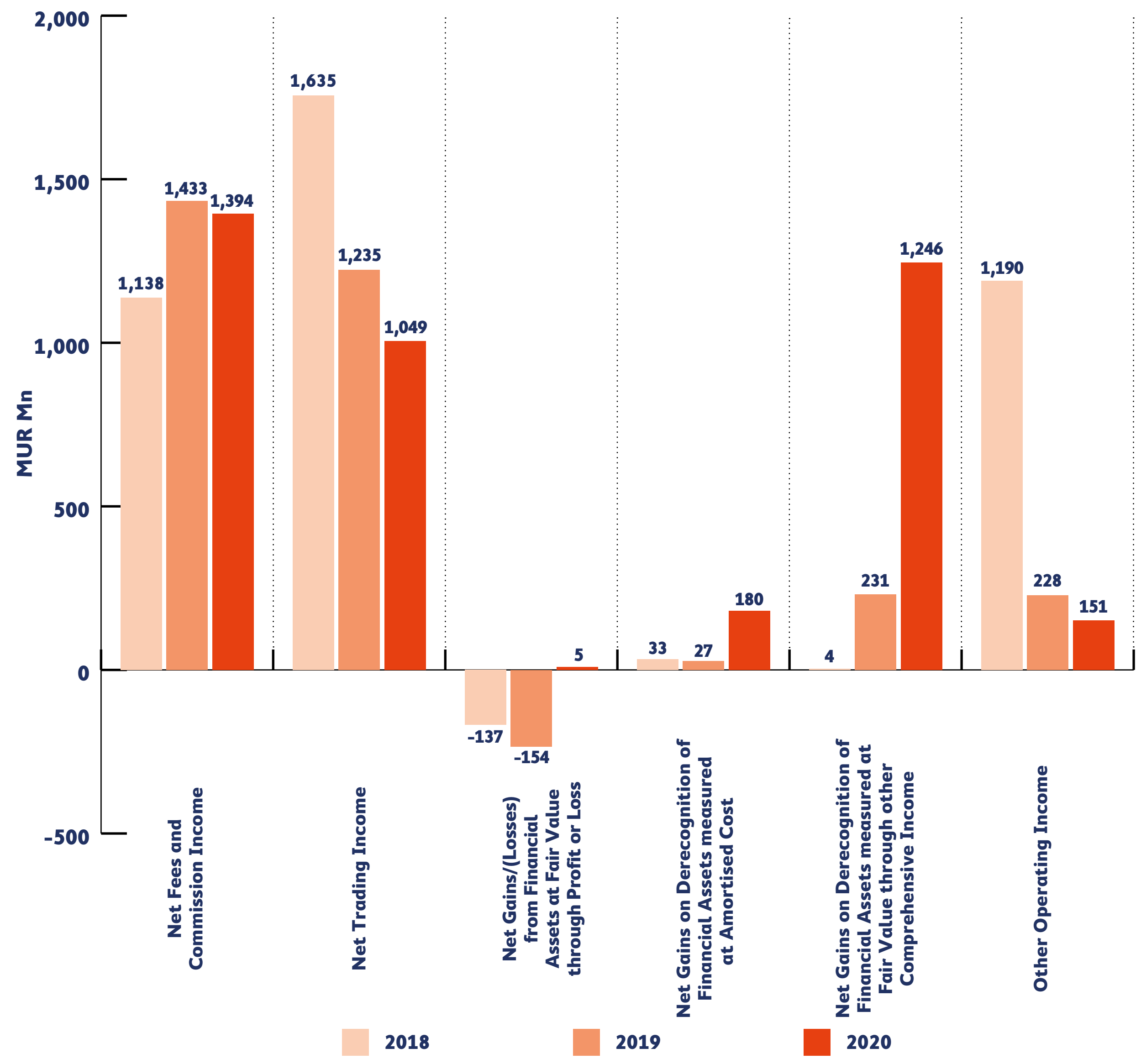
Operating income increased by 16.4% from MUR 9.6 billion in FY 2019 to MUR 11.2 billion in FY 2020, supported by growth in net interest income as well as non-interest income.

Net interest income

Net interest income grew by 8.3% from MUR 6.6 billion in FY 2019 to MUR 7.2 billion in FY2020 with an uplift of 2.7% in interest income partly offset by a drop in interest expense. The increase in interest income to MUR 11.3 billion was largely driven by increases in interest on loans and advances to non-bank customers and a growing portfolio of investment securities. Interest expense, on the other hand, decreased by 6.0% to MUR 4.1 billion, mainly led by falling interest rates.

While SBM Bank (Mauritius) Ltd (SBMBM) remains the major contributor to the net interest income of the Group, banking subsidiaries in India and Kenya are catching up.

Non-interest income

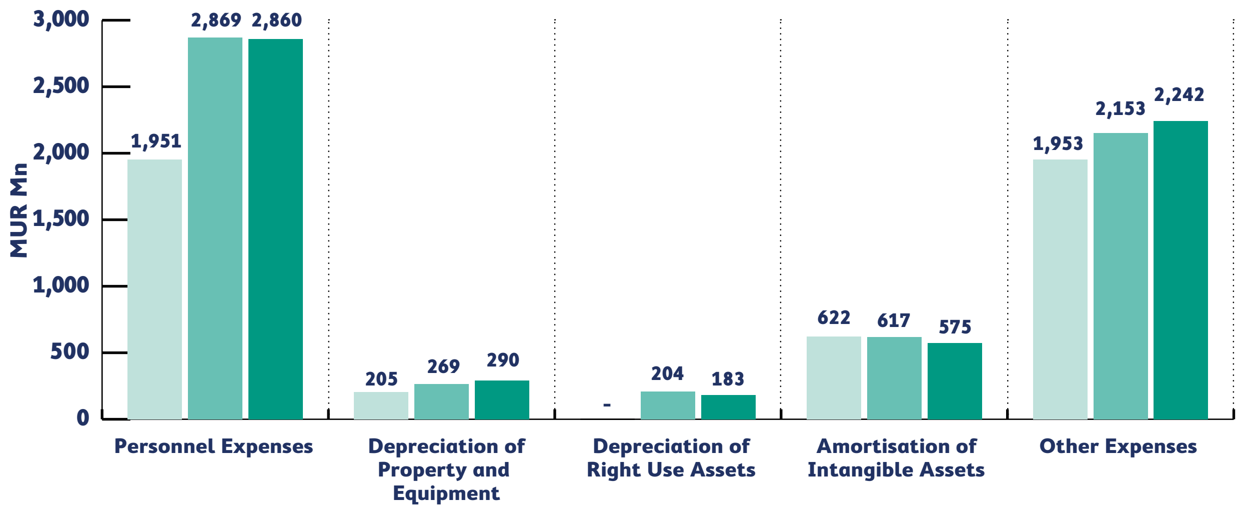


The Group reported non-interest income aggregating MUR 4.0 billion for the year 2020, representing an increase of 34.2% as compared to MUR 3.0 billion for FY 2019. This increase was driven primarily by net gains on derecognition of financial assets measured at fair value through other comprehensive income.

The Group, however, booked a slightly lower net fees and commission income of MUR 0.4 billion for FY 2020 partly as a result of the COVID-19 pandemic which impacted on card income with lower transaction volumes due to travel restrictions and also lower fee income from Retail and Corporate clients.

FINANCIAL REVIEW (CONT'D)

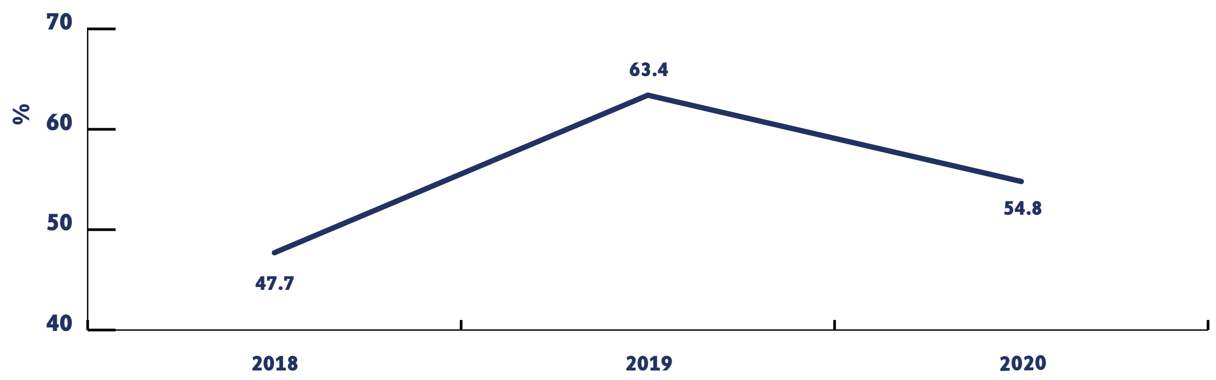
Non-interest expenses



Non-interest expenses were fairly contained at MUR 6.2 billion during the year (2019: MUR 6.1 billion).

Personnel expenses represented 46.5% of overall expenses for FY 2020. With the largest workforce in the Group, SBMBM accounted for the major share of the cost, followed by SBMBK and SBMBI.

As a result of the above-mentioned movements in operating income and non-interest expenses, the cost to income ratio improved from 63.4% in FY 2019 as restated to 54.8% for FY 2020.



Credit loss expense

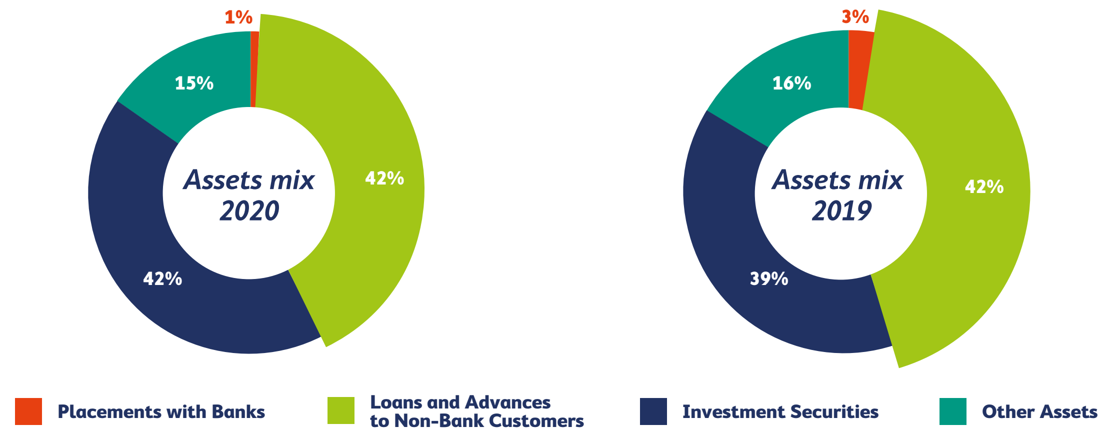
The total net impairment charge of MUR 3.8 billion booked for FY 2020, related mostly to additional specific provision made by SBMBM for its Segment B impaired loan book and also further expected credit loss provision (ECL) made in line with the requirements of IFRS 9 while taking into account the foreseeable impact of COVID-19. This was partly mitigated by recoveries and reversals made by the rest of the Banking Group during the year.

1.3 Balance Sheet Analysis

Assets

Total assets grew by 11.6% from MUR 258.4 billion as at 31 December 2019 to MUR 288.4 billion as at 31 December 2020, led by an increase of MUR 14.2 billion in gross loans and advances and MUR 20.8 billion in investment securities.

Assets mix



Loans and advances to non-bank customers

Gross loans and advances to non-bank customers registered a growth of 11.7% during the year under review, reaching MUR 136.0 billion as at December 2020 (2019: MUR 121.7 billion). Increased caution has been exercised in growing the loan book during the year given the fragile macroeconomic outlook following the COVID-19 pandemic. The increase in the loan book was mainly driven by SBMBI, which opened a new branch and acquired new customers – both retail and corporate, followed by SBMBK and SBMBM.

The gross advances by entity are tabulated below:

Gross loans and advances by entity

	2020	2019	Change	
	MUR Mn	MUR Mn	MUR Mn	%
SBMBM	110,788	107,070	+3,718	+3.5
SBMBI	12,890	5,593	+7,297	+130.5
BSBMM	705	861	-156	-18.1
SBMBK	12,632	9,229	+3,403	+36.9

A breakdown of the credit portfolio by sector of economic activity and the level of provisions held can be read in Note 9 to the Consolidated Financial Statements.

FINANCIAL REVIEW (CONT'D)

Credit quality

Amidst the difficult operating conditions, gross impaired advances went up from MUR 16.4 billion in 2019 to MUR 18.7 billion in 2020. Nonetheless, the Group has maintained adequate provisions in keeping with relevant central bank and IFRS guidelines. Specific allowance for credit impairment amounted to MUR 13.7 billion, resulting in a provision coverage ratio of 73.4% (2019: 69.0%). The share of uncovered impaired advances is secured by collaterals.

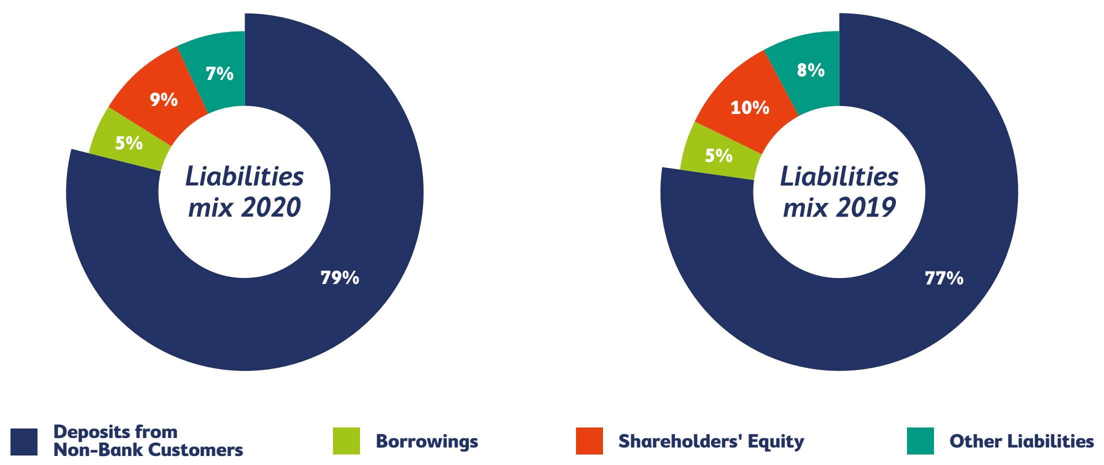
The gross impaired advances to gross advances ratio stood at 13.8% (2019: 11.7%). With an enhanced provision coverage, the net impaired advances to net advances ratio stood at 4.1% in 2020.

Investment securities

Investment securities grew by 20.7% from MUR 100.3 billion as at 31 December 2019 to MUR 121.1 billion as at 31 December 2020. Given the lower credit take off in the market, a significant share of the deposits raised were deployed in fixed income gilt-edged securities, foreign bank bonds and corporate bonds which also improved the liquidity positions of the Group's subsidiaries during uncertain times.

Liabilities

Liabilities mix



Deposits from non-bank customers

The deposits base increased by 13.8% to reach MUR 226.9 billion as at 31 December 2020 (2019: MUR 199.4 billion), of which 77.4% was in CASA deposits (2019: 74.1%). SBMBM contributed the most to the growth in deposits, followed by SBMBI and SBMBK.

Deposits by entity

	2020	2019	Change	
	MUR Mn	MUR Mn	MUR Mn	%
SBMBM	190,004	173,259	+16,745	+9.7
SBMBI	15,696	6,774	+8,922	+131.7
BSBMM	1,668	1,682	-14	-0.8
SBMBK	20,275	18,034	+2,241	+12.4

The above split by entity excludes any inter-company deposits within the Group.

Subordinated Debts

The Group's subordinated debts stood at MUR 10.1 billion as at 31 December 2020 (2019: MUR 9.7 billion). The increase was mainly on account of appreciation of USD against MUR. Details of the Group's subordinated debts are as follows:

	Maturity date	Amount raised	
		MUR Mn	USD Mn
First issue of subordinated debts in 2014			
Class A 1 series bond of MUR senior unsecured bonds	May 2024	1,500	
Class B 1 series bond of USD senior unsecured bonds	May 2021		65
Second issue of subordinated debts in 2018			
Class A 2 series bond of MUR senior unsecured bonds	June 2028	3,061	
Class B 2 series bond of USD senior unsecured bonds	June 2025		76

The Class B1 series bond amounting to USD 65 million will mature in May 2021. As such, SBMH has already initiated discussion for a private placement of the approximate amount in MUR to ensure capital and liquidity is not affected.

Other Borrowed Funds

The Group's other borrowings stood at MUR 15.0 billion as at 31 December 2020 (2019: MUR 13.4 billion) and bulk of which related to borrowings for SBMBM raised in USD and EUR from financial/development institutions and being used to refinance activity for certain specific purposes.

Shareholders' Equity

Shareholders' equity stood at MUR 25.2 billion as at 31 December 2020 (2019: MUR 24.5 billion) with the retention of the current year profit of MUR 1.0 billion.

FINANCIAL REVIEW (CONT'D)

1.4 Performance against Objectives of SBM Group

Performance indicator	Objectives for 2020	Performance 2020
Return on Average Assets (ROA)	ROA is expected to show a gradual improvement over last year	Despite the difficult context, with the negative impact of the COVID-19 pandemic, the Group has managed to grow its average assets by 13.4% over last year and ended up with an improved ROA of 0.4% for FY 2020
Return on Average Equity (ROE)	ROE is anticipated to grow moderately	ROE stood at 4.1%
Operating Income	A minimum year on year growth of 15% is expected in operating income, with targeted increase in business volumes and higher non-interest income	A growth of 16.4% (MUR 1.6 Bn) in operating income has been reported as compared to the previous year, driven primarily by a remarkable uplift of 34.2% (MUR 1 Bn) in non-interest income
Operating Expense	An increase of not more than 6% is expected to cater for continued investment in capacity building	Operating expense grew marginally by 0.6% over last year with strong cost optimisation mechanisms
Cost to Income (CI) Ratio	A slight improvement in the cost to income ratio is forecasted with targeted growth in operating income	Cost to income ratio dropped to 54.8% driven by growth in operating income
Assets Quality	Net impaired advances ratio is expected to improve in 2020 with projected growth in advances	Net impaired advances ratio stood at 4.1%
Capital Management	The Group shall continue to maintain its capital adequacy ratio at the optimum level and ensuring adherence to regulatory requirements at all times	The Group's CAR ratio and Tier 1 ratio stood at 20.7% and 13.9% respectively for 2020, which are well above the prescribed minimum requirements

Objectives for 2021 have not been disclosed given the uncertainties around COVID-19 pandemic and its future impact.

2. REVIEW OF BANKING GROUP PERFORMANCE FOR FY 2020

2.1 Executive Summary

SBM Banking Group has remained profitable inspite of the challenging operating environment hugely impacted by the COVID-19 pandemic, with curtailed overall economic activity, characterised by weak demand for credit, excess liquidity in the domestic market and increasing competition. The Banking Group posted an operating income of MUR 11,129.8 million in FY 2020 compared to MUR 9,607.4 million in FY 2019. The growth mainly emanated from an increase of 37.0% (MUR 967.9 million) in non-interest income coupled with an increase of MUR 554.5 million in net interest income. Non-interest expenses dropped by 1.5% to reach MUR 5,419.8 million in FY 2020 (2019: MUR 5,500.1 million) with the adoption of cost optimisation measures. As a result, profit before credit loss expense increased from MUR 4,107.3 million in 2019 to MUR 5,710.1 million in 2020. The net profit after tax of the Banking Group stood at MUR 1,683.0 million for the year 2020 after credit loss expense of MUR 3,743.3 million, which fared better than last year.

	Dec 20	Dec 19	Dec 18
	MUR Mn	MUR Mn	MUR Mn
CONTINUING OPERATIONS		*Restated*	*Restated*
Interest income	**11,158**	10,831	9,179
Interest expense	**(3,614)**	(3,841)	(2,909)
Net interest income	**7,544**	6,990	6,270
Non-interest income	**3,586**	2,618	3,578
Operating income	**11,130**	9,608	9,848
Non-interest expense	**(5,420)**	(5,500)	(4,306)
Profit before credit loss expense	**5,710**	4,108	5,542
Credit loss expense on financial assets and memorandum items	**(3,743)**	(2,932)	(3,557)
Profit before income tax	**1,967**	1,176	1,985
Tax expense	**(292)**	(695)	(338)
Profit for the year from continued operations	**1,675**	481	1,647
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the year from discontinued operations	**8**	(18)	(1)
Profit for the year attributable to equity holder of the parent	**1,683**	463	1,646

Note: The figures presented in the condensed statement of profit or loss for the year ended 31 December 2018 takes into account the income and expenses of the carved-out operations of ex-CBLR from the acquisition date, 18 August 2018 to 31 December 2018.

FINANCIAL REVIEW (CONT'D)

2.2 Analysis by Banking Entity

	SBM Bank (Mauritius) Ltd			SBM Bank (India) Limited			Banque SBM Madagascar SA			SBM Bank (Kenya) Limited			SBM Bank (Seychelles) Limited	
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019
	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn
Net interest income	5,730	5,793	5,630	459	238	252	88	54	81	1,267	904	308	-	2
Non-interest income	2,937	2,275	1,691	133	27	(48)	60	42	47	456	282	1,202	-	-
Operating income	8,667	8,068	7,321	592	265	204	148	96	128	1,723	1,186	1,510	-	2
Non-interest expense	(3,057)	(3,460)	(2,735)	(584)	(408)	(269)	(19)	(104)	(100)	(1,760)	(1,546)	(776)	-	(20)
Profit/(loss) before credit loss expense on financial assets and memorandum items	5,610	4,608	4,586	9	(143)	(65)	129	(8)	28	(37)	(360)	734	-	(18)
Credit loss expense on financial assets and memorandum items	(3,863)	(3,607)	(3,010)	46	(111)	(160)	3	(2)	(59)	150	709	(329)	-	(1)
Profit/(loss) before tax	1,747	1,001	1,576	55	(254)	(225)	132	(10)	(31)	113	349	405	-	(19)
Tax expense	(293)	(501)	(681)	-	(5)	3	(12)	(8)	(2)	13	(96)	352	-	-
Profit/(loss) for the year	1,454	500	895	55	(259)	(222)	120	(18)	(33)	126	253	757	-	(19)
Total assets	229,280	209,923	181,636	20,160	10,322	7,460	1,870	1,876	1,518	28,649	26,158	23,685	178	265
Gross loans and advances to non-bank customers	110,788	107,070	99,798	12,890	5,593	3,795	705	861	827	12,632	9,229	8,124	-	-
Investment securities	93,334	73,457	50,934	3,995	2,552	2,267	583	607	311	14,844	15,525	14,587	-	67
Deposits from non-bank customers	190,004	173,259	147,531	15,696	6,774	3,642	1,668	1,682	1,419	20,275	18,034	16,954	-	7
Total equity	19,796	18,065	17,488	3,062	2,940	2,518	135	14	32	3,225	2,969	2,510	177	249

SBM Bank (Mauritius) Ltd

SBMBM remains the main contributor to the Banking Group's profit for FY 2020 and ended up the financial year with a higher profit after tax of MUR 1,454 million as compared to MUR 500 million (as restated) last year. This is mostly contributed by significant increase of MUR 662 million in non-interest income from FY 2019 to FY 2020. The strong cost control management has also contributed towards higher profit. The cost to income ratio stood at 35.3% for the year ended 31 December 2020 (2019: 42.9%).

Within an environment characterised by falling interest rates in both the domestic as well as international markets since 2019 and the decision of the Bank of Mauritius to reduce the Key Repo Rate (KRR) to 1.85% since the outbreak of COVID-19, SBMBM has managed to book a net interest income of MUR 5,730 million for the year under review and which is at par with previous year.

SBMBM grew its non-interest income by 29.1%, from MUR 2,275 million for the FY 2019 to MUR 2,937 million for the FY 2020, despite operating in an increasingly competitive environment. The higher non-interest income for this year emanated from a significant increase in net gains on derecognition of financial assets measured at fair value through other comprehensive income from MUR 224 million for the year ended 31 December 2019 to MUR 1,203 million for the year ended 31 December 2020.

SBMBM incurred non-interest expense of MUR 3,057 million for the year 2020, a reduction of 11.6% compared to MUR 3,460 million for 2019. This drop over last year was primarily in personnel costs which was reduced by MUR 305 million from MUR 1,720 million for 2019 to MUR 1,415 million for 2020, partly on account of some exceptional expenses booked in 2019. Nevertheless, SBMBM continues to invest in its human capital resource, converting the employment contracts of most of the work force into contracts of indeterminate duration.

A total impairment provision of MUR 3,863 million were made in 2020, which included mostly additional specific provision made for the Segment B impairment book in line with the requirements of IFRS 9. SBMBM has also ensured that the level of expected credit loss reflects the uncertainty caused by the COVID-19 pandemic.

Tax expense has decreased by 41.5% from MUR 501 million in FY 2019 to MUR 293 million in FY 2020.

SBMBM continued on a business strategy to raise cheaper sources of funding by increasing its deposits book in the short to medium term. Total deposits from non-bank customers witnessed a 9.7% increase during the year, rising from MUR 173.3 billion as at 31 December 2019 to reach MUR 190.0 billion as at 31 December 2020. This growth is mainly in CASA deposits, which accounted for 87.5% of total deposits as at 31 December 2020

Total assets grew by MUR 19.3 billion (9.2%) from MUR 210.0 billion as at 31 December 2019 to MUR 229.3 billion as at 31 December 2020 with increase mainly in investment securities which went up by MUR 19.9 billion (27.1%).

The shareholder's equity stood at MUR 19.8 billion as at 31 December 2020 compared to MUR 18.1 billion as at December 2019. The increase is explained mainly by the profit of MUR 1,454 million and other comprehensive income movement of MUR 277 million for the year under review.

SBMBM has maintained adequate capital level with a Capital Adequacy Ratio (CAR) of 15.9% (2019: 14.8%), and Common Equity Tier 1 capital (CET1) of 14.3% (2019: 13.1%). Both ratios were above the minimum regulatory requirements.

FINANCIAL REVIEW (CONT'D)

SBM Bank (India) Limited

SBMBI ended FY 2020 with a profit of MUR 55 million at Group level as compared to a loss of MUR 259 million for the previous year. The higher profit is attributable to an increase in net interest income of MUR 221 million (92.5%) driven by growth in business volume. In addition, non-interest income also increased by MUR 106 million (392.0%) with higher advisory fees and recovery from cyber-attack fraud. The increase in gross operating income was partly offset by an uplift of MUR 176 million in non-interest expense mostly on account of higher personnel costs by MUR 154 million. The cost to income ratio dropped from 153.6% in 2019 to 98.6% in 2020.

Total assets grew by MUR 9.8 billion (95.3%), from MUR 10.3 billion as at 31 December 2019 to reach MUR 20.2 billion as at 31 December 2020 with a growth of MUR 7.3 billion in gross loans and advances to non-bank customers.

The impaired advances have decreased from MUR 719 million in 2019 to MUR 548 million in 2020 and the provision coverage ratio stood at 72.5% as at 31 December 2020 (2019: 81.7%), which is due to write-offs amounting to MUR 236 million for a fully provisioned customer. The gross and net impaired advances ratios stood at 4.3% and 1.2% at the reporting date.

Deposits from non-bank customers have increased by MUR 8.9 billion (131.7%) during the year under review and funds have been deployed partly in gross loans and advances.

Shareholder's equity stood at MUR 3.1 billion as at 31 December 2020 compared to MUR 2.9 billion as at 31 December 2019.

Banque SBM Madagascar SA

BSBMM reported a profit of MUR 120 million for the financial year 2020 as compared to a loss of MUR 18 million in FY 2019. Operating revenue stood at MUR 148 million, a growth of 53.1% from 2019. Non-interest expense decreased significantly from MUR 104 million in 2019 to MUR 19 million in 2020 due to the reversal of expenses provisioned for previous years.

Total assets of BSBMM stood at MUR 1.9 billion as at 31 December 2020, more or less at par with previous year. Gross loans and advances accounted for around 38% of total assets with an outstanding balance of MUR 705 million as at the reporting date while investment securities stood at MUR 583 million. Funding was primarily from deposits from non-bank customers, which stood at MUR 1.7 billion as at 31 December 2020 (2019: MUR 1.7 billion).

BSBMM registered a drop in their impaired advances from MUR 273 million in 2019 to MUR 192 million in 2020 while the provision coverage ratio improved to 77.0% (2019: 52.6%) as at 31 December 2020. The gross and net impaired advances ratios stood at 27.3% and 9.3% at the reporting date.

Shareholders' equity stood at MUR 135 million as at 31 December 2020 (2019: MUR 14 million).

SBM Bank (Kenya) Limited

SBMBK booked a profit after tax of MUR 126 million at Group level for the FY 2020, somehow lower than previous year profit of MUR 253 million on account of an increase of MUR 214 million in non-interest expense and lower recoveries by MUR 558 million. This was partly mitigated by an uplift of MUR 537 million in operating income.

SBMBK's impaired advances increased from MUR 5.1 billion in 2019 to MUR 5.6 billion in 2020 and the provision coverage ratio stood at 60.9% (2019: 68.7%) at the reporting date. The gross and net impaired advances ratios stood at 44.6% and 24.3% respectively at 31 December 2020.

Total assets grew by MUR 2.5 billion from MUR 26.2 billion as at 31 December 2019 to MUR 28.6 billion as at 31 December 2020. The growth was mainly in gross loans and advances to non-bank customers which increased by 36.9% from MUR 9.2 billion to MUR 12.6 billion as at 31 December 2020. These were funded primarily by growth in the deposit base which went up from MUR 18.0 billion as at 31 December 2019 to reach MUR 20.3 billion as at 31 December 2020.

The shareholder's equity also improved from MUR 3.0 billion to MUR 3.2 billion as at 31 December 2020.

2.3 Performance against Objectives of the Banking Group

Performance indicator	Objectives for 2020	Performance 2020
Return on Average Assets (ROA)	ROA is expected to show a gradual improvement over last year	Despite the difficult context, with the negative impact of the COVID-19 pandemic, the Banking Group has managed to grow its average assets by 14% over last year and ended up with an improved ROA of 0.6% for 2020
Return on Average Equity (ROE)	ROE is anticipated to grow moderately	ROE stood at 6.6%
Operating Income	A minimum year on year growth of 15% is expected in operating income with targeted increase in business volumes and higher non-interest income	A growth of 15.8% (MUR 1.5 billion) has been observed in operating income over the previous year, driven primarily by a remarkable uplift of 37% (MUR 968 million) in non-interest income
Operating Expense	An increase of not more than 6% is expected to cater for continued investment in capacity building	Operating expenses dropped by 1.5% over last year with strong cost optimisation
Cost to Income (CI) ratio	A slight improvement in the cost to income ratio is forecasted with targeted growth in operating income	Cost to income ratio dropped to 48.7% driven by growth in operating income and contained operating expenses
Assets Quality	Net impaired advances ratio is expected to improve with projected growth in advances	Net impaired advances ratio stood at 4.1%
Capital Management	The Banking Group shall continue to maintain its capital adequacy ratio at the optimum level and ensure adherence to regulatory requirement at all times	The Banking Group's CAR ratio and Tier 1 ratio stood at 17.5% and 15.9% respectively for 2020, which are well above the prescribed minimum requirement

Objectives for 2021 have not been disclosed given the uncertainties around COVID-19 pandemic and its future impact.

FINANCIAL REVIEW
(CONT'D)

3. REVIEW OF NBFC GROUP PERFORMANCE FOR FY 2020

Year ended 31 December	2020	2019
	MUR Mn	MUR Mn
Net interest income	45.9	30.4
Net fee and commission income	187.2	178.6
Other non-interest income	94.4	75.6
Operating income	327.5	284.6
Non-interest expenses	(159.6)	(142.2)
Profit before credit loss expense on financial assets	167.9	142.4
Credit loss expense on financial assets	(13.1)	(0.3)
Profit before tax	154.8	142.1
Tax expense	(10.5)	(18.1)
Profit after tax	144.3	124.0
Total assets	3,049.7	3,308.0
Total equity attributable to equity holders of the parent	1,650.5	1,767.4

SBM's Non-Banking Financial Cluster (NBFC) registered an increase of 16.4% in its profit after tax, which rose from MUR 124.0 million in 2019 to MUR 144.3 million in 2020, mainly on account of higher dividend income received from its investments and higher operating income from its subsidiaries. In particular, the capital markets (including stockbroking), factoring and asset management businesses reported profit after tax of MUR 60.1 million, MUR 45.4 million and MUR 26.8 million respectively for the year ended 31 December 2020. Assets under management rose from MUR 9.2 billion as at 31 December 2019 to MUR 10.7 billion as at 31 December 2020, despite the challenging operating environment which saw lower interest rates and returns on investments amidst heightened competition post the outbreak of the COVID-19 pandemic.

4. REVIEW OF NFC PERFORMANCE FOR FY 2020

Year ended 31 December	2020	2019
	MUR Mn	MUR Mn
Net interest income	22.7	-
Other non-interest income	4.9	3.6
Operating income	27.5	3.6
Non-interest expenses	(3.9)	(3.1)
Profit before tax	23.7	0.5
Tax expense	(3.9)	(0.2)
Profit after tax	19.8	0.3
Total assets	170.0	650.7
Total equity attributable to equity holders of the parent	166.1	650.5

SBM (NFC) Holdings Ltd (NFC) reported a profit of MUR 19.8 million in 2020 (2019: MUR 0.3 million), largely attributable to interest income received on account of the preference shares held.

Total assets dropped from MUR 650.7 million as at 31 December 2019 to MUR 170.0 million as at 31 December 2020 mainly on account of repayment of capital contribution and payment of dividend to SBM Holdings Ltd.

FINANCIAL REVIEW (CONT'D)

5. FIVE-YEAR FINANCIAL SUMMARY FOR THE GROUP

	2020	2019	2018	2017	2016
Key financial highlights (MUR Mn)		*Restated*			
Profit before credit loss expense	5,071	3,529	5,186	4,184	3,705
Profit before income tax	1,313	752	1,727	3,160	2,989
Profit for the year from continuing operations	1,013	35	1,347	2,575	2,309
Gross loans and advances to non-bank customers	135,983	121,733	112,426	107,198	75,776
Investment securities	121,053	100,291	77,347	40,000	39,431
Total assets	288,422	258,396	224,005	194,021	146,896
Deposits from non-bank customers	226,862	199,397	169,384	144,851	109,241
Shareholders' equity	25,196	24,548	24,182	25,165	23,805
Tier 1 capital	20,626	19,945	19,722	20,010	18,598
Total risk-weighted assets	148,284	136,016	120,820	125,684	93,480
Average assets	273,409	241,201	209,013	170,459	141,529
Average shareholders' equity	24,872	24,365	24,673	24,485	22,997
Key financial ratios (%)					
Capital adequacy ratio	20.7	22.2	24.9	20.0	25.7
Tier 1 capital adequacy ratio	13.9	14.7	16.3	15.9	19.9
Return on risk-weighted assets	0.7	0.0	1.1	2.0	2.6
Return on average assets	0.4	0.0	0.6	1.5	1.6
Return on average shareholders' equity	4.1	0.1	5.5	10.5	10.0
Cost to income	54.8	63.4	47.7	44.7	42.5
Provision coverage ratio	73.4	69.0	57.6	57.3	62.1
Gross impaired advances to gross advances	13.8	11.7	13.6	4.5	6.6
Net impaired advances to net advances	4.1	4.0	6.4	2.0	2.6
Share information (based on nominal value of 10 cents each)					
Earnings per share (cents)	39.2	1.4	52.2	99.7	89.4
Dividend per share (cents)	-	30.0	30.0	40.0	40.0
Net asset value per share (MUR)	9.8	9.5	9.4	9.7	9.2
Share price to book value (times)	0.4	0.7	0.6	0.8	0.7
Dividend yield (%)	-	4.7	5.0	5.3	6.0
Earnings yield (%)	10.9	0.2	8.8	13.3	13.5
Total yield (cents)	(284.0)	78.0	(124.0)	126.0	(6.0)
Cumulative yield (cents)	819.5	1,103.5	1,025.5	1,149.5	1,023.5
Price earnings ratio (times)	9.2	470.7	11.4	7.5	7.4
Dividend cover (times)	-	0.0	1.7	2.5	2.2

	2020	2019	2018	2017	2016
			Restated		
Market capitalisation (MUR Mn)	10,935	19,561	18,103	22,781	20,168
Market price per share (MUR)	3.6	6.4	6.0	7.5	6.6
Highest	6.7	6.6	8.0	8.0	6.6
Lowest	3.0	5.5	5.9	6.5	6.3
Average	4.2	5.8	7.1	7.4	6.7
Value of shares traded (MUR Mn)	700.4	889.9	987.5	2,850.9	1,167.3
Value of shares traded as a percentage of market (%)	4.5	6.4	7.4	7.7	9.3
Other key data					
Number of employees	2,845	2,717	2,541	1,890	1,527
Number of employees (Mauritius)	1,649	1,663	1,610	1,593	1,409
Number of employees (overseas)	1,196	1,054	931	297	118
Number of service units	103	108	104	62	51
Exchange rate (USD: MUR)	39.5	36.6	34.3	33.4	35.9
Exchange rate (INR: MUR)	0.5	0.5	0.5	0.5	0.5
Exchange rate (100 MGA: MUR)	0.0	1.0	1.0	1.0	1.1
Exchange rate (KES: MUR)	0.4	0.4	0.3	0.3	0.4
Exchange rate (SCR: MUR)	1.7	2.7	-	-	-

DO NOT JUDGE ME BY MY SUCCESSES, JUDGE ME BY HOW MANY TIMES I FELL DOWN AND GOT BACK UP AGAIN.

- Nelson Mandela -

RISK MANAGEMENT REPORT

RISK MANAGEMENT REPORT

INTRODUCTION

SBM Group has an Enterprise Risk Management Framework which promotes a healthy risk culture across all the entities of the Group. The framework sets the overall guiding principles for all stakeholders of the Group and ensures transparent communication on risks at all levels of the organisation in a holistic manner.

The Risk Management Committee of SBMH, under the delegated authority of the Board of SBMH, is responsible for overseeing the effectiveness of the risk management process, including the identification of principal and emerging risks facing the organisation. The risk appetite is set at entity level through the respective entity's Risk Management Committee. Risk assessment results are ultimately aggregated to compile a group-wide risk profile of SBM Group which is presented at SBMH Risk Management Committee and SBMH Board.

SBM Group adopts a 3 lines of defence model to establish risk management capabilities across:

Business Operations | **Risk Management and Compliance Functions** | **Internal Audit**

For more details on risk governance and internal control, please refer to page 95 at Principle 5 - Risk Governance and Internal Control.

The Group adopts an integrated approach to risk management supported by a well-defined Risk Management and Risk Appetite Framework, sustained by a robust Risk Management Governance Structure, underpinned by three lines of defence. Please refer to the illustration on page 131 for more details.

GOVERNANCE & STRUCTURE

STRATEGIC LAYER

Board of Directors

Responsible for establishing a risk management culture as well as risk management systems and processes, ensuring that risks are adequately identified, measured and managed, and fostering good risk governance

Board Sub-Committees

Responsible to advise/ recommend the Board on the effectiveness of the risk profile, risk culture, risk appetite, risk strategy and risk management framework and monitor breaches and control failures

MANAGEMENT LAYER

Management Forums

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

Risk Management Team

Responsible to create and maintain the risk practices across the Group and to ensure that controls are in place for all risk categories

Business Operations

Risk Management and Compliance Functions

Internal Audit

THREE LINES OF DEFENCE

The Group has a well-established Risk Governance Structure, underpinned by three lines of defence, which facilitates identification and escalation whilst providing assurance to the Board

The governance structure is supported by an active and engaged Board of Directors and a risk management function that is independent of business operations. The Head of Risk Management has direct access to the Board Chairman and the Risk Management Committee

RISK APPETITE FRAMEWORK

Risk Appetite

Risk Control Mechanism

Stress Testing

Risk Identification

Risk Strategy

The Group maintains a comprehensive Risk Appetite Framework, providing a structured approach to the identification, measurement, and control of risk. It encompasses a suite of policies, processes, controls and systems for assessing the appropriate level of risk appetite required to constrain its overall risk profile

RISK CULTURE

RISK MANAGEMENT REPORT (CONT'D)

COVID-19 PANDEMIC

The COVID-19 pandemic has hit the world in unprecedented ways, heightening risk with prolonged uncertainty. Risk management evolution to adapt to the COVID-19 environment has been key to ensuring business continuity including managing risks as part of business as usual, but also mitigating newly unfolding risks, with employees working from home and increasing risk of cyber-attacks.

The Group relied on its core risk management principles, coupled with proactive adoption of various measures, when assessing and addressing the emerging risks in light of the COVID-19 pandemic.

EXECUTIVE SUMMARY - CHANGES TO OUR RISK PROFILE

The table below provides a summary of the key risk implications of the pandemic in terms of severity and how these relate to the core risk that remains in place.

	Inherent Risk	Mitigation Actions	Residual Risk	Capitals Impacted
Macroeconomic conditions	*High* Macroeconomic conditions around the globe have deteriorated during the pandemic with a global growth contraction estimated at 3.3% for year 2020 as per the World Economic Outlook. The impact was felt across the client base of the Group entities where several companies did not meet their projected growth.	• The Group leveraged on government measures to support sectors in need and reviewed its strategy to align with the current operating environment.	*Moderate* Whilst the Group has reviewed its target growth, it is still dependent upon more favourable macroeconomic conditions.	
Credit Quality	*High* COVID-19 has negatively impacted on the financial position of the Group's counterparties mainly operating in the accommodation and food services sector, hence weakening the credit quality of the client base.	• Financial support was extended to players operating in this sector and directly impacted by the pandemic through moratoriums and additional loans at preferable rates in line with regulatory measures through the various entities.	*Moderate* The Group remains alert to the potential impact of the pandemic. Although various measures have been implemented to support players in the economy, recovery of the sector looks sluggish with a lack of visibility on the re-opening of borders in various jurisdictions and the appetite for travelling across the globe.	
Model Risk	*High* The pandemic has failed various models across the globe mainly due to the fact that models were built using assumptions designed in a pre-COVID world. SBM Group also had to review its IFRS9 models.	• The Group has engaged in the re-development of its IFRS9 expected credit loss models for all its banking entities. • Enhanced model risk management practices.	*Low* Whilst the models have been re-developed, they are principally drawn on historical data and may fail to provide significant and meaningful outcomes in very different environment conditions. However constant validation and recalibration are undertaken to minimise the risk and overlays are placed where deemed necessary.	
Capital Erosion	*Moderate* Given the rise in the probability of default of the client base impacted by the pandemic, the Group is exposed to a potential reduction of its capital base should it face large impairments.	• The Group is closely monitoring capital position of all its banking subsidiaries especially for its main subsidiary, SBMBM which is being reviewed on a monthly basis. • The Group has also reviewed its Business Continuity Plan with set strategies for stressed conditions.	*Moderate* The Group is adequately capitalised within the regulatory ratio requirements in the current context. However, the risk associated to the tourism sector, mainly for its Mauritian entity, can become a potential concern as there is not much visibility on the recovery of this sector which may increase the provisioning and thus impact on profitability and CAR.	
Liquidity and Funding	*Moderate* Due to the restructuring of loans of clients from impacted sectors, cash flows arising from these facilities have been deferred to a later stage.	• The Group has a comfortable level of HQLA bonds to cater for any unforeseen cash outflows. Moreover, in some jurisdictions, the local regulator has helped commercial banks with additional liquidity lines to cater for any eventual shortfall.	*Low* The availability of the liquidity support and existing comfortable buffers contribute to a healthy LCR which is significantly above minimum regulatory requirements.	
Health and Safety	*High* The health and safety of staff members, especially those who work in direct contact with customers, is increasingly at risk in the face of pandemics like COVID-19.	• A work from home strategy has been implemented across the Group. • Guidelines such as social distancing, wearing of masks and gloves, performing barrier gestures, avoiding movement between office floors and limiting the number of people in lifts and common spaces have been regularly communicated to employees within the Group.	*Moderate* No COVID-19 case was registered among staff members in Mauritius. However, there were cases where staff were infected in SBMBI, BSBMM and SBMBK. The precautionary measures adopted by the Group contributed in limiting the risk of contagion.	

RISK MANAGEMENT REPORT (CONT'D)

	Inherent Risk	Mitigation Actions	Residual Risk	Capitals Impacted
Business/ Operational Continuity	*High* During the confinement period, the Group has been operating with skeleton staff. Only some of the branches located at strategic places were opened to serve customers. Essential financial services were provided to customers.	• Business continuity procedures were put in place to prevent the spread of the viral threat within our office premises. • Proactive steps have been taken by the Group during the COVID-19 pandemic. Communication campaigns have been carried out to educate employees, customers and visitors on recommended practices. • Business trips have been suspended for staff members and the use of technology and digital communication has been favoured. • The use of online banking channels has been continuously promoted with training provided to customers for greater adoption. • Processes were streamlined to digitalise operations and ensure business continuity.	*Moderate* No staff member or customer contracted the virus within our premises in SBMBM but infection cases were registered in other SBM entities like SBMBI, BSBMM and SBMBK.	
System Unavailability	*High* Inability to serve customers.	• For SBMBM, the contract agreement with the IT strategic partner has been reviewed with comprehensive and stringent SLAs set and monitored. • Continuous system monitoring is being performed. • An alert mechanism has been implemented to send notification in case of any system anomaly. • A diligent review of key processes has been conducted.	*Low* System stability has been observed for critical as well as non-critical applications.	

	Inherent Risk	Mitigation Actions	Residual Risk	Capitals Impacted
Cybersecurity/ Confidentiality Risk	*High* With the roll out of the work from home plan: • the risk of leakage of confidential customer data increases since employees work on their own with less supervision. • an increase in cyber threat and attacks is generally observed as cybercriminals remain on the lookout to perform fraudulent acts.	• All employees are regularly reminded to abide by the Group's data confidentiality clauses at all times, especially when working from home. • Daily reports are generated to monitor employees' login on the organisation's Core Banking System (CBS) and Customer Relationship Management (CRM) while working from home. • A two-factor authentication (2FA) has been implemented to login on the applications. • Only corporate hardened devices are granted access to the organisation's network and the link is secured through Verisign SSL certificate. • The Group's network is monitored on a continuous basis.	*Moderate* No incident was noted from employees who were working from home. The network remained secured with no fraudulent attack.	

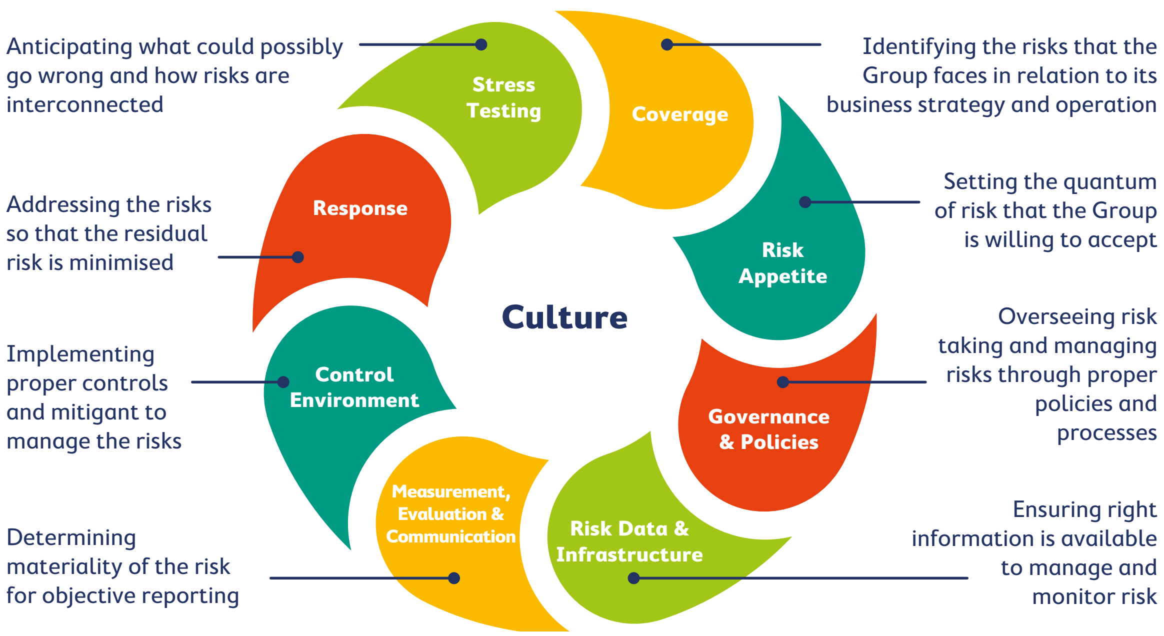
In addition to the above, it should be highlighted that the principal risks in the business-as-usual context continue to prevail, with some of them heightening with the pandemic. This has required the Group to adapt. For example, the Group ensures continuous monitoring of its concentration and country risks within pre-defined limits (more information provided at page 140). Furthermore, the characteristics of the emerging risks, related to the COVID-19 pandemic, cannot be determined with certainty as they are largely dependent on how the local and global recovery unfold.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Risk Management is integral to all aspects of the Group's activities and is the responsibility of all members across the organisation. SBM Group embraces risk management as a core competency that allows objective and transparent business through risk optimisation. A comprehensive Enterprise Risk Management Framework is applied throughout the Group with embedded risk culture and corresponding risk management tools.

RISK MANAGEMENT REPORT (CONT'D)

This framework, which is fully applied across the Group, comprises the following basic elements:



SBM promotes the development of a risk culture that advocates a consistent application of the framework across the Group, and that ensures that the risk function is understood and internalised at all levels of the organisation. The framework is further supported by sub frameworks categorised by risk types that cover the different aspects of risk to ensure that proper corrective and mitigation measures are implemented to maintain risk levels within approved tolerance limits.

1. Business Strategy and Risk Coverage

Prior to articulating the risk appetite, evaluating the risks that the Group is exposed to with respect to its strategy and business objectives is key to determining the level of acceptable risk. With the COVID-19 pandemic, risks have further intensified, and early identification of risk is crucial to implement proper control measures. The Group is faced with a spectrum of risks when carrying out its operations, with the main ones being listed in the table below and on page 137:

Financial Risks

Type of Risk	Description	How it is managed
Credit Risk	Risk of economic loss arising due to counterparties failing to fulfil their financial or other contractual obligations.	The Group has an established Credit Risk Management Framework which outlines clear and consistent policies, processes, principles and guidelines.
Market Risk	Risk of losses arising from variations in the market value of trading and non-trading positions.	The Group has an established Market Risk Management Framework which outlines clear and consistent policies, trading limits and hedging strategies.
Liquidity and Funding Risk	Risk that the Group will not be able to meet its obligations as they fall due.	The Group has an established Liquidity Risk Management Framework which is implemented at each entity's treasury function level.

Non-Financial Risks

Type of Risk	Description	How it is managed
Operational Risk	Risk of loss due to errors, breaches, or damages caused by people, internal processes, systems or external events.	SBM Group's Operational Risk Management Framework is integrated into the risk management processes across all levels of the organisation and business lines.
Reputational Risk	Risk of negative impact on the books due to adverse publicity, public perception or uncontrollable events.	SBM Group's Reputational Risk and Media Policies provide guidance on how to manage reputational risk.
Business and Strategic Risk	Risk of financial forfeiture arising due to unsuccessful business decisions.	The Board reviews financial performance and progress against strategic plans on a quarterly basis, assesses areas of under-performance, monitors the evolution of the operating environment, guides for further analysis and takes appropriate decisions to safeguard the interests of the Group.
Compliance and Regulatory Risk	The threat posed to a company's financial, organisational, or reputational standing if the Group fails to comply with relevant laws, regulations, guidelines and policies.	The Group ensures compliance with all relevant provisions in force and promotes norms, values and ethics to safeguard its assets and protect it from regulatory sanctions, financial and reputational losses.
IT Risk	Potential loss due to faulty or unsuitable technology in the day-to-day running of the organisation.	• Business Continuity Framework has been continuously reviewed to ensure high resiliency in systems. • Contract agreement clauses have been reviewed with comprehensive and stringent SLAs set and monitored.
Cyber Risk	Potential loss or harm related to technical infrastructure or the use of technology within the organisation.	• Continuous monitoring of network usage. • Continuous assessment and remediation of gap to mitigate cyber threats. • Awareness campaigns carried out for customers and employees. Regular training is also provided to staff members.
Model Risk	Risk of loss arising from inaccurate predictions, leading to inappropriate decisions.	The Group makes use of several models for specific purposes. The models and their variables are reviewed at least yearly and validated by the Management Team.
Environmental and Social Risk	Potential negative consequences to the company that result from its impacts on the environment (air, water and soil) and communities of people (local residents, customers and employees).	The group-wide Environmental and Social Risk (ESR) Policy provides a consistent methodology to understand, assess and consider environmental and social risks in decision making.

RISK MANAGEMENT REPORT (CONT'D)

These risks are monitored on a monthly basis by the Risk Management Team and are reported to three main management forums as depicted below. A consolidated view of the risk profile including any breach in prudential/regulatory limits are reported to the Risk Management Committee at entity level as well as to SBMH Risk Management Committee on a quarterly basis.

BOARD OF DIRECTORS

RISK MANAGEMENT COMMITTEE
Ensures regular board oversight of risks, determines risk tolerance and appetite, approves risk strategy and provides guidance to executives.

PORTFOLIO AND CREDIT RISK FORUM
Facilitates portfolio and credit risk management within the Group. Monitors credit risk exposures within set risk appetite

ALCO AND INVESTMENT FORUM
Facilitates management of market, funding and liquidity risks with a focus on asset and liability management

OPERATIONAL RISK FORUM
Serves as a focal point for operational risk management

RISK MANAGEMENT TEAM
Measures, monitors and reports material risks to management forums and Boards. The team also acts as facilitator to ensure that the policies approved by the Board is implemented across different business units.

2. Risk Appetite Framework

The Group's Enterprise Risk Management Framework is rolled out across the Group through policies, processes, controls and systems where the risk appetite is established, communicated and monitored. It includes a risk appetite statement that emphasises measures along with associated limits and triggers in a manner that is easily conveyed to internal stakeholders.

The risk appetite is set annually by the Board of Directors with the goal of aligning risk-taking with the statutory requirements, strategic business objectives and capital planning. The Board of Directors and the CEO of each entity have key roles to play in the implementation of the risk appetite by steering the utilisation of different forms of financing, the entity's geographical operating areas and markets, and funding and liquidity management.

2.1 Hierarchy of Risk Appetite Principles

The hierarchy of risk appetite setting starts with the Board guiding risk-bearing capacity, which is subsequently cascaded down to specific and detailed risk limits.

Risk-Bearing Capacity	Represents the maximum level of risk that the Group can assume given its current level of resources before breaching constraints determined by regulatory capital, liquidity needs, the operational environment and obligations towards all stakeholders.
Risk Appetite Statement	Articulates and allocates the aggregate level and types of risk that the Group is willing to accept in pursuit of its strategy, duly set and monitored by the Board, and integrated into the Group's strategic, business, risk and capital plans.
Risk Tolerance	Refers to the readiness to bear the risk that remains after risk treatments have been implemented to achieve objectives. Risk tolerance is set in operational terms through limits such as concentration limits and stop loss limits, amongst others, to ensure that the risk is within the defined risk appetite. Any breach thereof would lead to a control and/or mitigation action.
Risk Target	Is the optimal level of risk that the Group is willing to take in pursuit of a specific goal. Setting the risk target is based on the desired return, on the risks implicit in trying to achieve those returns and on SBM Group's capability to manage those risks.
Risk Limits	Are thresholds that monitor that an actual risk exposure does not deviate too much from the desired optimum. Breaching a risk limit will typically act as a trigger for corrective action at the process level.

2.2 Risk-Bearing Capacity

Financial year 2020 has been marked by the COVID-19 pandemic whereby the Group's strategy, budget and capital planning were reviewed to adapt to the stressed situation. Stress-testing exercises have been key to the risk appetite calibration process to ensure that adequate capital is allocated to the level of risk of segments within the business operation.

Various stress testing exercises have been carried out throughout the year under different COVID-19 recovery assumptions for macroeconomic variables as well as counterparties' cash flow conditions to analyse the potential capital and liquidity positions. It is a practice within the Group to develop stress scenarios on key risk factors and the results are reported in the Internal Capital Adequacy Assessment Process (ICAAP) yearly and more frequently to Management Forums and the Risk Management Committee.

The Group has, as part of its contingency plan, reviewed its processes and strategies for addressing liquidity shortfalls in unexpected situations. Based on the results of the stress testing, the Group remains within regulatory capital requirements under mild shocks and is also comfortable on the liquidity side.

RISK MANAGEMENT REPORT (CONT'D)

2.3 Limit Setting

Having set the overall strategy taking into consideration the underlying risks, the Group cascades down the risk appetite through specific risk limits at different levels with the objective to minimise unexpected losses while setting clear boundaries to risk-taking. These limits are monitored and reported to the Management Forum on a monthly basis, and to the Risk Management Committee of the respective entity and of SBMH on a quarterly basis.

2.3.1 Credit Risk

Credit risk is the main risk faced by the Group as a result of its daily business operations. The Group has set a proper framework underpinned by risk tolerance and risk limits to mitigate the impact of credit risk.

At entity level, the Board of Directors delegates its credit approval authority to different levels in the organisation depending on the risk categorisation and the credit exposure of the customer.

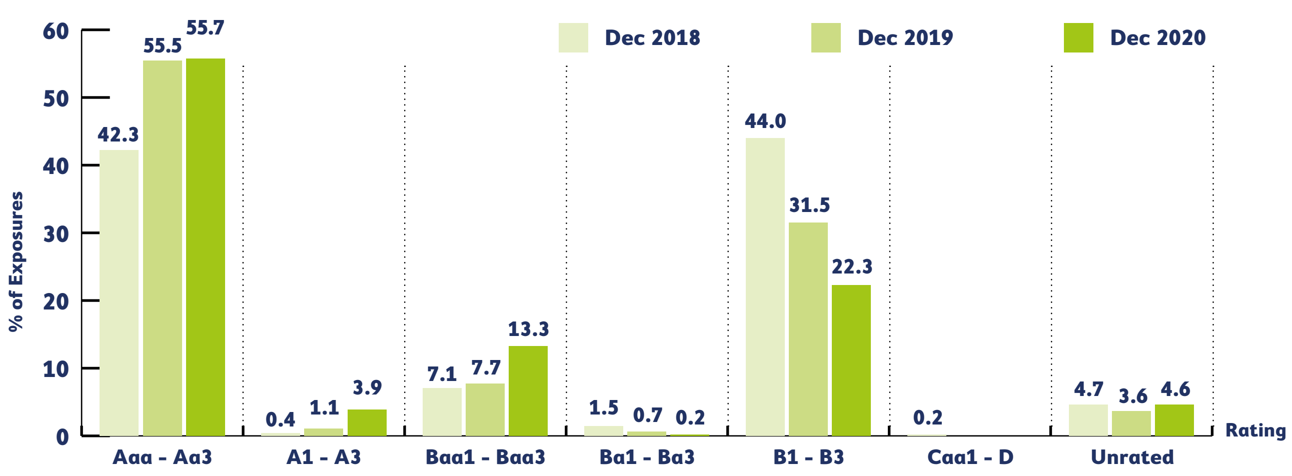
2.3.1.1 Country Risk

Country risk is a collection of risks related to investing in a particular foreign country, which arises from the economic, political and social environments that may affect the operations, long-term investment decisions and repayment capacity of cross border counterparties including the relevant sovereign. The Group has faced a few unfortunate cases in the past and has, since, taken a more prudent stance on cross-border financing.

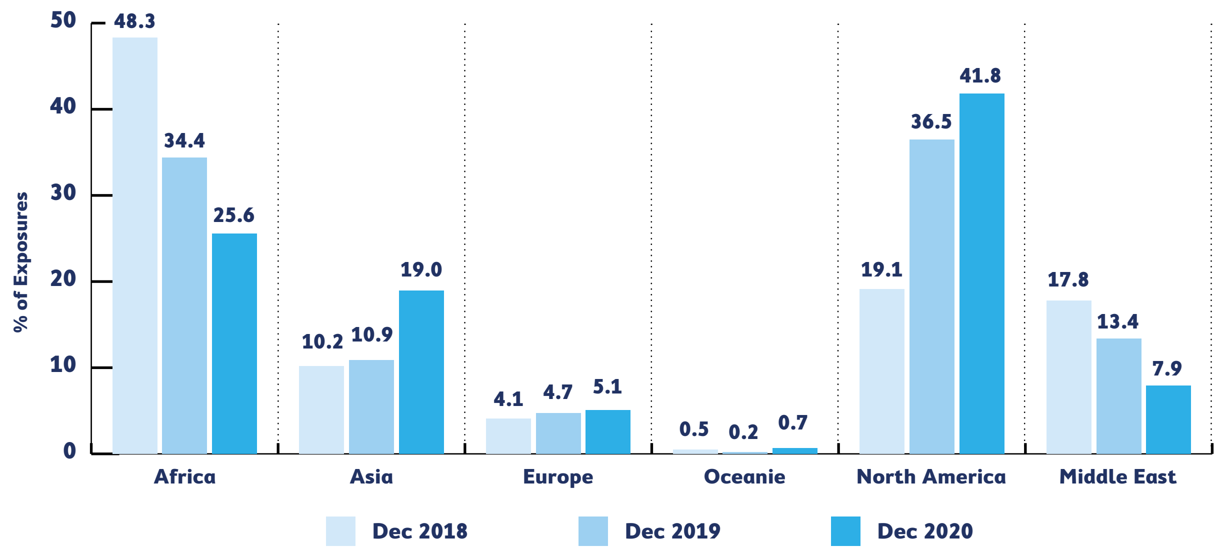
SBM Bank (Mauritius) Ltd (SBMBM), being the main entity with cross-border lending, applies a Board approved comprehensive Country Risk Framework taking into consideration different aspects of risks in line with the Bank of Mauritius Guideline on Country Risk Management to contain risks within acceptable risk tolerance levels. This framework has been revised in the wake of the COVID-19 pandemic to further reduce exposure to foreign counterparties due to higher levels of global uncertainty.

As of 31 December 2020, total SBM Group's credit equivalent exposure to cross-border lending accounted for 288.0% of Group Tier 1 Capital. Exposure to Supranationals represented 23.4% of total cross-border lending.

Distribution of country risk by rating (%)



Distribution of country risk by region (%)

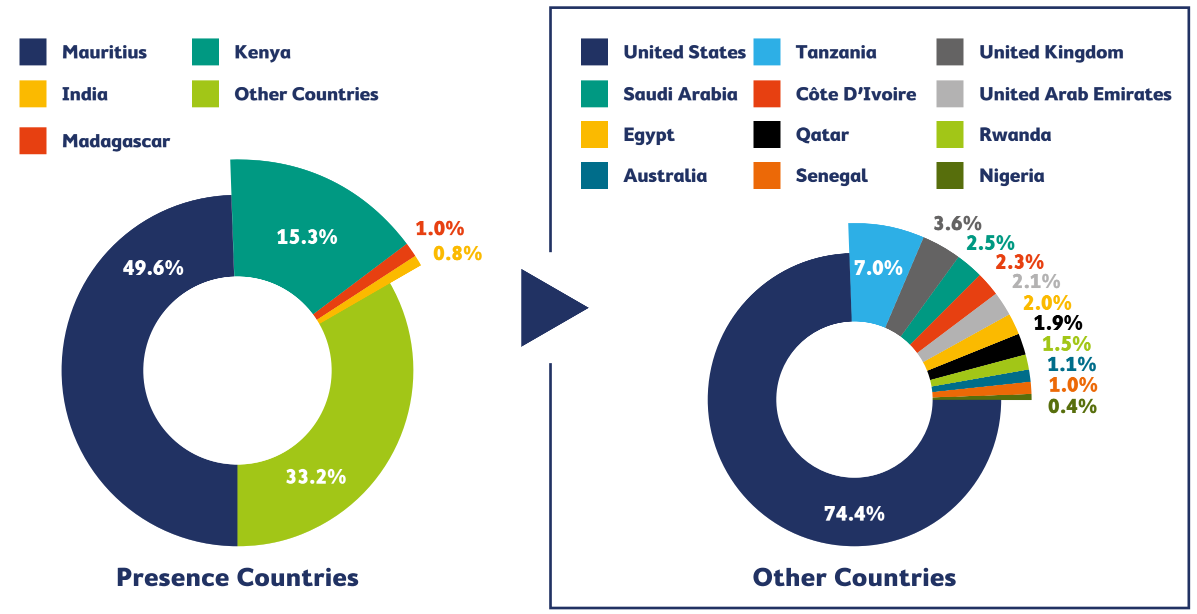


2.3.1.2 Sovereign Risk

Sovereign risk relates to the risk that a particular foreign nation is not able to honor its obligation. The Group is exposed to sovereign risk through exposure on a government entity and/or its central bank.

As at 31 December 2020, sovereign exposures accounted for 324.9% of Group Tier 1 Capital of which sovereign exposures in SBM presence countries accounted for 217.0% of Group Tier 1 Capital.

Distribution of sovereign exposures of the Group



RISK MANAGEMENT REPORT (CONT'D)

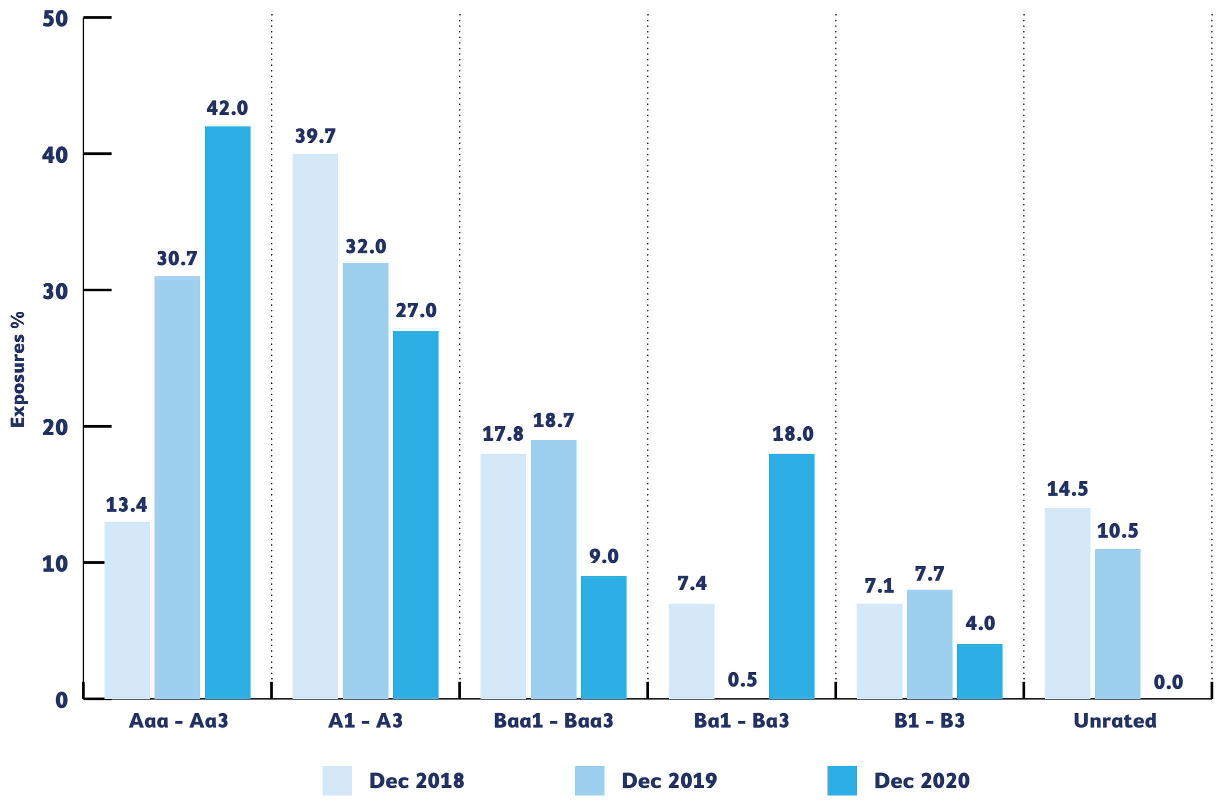
2.3.1.3 Bank Counterparty Risk

SBM Group is exposed to bank counterparty risk, or the risk that a bank defaults on its obligations through different types of exposure varying from money market, treasury products and trade finance deals to standby letter of credits. To mitigate the risk, the Group has set up a Bank Risk Framework where limits are allocated to each individual bank based on the Bank's risk profile. The limit is also contained by the respective Bank's country limit and the regulatory limit on single counterparty exposure.

As at 31 December 2020, the Group's bank counterparty credit equivalent exposure accounted for 123.5% of the Group's Tier 1 Capital.

An increase was noted in the rating band of Ba1-Ba3 and a fall in the rating band Baa1-Baa3 on account of rating downgrade of Indian banks.

Distribution of Bank counterparty risk by rating (%)



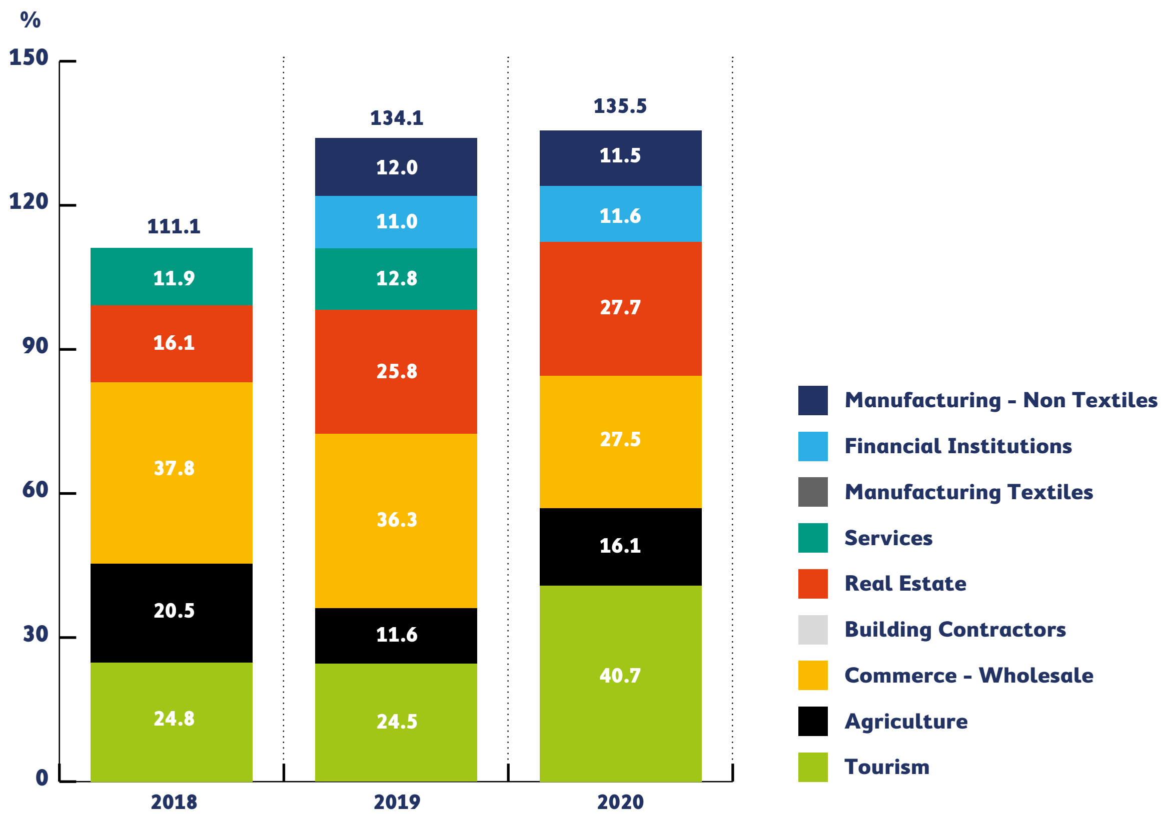
2.3.1.4 Counterparty Credit Concentration Risk

Counterparty credit concentration risk pertains to the risk of loss to the Group as a result of excessive build-up of exposure on a single/group of related counterparties. SBM Group has set prudential limits within the regulatory limits designed to restrain concentration to a single/group of connected counterparties as well as large exposures.

As at 31 December 2020, the credit concentration exposures were well within the regulatory limits.

Regulatory Credit Concentration Limit	
Credit exposure to any single customer shall **not exceed 25%** of the Group's Tier 1 Capital	10.9%
Credit exposure to any group of closely-related customers **shall not exceed 40%** of the Group's Tier 1 Capital	16.3%
Aggregate large credit exposures to all customers and groups of closely related customers above 10 % of the Group's capital base **shall not exceed 800%** of the Group's Tier 1 Capital	135.5%

Top group of closely related customers' exposure by sector as a % of Tier 1 Capital

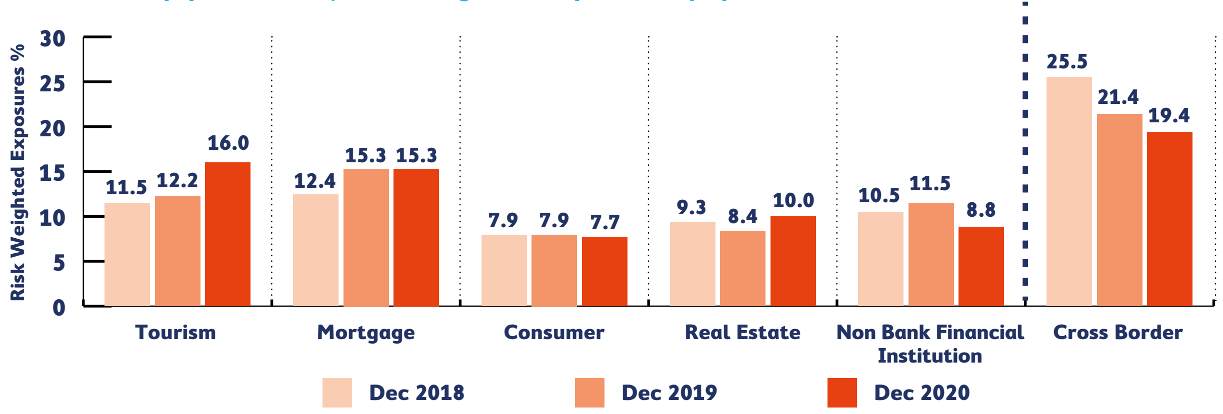


2.3.1.5 Portfolio Concentration Risk

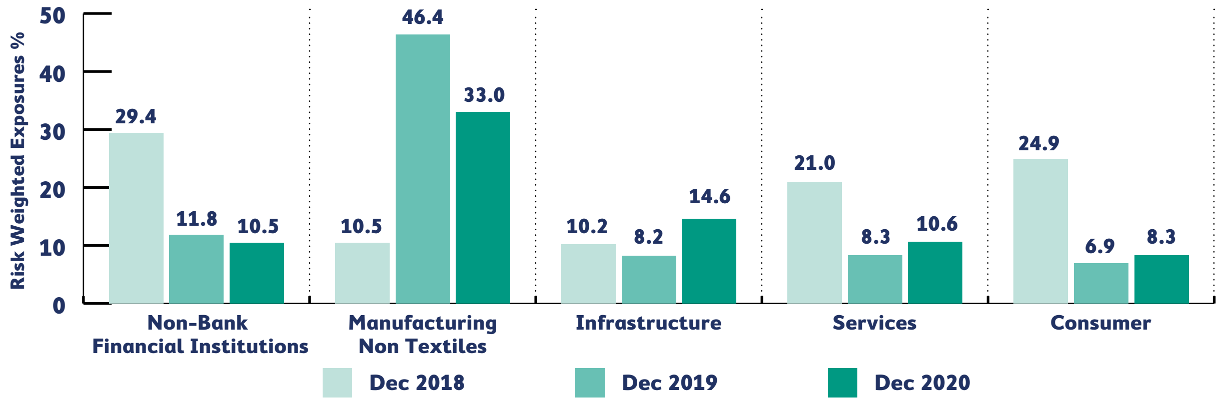
The Group aims to maintain a diversified credit portfolio that adapts to the economy of the countries where it is present. Each entity of the Group sets out limits by segment, portfolio and sub-portfolio in line with its strategy and risk appetite, in alignment with the overall Group objectives.

RISK MANAGEMENT REPORT (CONT'D)

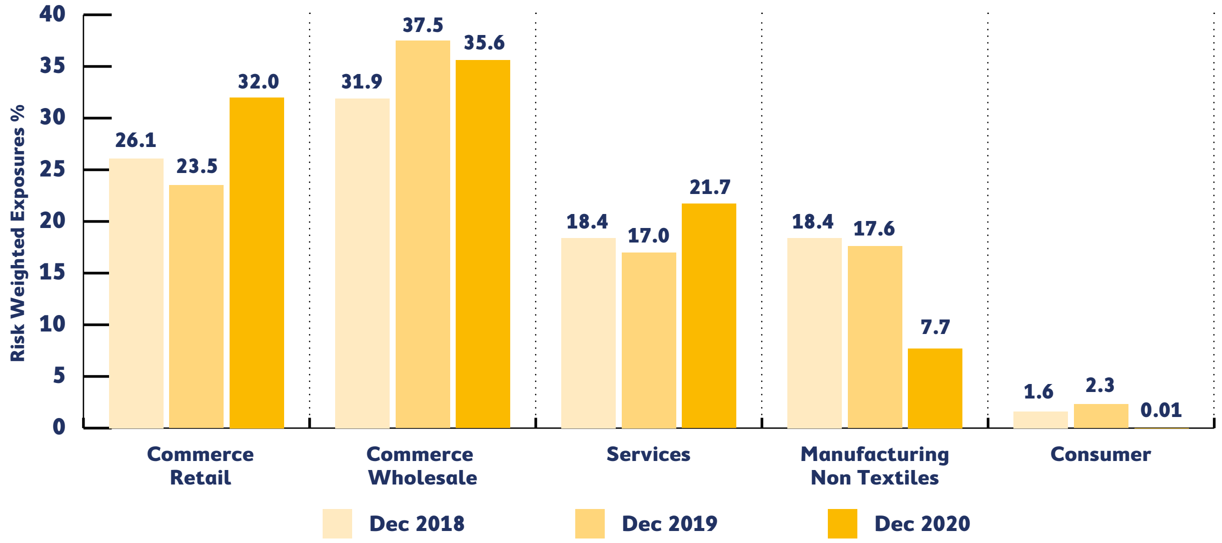
SBMBM's top portfolio by risk weighted exposures (%)



SBMBI's top portfolio by risk weighted exposures (%)

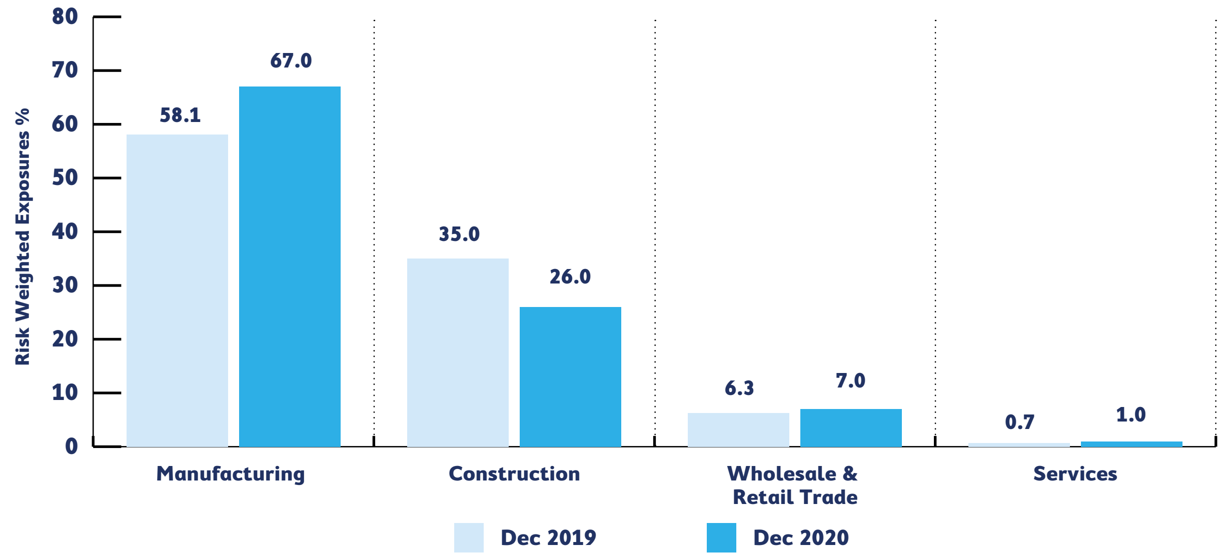


BSBMM's top portfolio by risk weighted exposures (%)



SBMBK's top portfolio by exposures (%)

SBM Factors Ltd portfolio by risk weighted exposures (%)



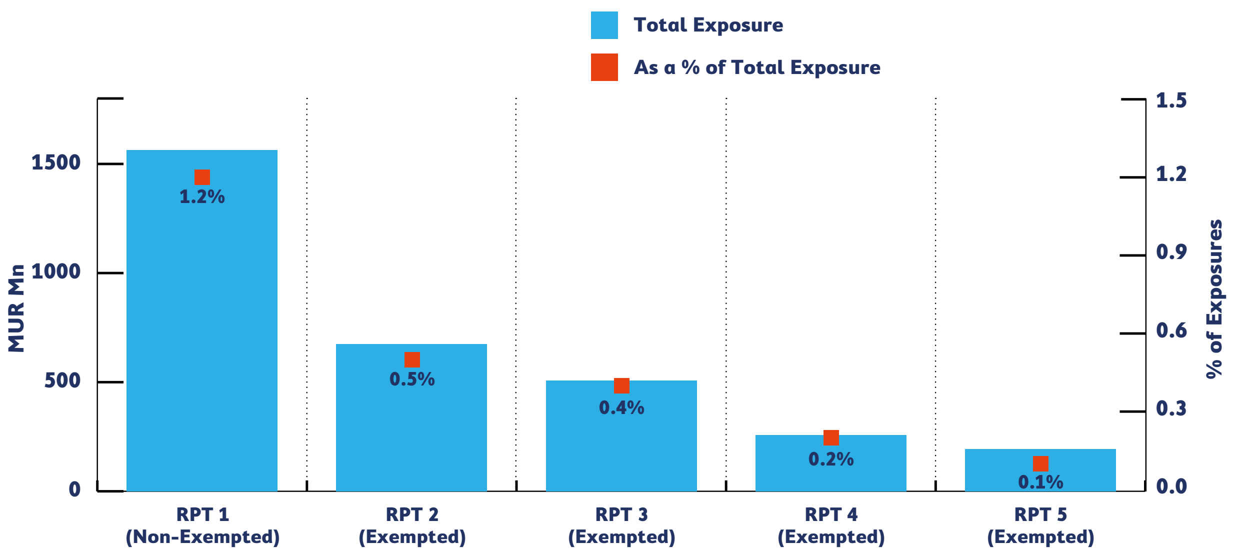
2.3.1.6 Related Party Risk

Related parties exposures are defined as per the Bank of Mauritius Guideline on Related Party Transactions. All related party exposures are reported to the Corporate Governance and Conduct Review Committee.

As at 31 December 2020, the aggregate non-exempted exposures to related parties represented 7.6% of the Group's Tier 1 Capital, which is well within the regulatory limit of 60% for category 1 and within the regulatory limit of 150% for categories 1 and 2.

RISK MANAGEMENT REPORT (CONT'D)

Top 5 related party exposures



2.3.1.7 Credit Quality

In line with its Credit Risk Management Framework, the Group uses risk mitigation techniques to minimise loss in the event of default.

The Group engages in different types of collateral agreements depending on the type of counterparty and the structure and term of credit obligations:

- Financial and other collaterals, which enable the Group to recover all or part of the outstanding exposure by liquidating the collateral asset provided, in cases where the borrower is unable or unwilling to fulfil its primary obligations.
- Guarantees, letters of credit and similar instruments from third parties, which enable it to claim settlement from them in the event of default on the part of the counterparty. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties.
- Netting agreements are utilised in accordance with relevant regulatory and internal policies and require a formal agreement with the customer to net the balances.
- Credit insurance to transfer the credit risk to the insurance counterpart.

The Group has an acceptable list of collaterals which undergoes a periodic valuation ensuring their continuous legal enforceability and realisation value.

2.3.1.7.1 Expected Credit Loss

In the wake of the pandemic, provisioning under IFRS9 came into the limelight with the increased risk of model failures. The Group has been updating its models, data set, and macroeconomic forecasts incorporated in the models while applying management overlays prudentially during the quarter ends of financial year (FY) 2020. In parallel, the Group embarked on a full model redevelopment exercise for all its banking entities where updated data sets and macroeconomic variables were considered under stressed scenario with more granular segmentation.

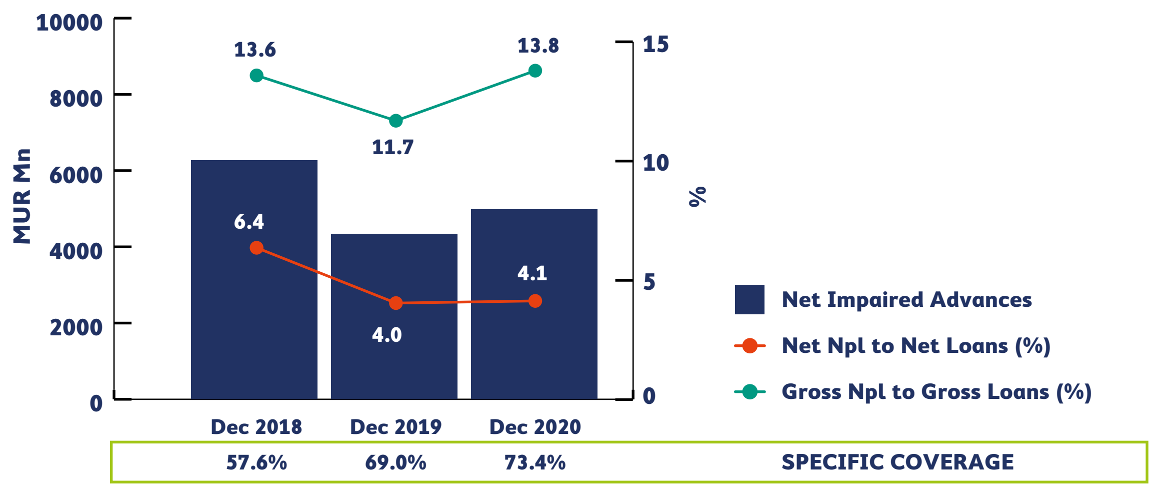
SBM banking entities have performed an assessment on its client base to ensure that the Bank is adequately provisioned and that necessary contingency plans are set up to meet any crisis situation. A Watchlist Review Forum is held on a quarterly basis with Senior Management representatives to review customer-wise exposures satisfying a detailed list of 'watch-list' criteria enabling better control over these exposures. These exposures are further classified under 'Stage 2' where a lifetime Expected Credit Loss (ECL) is allocated.

2.3.1.7.2 Impairment

The Group has, over the last few years, experienced some unfortunate defaults on some large clients. Following the adoption of IFRS9 principles as from January 2018, the Group ensures proper classification of assets under Stage 3 (non-performing assets) through IFRS9 criteria and maintains adequate provisions (lifetime Stage 3 ECL) under Stage 3.

In the COVID-19 context, the Group also takes into consideration respective entities' regulatory guidance on the measures to be adopted for asset classification under Stage 3. Counterparties having availed of moratorium due to the pandemic have not automatically been classified as Stage 3. The respective entites have engaged in an individual client assessment before classifying any client/exposure under Stage 3.

Impairment trend



2.3.1.7.3 Rescheduled Advances

Rescheduled advances consist of facilities whose original terms and conditions were amended as mutually and formally agreed by both SBM and its client. Rescheduling is an approach used to assist clients that are experiencing a temporary cash flow problem and require some concessions in view of a change in their operating circumstances.

The Group experienced a peak in rescheduled advances for the FY 2020 mainly due to the COVID-19 pandemic which entailed lockdowns imposed in the different jurisdictions where the Group's banking entities are present and where different sectors of economic activity were directly hit.

As at 31 December 2020, total rescheduled loans stood at 18.9% of the total credit portfolio.

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RISK MANAGEMENT REPORT (CONT'D)

2.3.2 Market Risk

The Group has a sound Market Risk Management Framework enhanced by the 3 lines of defence in keeping with good governance practices.

Market risk includes interest rate risk, foreign exchange risk, price risk and liquidity risk. The following sections provide an overview of each risk sub-category.

2.3.2.1 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, re-investment risk and option risk.

The Group interest rate risk management is aimed at maximising the risk-adjusted net interest income within the tolerable level of interest rate risk and risk appetite.

The impact on Net Interest Income (NII) of a parallel change in interest rates as at 31 December 2020 is as follows:

	Impact of 200 bps Parallel Rate Change on NII		
	31 Dec 20	31 Dec 19	31 Dec 18
SBM Bank (Mauritius) Ltd	9.1%	5.6%	7.7%
SBM Bank (India) Limited	20.7%	38.5%	25.6%
Banque SBM Madagascar SA	1.2%	2.1%	4.2%
SBM Bank (Kenya) Limited	11.5%	6.1%	6.7%

The interest rate risk in the banking book is managed by controlling interest rate sensitivities, which relate to the immediate effects of interest rate changes on assets, liabilities and off-balance sheet items. With the composition of the balance sheet as at 31 December 2020, the NII is expected to rise in an increasing rate scenario and fall in a decreasing rate scenario.

The major foreseen risk in this area is the uncertainty on the new risk free rates and spreads which will replace key LIBOR rates on 31 December 2021 and 30 June 2023. The Group has already started to work on an impact assessment and the way forward at entity level. For SBMBM and SBMBK, the LIBOR exposure is significant and the impact will potentially be material in terms of fair value changes on financial instruments and loss or gain in interest income. For other jurisdictions, the impact is not deemed significant.

2.3.2.2 Foreign Exchange Rate Risk

Foreign exchange rate risk is the likelihood that movements in exchange rates might adversely affect the foreign currency holdings in the reporting currency of the Group.

In order to manage transactional foreign currency exposures, the Group operates 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 loss limits. Moreover, the Group manages the counterparty exposure arising from market risk related transactions on our spot and Over-The-Counter (OTC) derivative contracts by using collateral and netting agreements with the major counterparties.

2.3.2.2.1 Value at Risk

Value at Risk (VaR) is a statistical measure that the Group uses to quantify the foreign exchange risk based upon a common confidence interval and time horizon. The methodology used to calculate VaR is the parametric method which assumes that historical returns in the foreign exchange market are representative of future movements. VaR is computed by using a 1-day holding period and based on a 99% 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 VaR for the Group is summarised as follows:

Entity	Min	Max	Year End
	Figures in MUR Equivalent		
SBM Bank (Mauritius) Ltd	486,839	7,608,438	1,495,316
SBM Bank (India) Limited	97	259,788	174,409
Banque SBM Madagascar SA	7	575	202
SBM Bank (Kenya) Limited	93,969	1,923,791	414,305

One of the impacts of the pandemic was an increase in currency volatility coupled with lower traded volumes. This caused the VaR to increase. The Group reacted by reducing overall open currency exposure to better control the risk.

RISK MANAGEMENT REPORT (CONT'D)

2.3.2.3 Price Risk

Price risk is the risk that arises from fluctuations in the market value of trading and non-trading positions resulting in adverse movements on the value of portfolios.

Instruments in the trading book are re-valued periodically using market prices. Price risk is controlled by stop loss limits, open position limit per type of products, posting of collateral and daily netting with major counterparties. The Group is exposed to risks in respect of both local and international quoted securities. The portfolio is managed under the strategic direction of the Asset and Liability Committee (ALCO) for SBM Group. Besides the local gilt-edged securities and other High Quality Liquid Assets (HQLA) Bonds denominated in USD, the Group maintains a well-diversified portfolio comprise primarily of investment grade securities. The Group does not have direct exposure to commodity price risk. All commodities deals are done back-to-back (locked on both legs of the deal), where the commodity price risk is perfectly hedged.

The Group also has exposure to derivatives contracted through the normal course of business to meet client requirements, to hedge the exposures to market price variations and for trading purposes. Derivatives are contracts whose values are derived from underlying instruments (foreign currencies, interest rates, credit and commodities). These include forwards, swaps, options and structured products. The risk is managed by controls such as open position product limits, stop loss limits and exposure limits, which are in line with the risk appetite of the Group. Daily mark-to-market and netting agreements with major counterparties mitigate the resulting credit risk.

2.3.3 Liquidity Risk

SBM Group has historically maintained a strong liquidity position. Given its stable funding base, significant investments in liquid assets and structured Liquidity Risk Framework, the Group's liquidity risk is well managed. The primary tools that it uses to monitor and manage the risk are: the Basel III Liquidity Ratios namely Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR) and the Traditional Gap Analysis. Liquidity risk is managed at source by the Treasury Operations Department of each banking entity. The Group adopts a prudential approach in liquidity risk management with the setup of internal liquidity gap limits based on the level of HQLA and more conservative LCR target. These are determined by ALCO and approved by the Board of each banking entity.

Based on the stress testing results using both general portfolio assumptions and specific client-based scenarios, the Group's liquidity position is comfortable. The stable source of deposit and decent stock of HQLA is one of the strengths of the Group.

2.3.3.1 Liquidity Coverage Ratio

In line with the BOM Guideline on Liquidity Management, the Liquidity Coverage Ratio (LCR) is maintained in significant currencies (namely MUR and USD) and on a consolidated basis. Since the introduction of the ratio in November 2017, SBM Bank (Mauritius) Ltd has maintained its LCR ratio above the regulatory requirement.

The LCR across the Banking Group, as at 31 December 2020, is shown in the table below:

	LCR		
	2020	2019	2018
SBM Bank (Mauritius) Ltd	153.9%	149.1%	140.2%
SBM Bank (India) Limited	143.4%	217.3%	121.7%
Banque SBM Madagascar SA	159.2%	113.4%	127.9%
SBM Bank (Kenya) Limited	173.5%	200.0%	302.3%

The LCR consolidated for the Banking Group stood at 143.6% as at 31 December 2020 (2019: 154.6%). The average LCR for SBMH and the Banking Group were at 140.9% and 143.7% respectively. Both are significantly above the Basel III requirement of 100%. As from end of January 2020, the regulatory requirement for Mauritius operations has been aligned to that of Basel at 100%. The Group's strong liquidity profile is already geared for this adjustment. The average stock of HQLA amounts to MUR 64.0 billion for SBMH and MUR 83.8 billion for the Banking Group. The Group's portfolio of HQLA is mostly comprised of A-rated sovereign and Multilateral Development Banks (MDBs) bonds.

2.3.3.2 Funding

The Group maintains deposit concentration limits to ensure that it does not place undue reliance on a single entity as a funding source. The loan to deposit ratio is conservative across all banking entities. Moreover, the Group has a high level of core deposits which is adequate to mitigate the related liquidity and funding risk given a high degree of stickiness.

The net stable funding ratio (NSFR) across the Banking Group, as at 31 December 2020, are shown in the table below:

	NSFR
SBM Bank (Mauritius) Ltd	122.4%
SBM Bank (India) Limited	113.3%
Banque SBM Madagascar SA	290.4%
SBM Bank (Kenya) Limited	149.5%

RISK MANAGEMENT REPORT (CONT'D)

2.3.4 Operational Risk

The need for effective operational risk management is more acute than ever. To keep pace with emerging risks, the Group ensures that its policies, procedures and processes that are in place to manage operational risks meet the needs of its stakeholders.

The Group's Operational Risk Management Framework is enhanced by the 3 lines of defence to manage risk exposure to an acceptable level.

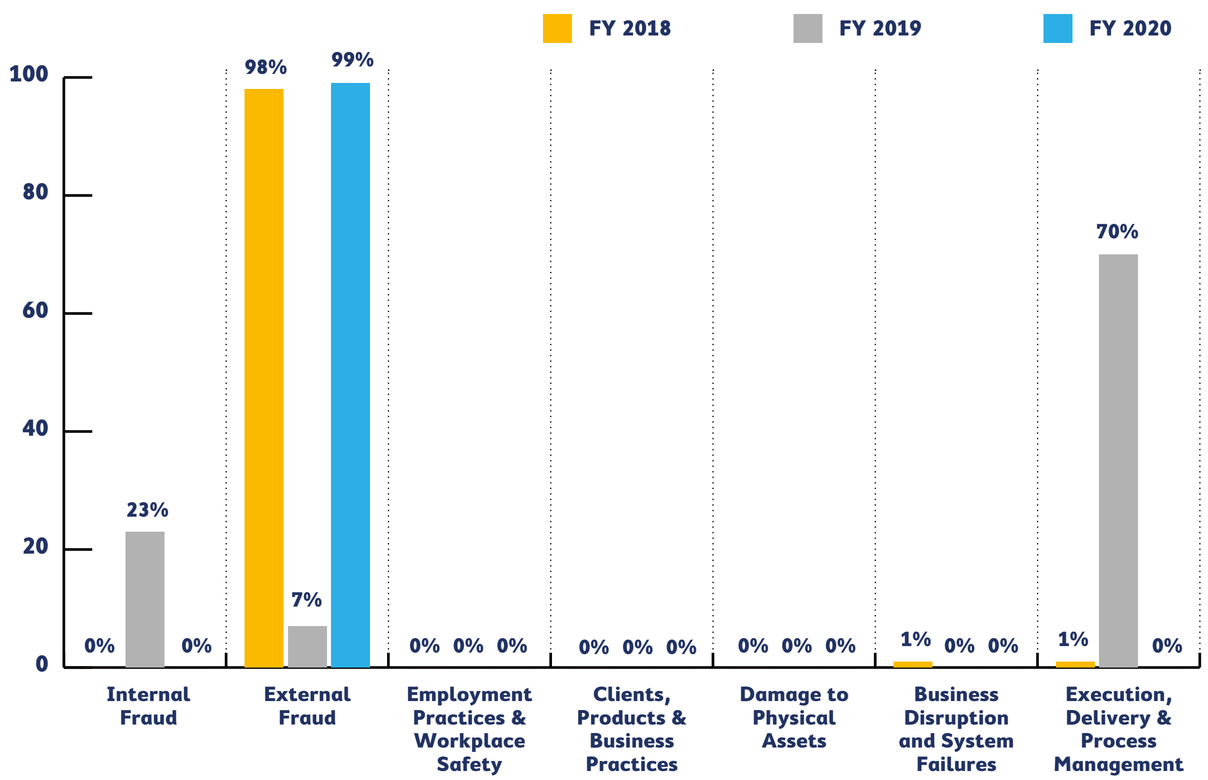
2.3.4.1 Operational Loss

In 2020, the Group has been victim of frauds perpetrated by external parties which led to an increase in external fraud compared to the previous year. These frauds consisted mainly of forged financial statements submitted by a SBMBM's client, breach of covenant in facility agreement by a client at SBMBI and cyberattacks targeting SBMBK's mobile and online banking platforms. Controls have been strengthened to mitigate risk of external fraud.

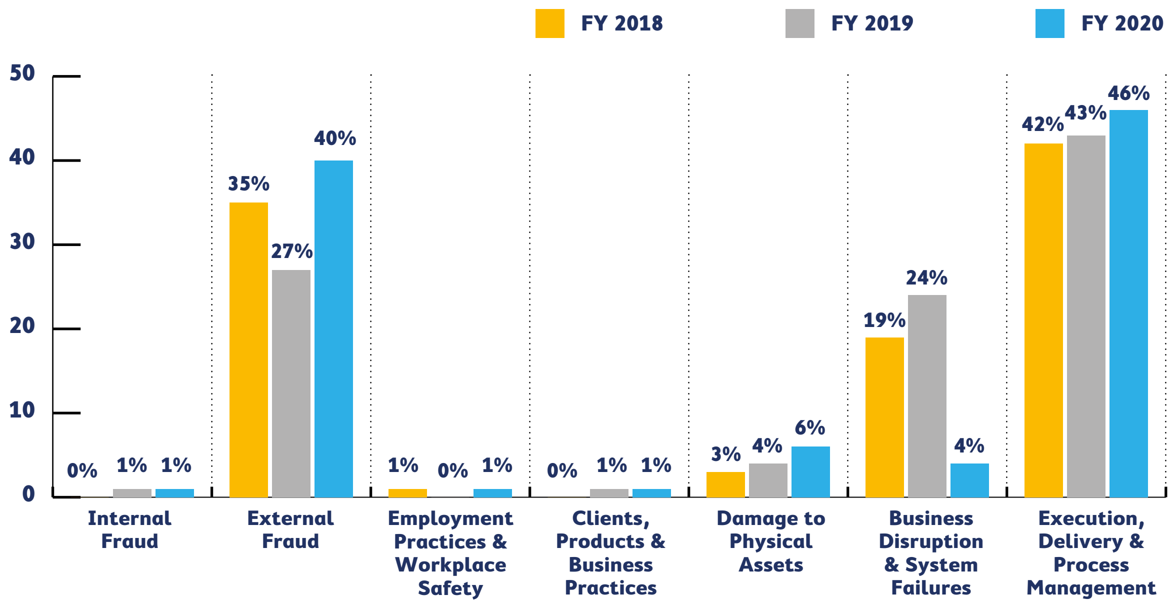
One of the branch of SBMBK was unfortunately destroyed by fire which resulted into a loss of around MUR 8.2 million. A claim from insurer has been lodged.

Overall, the Group has a proper Operational Risk Management Framework in place to identify, assess, analyse, mitigate and monitor any operational risk that may arise.

Distribution of net losses by operational risk category - % of total



Distribution of number of events by operational risk category - % of total



2.3.5 IT Risk

The Group's operations are technology intensive. A significant number of technology platforms are currently hosted and managed by our offshore IT strategic partner. The Group acknowledges the risks associated with this kind of outsourcing arrangement with regards to data protection, system performance, service delivery and time to market new products and has, therefore, taken mitigating actions so as to reinforce controls and governance measures. As part of a broader strategic plan, the Board of SBMH has approved the migration of the applications and servers, hosted for certain SBM entities, from India to Mauritius. The migration project has kicked off during the first quarter of 2021 and it will impact mainly SBMBM, BSBMM and SBM NBFC.

During the COVID-19 pandemic, even though our IT Team and our service providers were working from home, they demonstrated their proficiency in providing round-the-clock support to both the Group's back office and front office staff members to ensure the smooth running of operations and delivery of customer services.

During the confinement period, the focus was on providing essential financial services to customers, and on encouraging customers to adopt and use the Banks' online services to minimise health risks. No major system/application outages occurred, hence enabling the Banks to serve customers on a 24/7 basis.

With the COVID-19 pandemic, many employees have been working remotely which increases the risk of cybercriminals performing fraudulent acts. The network architecture was reviewed, security measures were bolstered and monitoring of the network usage was performed to protect the Group and mitigate the risks of cyberattacks.

Even though the Group has a robust Information Security Framework in place, during the third quarter of 2020, SBMBK was hit by cyberattacks targeting its Mobile/Online Banking platforms which led to an operational loss of MUR 6.7 million for the year ended 31 December 2020. Controls have been strengthened to mitigate the risk.

RISK MANAGEMENT REPORT
(CONT'D)

The Information System Security Framework of SBMBM, SBMBK and BSBMM has been reviewed and strengthened. All our payments systems including SWIFT have been further reinforced and calibrated to meet the new and growing cyber security threat environment.

Business continuity procedures are continuously being reviewed to ensure business continuity in the event of a cyberattack at any of our banking entities.

The existing Information Technology Risk Management Framework at SBMBM is supported by IT policies and standards, control processes and the following risk mitigation strategies:

- Security awareness for staff and customers
- Security tools to detect and prevent cyberattacks from outside
- Strong access control
- Vulnerability and penetration testing
- Backup systems to ensure business continuity
- Red teaming exercises

2.3.6 Reputational Risk

Reputational risk is the risk that the Group's reputation is damaged by one or more events, as reflected, among others, in negative publicity about business practices, conducts or financial conditions of its various entities. Such negative publicity, whether true or not, may impair public and investor confidence in the Group, resulting in costly litigation, or lead to a decline in its customer base, business, revenue or market value. The implications of poorly managed operational risk in one entity may have a contagious effect on the reputation of the Group as a whole. The Group closely and continuously assesses and monitors reputational risk and reports to the Risk Management Committee on a quarterly basis.

Recipient of complaints at SBM Group are encouraged to log and escalate customers' grievances to our dedicated complaint cell/contact centre. All complaints are treated with promptness, confidentiality and fairness so as to satisfy all impacted stakeholders.

The agility to provide immediate solutions and reassurance is crucial to mitigate negativity and dissatisfaction. Corrective measures are proposed to appropriate departments for further discussion and execution after proper root cause analysis. Complaint reports are submitted on a regular basis to the relevant forums such as the Operational Risk Forum, Corporate Governance & Conduct Review Committee as well as Risk Management Committee. SBM continues to enhance customer experience whilst acting upon customers' feedback through surveys/complaints management with a focus on regular improvement.

2.3.7 Compliance Risk

The Compliance Function is responsible for the overall management and oversight of compliance and regulatory risk management practices as the second line of defence. The role of the second line of defence is to establish the parameters and framework under which the first line of defence performs activities consistent with the risk appetite of the Group, and to monitor the performance of the first line of defence against these parameters and framework. The Compliance Function thus participates actively in the prevention, detection and management of breaches of applicable laws, rules, regulations and relevant procedures and plays a key role in helping the Group to achieve its objectives in the right manner.

The compliance strategy and annual plan seeks to ensure consistency between the conduct of business operations and the observance of relevant laws, rules and standards, through identification of compliance-related risks, and ongoing monitoring of risks as well as design of adequacy controls. The Group has adopted policies and designed processes to ensure adherence to local legal and regulatory requirements including counterparties requirements. The Compliance Team has the following responsibilities:

- Financial Crime Compliance: The Compliance Function is endowed by law with anti-money laundering and combating the financing of terrorism (AML/CFT) responsibilities. This sub team ensures that the specific regulatory requirements regarding AML/CFT are strictly adhered to.

- Regulatory and Advisory Compliance: This sub team ensures compliance with legal and regulatory requirements and integrity in the conduct of business which are essential elements to maintain the good repute of an institution. The evolving nature of financial markets in terms of product innovation, risk transfers and international reach increases the risk for breach of the legal and regulatory requirements.

- Monitoring and Testing: The Compliance Function also monitors and tests compliance by performing sufficient and representative compliance testing and reviews. The results of the periodic compliance testing are reported to the Board Sub-Committees, namely the Risk Management Committee and Audit Committee, at regular intervals. This team will thus monitor whether the Group's controls are effective with regard to the institution's risks through ongoing monitoring and testing.

2.3.8 Fraud Risk

All employees and Directors within the Group are expected to act with integrity at all times to safeguard the Group's reputation and protect customers and company resources.

The Group has a Board-approved Fraud Management Policy which is built around four major pillars, namely deterrence, detection, mitigation and response to fraud.

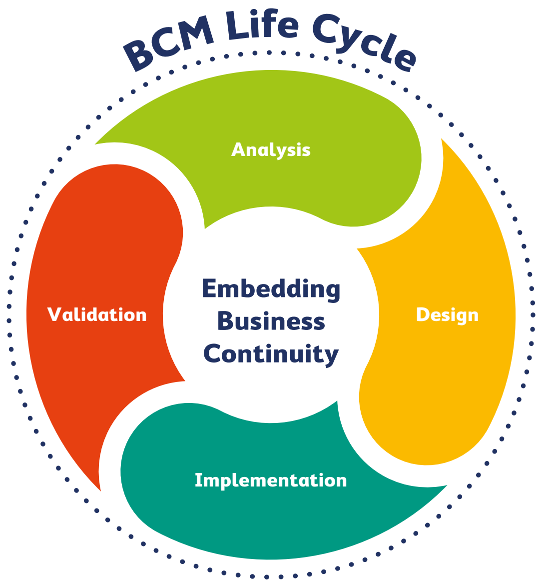
The Group operates within the following key guiding principles:

- Zero tolerance to internal fraud
- Stringent control procedures
- Sound investigation procedures
- Timely disclosure of fraudulent activities
- Training and awareness programme
- Risk-based approach to external fraud
- Whistleblowing
- Human resource policy including code of ethics and business conduct, and conflict of interest

In addition, SBM Group has dedicated teams who are involved in the card issuing and acquiring business. These teams monitor card transactions on a regular basis.

RISK MANAGEMENT REPORT (CONT'D)

2.3.9 Business Continuity Management



The COVID-19 pandemic, cyberattacks, severe weather events, IT disruptions and other major incidents have shown the importance of a Business Continuity Management Framework for organisations to build and improve resilience and provide the capability for an effective response to these threatening events.

SBM Group has adopted an agile Business Continuity Management (BCM) Framework in line with best practices to adapt to changing operational events and to new risks which may have damaging effects on the Group's ability to ensure continuity of activities.

These events include changes to the markets in which the Group operates as well as the legislation, technology and any other incidents that may impact the safety and health of stakeholders leading to a disruption in the Group's ability to deliver its services. The BCM Framework helps to build and improve resiliency by providing for an effective response to these events adversely impacting the Group.

A three-level BCM structure model is in place, in line with the International Standard - ISO 22301, to ensure clear governance arrangements, both in terms of processes and procedures that govern the development, management and maintenance of the Business Continuity Plan.

The three levels are as follows:

1. **Strategic** decisions are made and policy is determined
2. **Tactical** operations are coordinated and managed
3. **Operational** activities are undertaken

Furthermore, Business Impact Analysis (BIA) and BCM Risk Assessments are carried out on a yearly basis to set out appropriate BCM strategies that would address any new threat and risk. The BCM Framework is also reviewed on an ongoing basis by all relevant stakeholders to ensure that the appropriate emergency response, resumption and recovery capabilities are in place to minimise the impact of the crisis/emergency/disruption on the Group's business. Regular training, business continuity testing and disaster recovery drills are also performed on a yearly basis to promote an effective BCM culture and ascertain that a robust BCM programme is in place within the Group.

CAPITAL MANAGEMENT

Capital management is integrated into the Group's risk and governance processes, as capital is a key consideration in the development of our strategic plan and the setting up of the risk appetite and risk limits. This provides assurance to our different stakeholders. The Group manages its capital position on an on-going basis to ensure that its capital is more than adequate to support its business activities and aligns with its risk appetite. Moreover, we seek to maintain safety and soundness with comfortable capital buffers to cater for stress scenarios and remain a source of strength to our subsidiaries, besides satisfying regulatory capital requirements at all times.

Capital is distributed to the operating entities by SBM Holdings Ltd as and when needed to enable them to execute their business strategy plan in line with the Group strategy, and also taking into account the capital adequacy requirements imposed on each banking subsidiary by its respective local regulator.

1. Regulatory Capital Requirements

SBM Holdings Ltd and SBM (Bank) Holdings Ltd, being supervised by the Bank of Mauritius (BOM), have to adhere to capital adequacy rules as prescribed at consolidated level. These standards/rules are largely consistent with international standards set by the Basel Committee on Banking Supervision (BCBS).

The Group has adopted the standardised approach for credit and market risk based on the Guidelines on Standardised Approach to Credit Risk and Guideline on Measurement of Market Risk while for operational risk, SBM Group follows the Alternative Standardised Approach as per the Guideline issued by BOM.

With regards to the computation of its capital base, SBM complies with the Guideline on Scope of Application of Basel III and Eligible Capital, which came into effect in July 2014 and as per which SBM has to maintain a minimum ratio of total regulatory capital to risk weighted assets (i.e. Capital Adequacy Ratio) at or above the internationally agreed minimum of 10% at all times.

In addition to minimum capital requirements, SBMBM remains qualified as a Domestic Systemically Important Bank (D-SIB) based on its systemic importance in the Mauritian economy as assessed on a yearly basis in respect of size, complexity and interconnectedness. As such, SBM has to comply with the BOM guideline for Dealing with D-SIBs and as of 01 January 2020, the buffer of 2.0% has been fully phased-in.

Moreover, SBM needs to abide to additional capital requirement in the form of Capital Conservation Buffer (CCB), which is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as and when losses are incurred. The implementation of the CCB of 2.5% which started as from 01 January 2017 in a phased manner, increasing on a yearly basis by 0.625%, was initially set to be fully effective as from 01 January 2020. However, in anticipation of the challenges posed by the COVID-19 pandemic, BOM, in a first instance, in May 2020, deferred the implementation of the last tranche of the CCB to 01 January 2021, such that banks were authorised to maintain a CCB of 1.875% until 31 December 2020. Taking into account the persisting uncertain economic environment, BOM has in January 2021, further deferred the implementation of the CCB of 2.5% to 01 April 2022, though it reserves the right to review its decision going forward, depending on the evolution of the economic conditions. This regulatory measure has somehow helped banks to release more capital whilst allowing greater flexibility in terms of funding capacity and support which can be provided to customers.

Following the impact of COVID-19, the overseas host regulators also announced various measures to support the economy and ease the stress on the financial system during 2020.

RISK MANAGEMENT REPORT (CONT'D)

The table below illustrates regulatory capital requirements applicable to SBM:

Minimum Capital Requirement (%)	FY 2020 Pre-COVID-19	FY 2020 Post-COVID-19	FY 2021 Post-COVID-19
Common Equity Tier 1 (CET)	6.500	6.500	6.500
Tier 1	8.000	8.000	8.000
Capital Adequacy Ratio (CAR)	10.000	10.000	10.000
Capital Conservation Buffer (CCB)	2.500	1.875	1.875
D-SIB Buffer	2.000	2.000	2.000
CET 1 plus CCB + D-SIB	11.000	10.375	10.375
Tier 1 plus CCB + D-SIB	12.500	11.875	11.875
CAR (Tier 1+Tier 2) + CCB + D-SIB	14.500	13.875	13.875

The banking subsidiaries of the Group foster strict compliance with mandatory stipulations set by the regulators of their respective jurisdictions.

2. Capital Position

The Group has maintained a healthy capital adequacy ratio over the years, well above the minimum prescribed requirement as per the BOM. As of 31 December 2020, the Group's Capital Adequacy Ratio stood at 20.68% while its CET1 and Tier 1 ratio were both at 13.91%. The Group's Tier 1 Capital and Capital Base stood at MUR 20.6 billion and MUR 30.7 billion respectively as at the reporting date. Moreover, all the banking entities within the Group have maintained their respective capital adequacy ratios comfortably above the regulatory requirements applicable in their respective jurisdictions during the year under review. The table below shows the CAR position of each banking entity within the Group as at 31 December 2020 compared to the minimum requirement.

	SBMBM	SBMBI	BSBMM	SBMBK
Minimum Host Regulatory Requirement (%)	13.875	11.875	8.00	14.50
Actual CAR (%)	15.94	26.14	21.12	16.30

The table below shows the Group's capital and risk weighted assets for the past three years:

SBM Group Capital and Risk Weighted Assets

Figures in MUR Mn	Dec 2020	Dec 2019	Dec 2018
CAPITAL BASE			
Share capital	32,500	32,500	32,500
Adjusted retained earnings	(156)	33	1,195
Accumulated other comprehensive income and other disclosed reserves	(3,740)	(4,628)	(5,783)
Common Equity Tier 1 Capital (CET 1) before regulatory adjustments	28,604	27,905	27,913
Regulatory adjustments			
Treasury (own) shares	(4,875)	(4,875)	(4,875)
Goodwill and intangible assets	(2,297)	(2,729)	(3,226)
Deferred tax assets	(806)	(356)	(89)
Common Equity Tier 1 Capital (CET 1)	20,626	19,945	19,722
Additional Tier 1 (AT 1)	-	-	-
Tier 1 Capital (T1 = CET1 + AT1)	20,626	19,945	19,722
Capital instruments	7,708	8,019	8,434
Other reserves (45% of surplus arising from Rev of land & buildings)	636	659	515
Portfolio provision or ECL (restricted to 1.25% of credit RWA)	1,700	1,552	1,376
Tier 2 Capital	10,043	10,230	10,325
TOTAL CAPITAL BASE	30,670	30,175	30,047
RISK WEIGHTED ASSETS (RWAs)			
Credit risk	135,979	124,163	110,094
On-balance sheet assets	125,316	115,952	102,009
Off-balance sheet exposures	10,663	8,211	8,084
Market risk	739	1,142	979
Aggregate net open foreign exchange position	469	638	572
Capital charge for trading book position exceeding 5% or more of its total assets	270	505	407
Operational risk	11,566	10,710	9,748
TOTAL RWAs	148,284	136,016	120,820
CAPITAL ADEQUACY RATIO (%)	20.68	22.19	24.87
of which Tier 1 ratio	13.91	14.66	16.32

RISK MANAGEMENT REPORT (CONT'D)

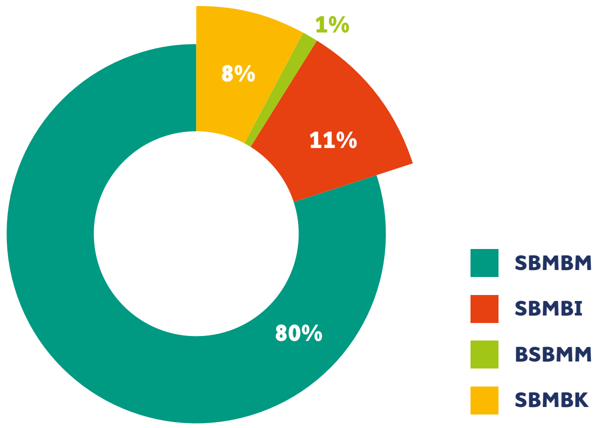
3. Risk Weighted Assets

For December 2020, out of the Group's total Risk Weighted Assets (RWA) of MUR 148.3 billion, 93% was accounted for by the Banking Cluster compared to 91% as at December 2019. Total RWA for the Banking Cluster as at 31 December 2020 was MUR 137.9 billion and with an increase in capital base which stood at MUR 24.1 billion. The Banking Group CAR ratio improved from 17.37% as at December 2019 to 17.45% as at December 2020. The overseas subsidiaries contributed 20% of the Banking Group RWA as at December 2020 versus 14.3% for the previous year, in sync with the growth in business volumes of our Indian and Kenyan operations.

The table below shows the capital, risk weighted assets and ratios for the Banking Cluster for the past three years:

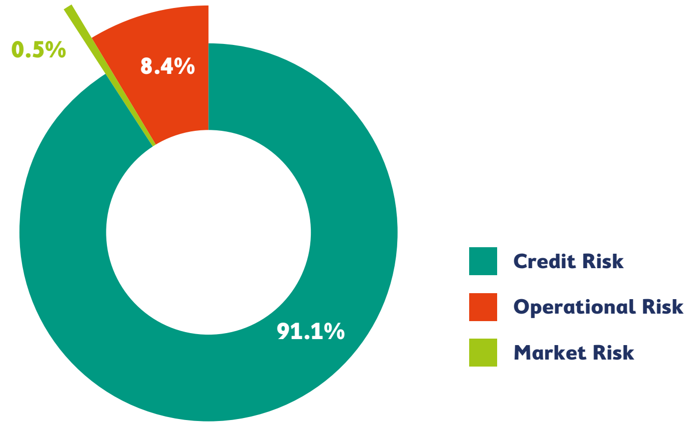
BANKING CLUSTER			
Figures in MUR Mn	31 Dec 2020	31 Dec 2019	31 Dec 2018
TOTAL CAPITAL BASE	**24,057**	21,702	20,110
Credit risk (On & Off Balance sheet)	**125,517**	112,019	99,844
Market risk	**739**	1,142	979
Operational risk	**11,605**	10,625	9,455
TOTAL RISK WEIGHTED ASSETS	**137,861**	123,786	110,278
CAPITAL ADEQUACY RATIO (%)	**17.45**	17.53	18.24
of which Tier 1 ratio	**15.85**	15.87	16.64

Total banking cluster risk-weighted assets by entity in Dec 2020



Credit risk represents the main type of risk to which the banking subsidiaries are exposed in view of the nature of their operations and activities:

Analysis by type of risk



3.1 Credit Risk

Credit risk capital is derived by applying the prescribed risk weights as per the BOM Guideline on Standardised Approach to Credit Risk and the Guideline on Scope of Application for Basel III for both on-balance sheet and off-balance sheet exposures. Based on the recommendations of the BOM Guideline on the recognition and use of External Credit Assessment Institution (ECAI), SBM uses ratings as per eligible ECAIs like Standard & Poor's, Moody's Investors Service and Fitch agencies to derive risk weight for claims on banks and sovereign and the credit ratings assigned by CARE Ratings (Africa) Private Ltd have been used for risk-weighting of some domestic Corporates.

The following tables provide RWA for the Banking Cluster after Credit Risk Mitigation (CRM) for both on-balance sheet and off-balance sheet assets:

SBM BANKING CLUSTER					
Risk Weighted On-Balance Sheet Assets	Dec 2020			Dec 2019	Dec 2018
Figures in MUR Mn	Amount	Weight %	Weighted Assets	Weighted Assets	Weighted Assets
Cash items	**3,345**	**0-20**	**2**	0.8	0.6
Claims on sovereigns	**61,211**	**0-100**	**4,965**	3,130.4	2,520
Claims on central banks	**58,121**	**0-50**	**-**	596.5	482
Claims on banks	**23,742**	**0-100**	**6,895**	7,602	7,618
Claims on non-central government public sector entities	**194**	**50-100**	**153**	149.5	182
Claims on other securities firms	**41**	**100**	**41**		
Claims on corporates	**60,306**	**30-100**	**57,252**	51,129	44,721
Claims included in the regulatory retail portfolio	**15,111**	**75**	**11,333**	10,789	7,417
Claims secured by residential property	**23,929**	**35-125**	**9,098**	9,006	8,688
Claims secured by commercial real estate	**9,263**	**100-125**	**9,306**	6,817	4,641
Past due claims	**4,802**	**50-150**	**4,006**	3,200	7,169
Other assets	**11,796**	**100**	**11,796**	11,382	8,315
Total on balance sheet RWAs	**271,861**		**114,847**	103,802	91,753

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SBM BANKING CLUSTER							
Risk Weighted Non Market related Off-Balance Sheet Assets	31 Dec 2020					Dec 2019	Dec 2018
Figures in MUR Mn	Nominal Amount	Credit Conversion Factor (%)	Credit Equivalent Amount	Weight %	Weighted Assets	Weighted Assets	Weighted Assets
Direct credit substitutes	4,251	100	4,251	0-100	4,135	2,564	4,505
Transaction-related contingent items	7,088	50	3,544	0-100	3,265	2,435	1,738
Trade-related contingent items	1,274	20-100	559	0-100	529	155	355
Other commitments	14,986	0-50	1,984	0-100	1,904	2,003	506
Total off balance sheet RWAs	27,599		10,338		9,833	7,157	7,103

3.2 Market Related Risk Capital

SBM adheres to the Standardised Approach as outlined by the BOM in its Guideline on Measurement and Management of Market Risk for computation of capital on market risk.

The table below provides figures for the RWAs in respect of market related off-balance sheet assets for the Banking Cluster:

SBM BANKING CLUSTER								
Market related Off-balance Sheet RWAs	31 Dec 2020						Dec 2019	Dec 2018
	Nominal Amount	Credit Conversion Factor	Potential Future Exposure	Current Exposure	Credit Equivalent Amount	Weighted Assets	Weighted Assets	Weighted Assets
	MUR Mn	%	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn
Interest rate contracts	21,615	0-1.5	67	36	102	68	104	56
Foreign exchange contracts	26,045	1-7.5	487	134	621	451	458	473
Equity contracts	921	6-8	71	-	71	40	10	2
Other commodity contracts	2,177	10-12	228	101	329	199	160	311
Credit derivative contracts	395	20	79	-	79	40	293	144
Other market-related contracts	637	12	76	-	76	38	35	
Total market RWAs	51,791		1,008	271	1,279	836	1,059	987

Aggregate net open foreign exchange position

The Banking Group is subject to FX risk from an on-balance sheet perspective, for example, as a result of imbalances witnessed between the foreign currency composition of its assets and liabilities. The risk to which SBM is exposed can also be viewed from an off-balance sheet angle through its outstanding positions, mainly in respect of foreign exchange forwards.

The table below provides the comparative figures for the aggregate net open foreign exchange position for the Banking Cluster:

SBM BANKING CLUSTER			
Figures in MUR Mn	Dec 2020	Dec 2019	Dec 2018
Aggregate net open foreign exchange position	469	638	572

3.3 Operational Risk Capital

SBM has adopted the Alternative Standardised Approach for calculating operational risk capital as per the BOM Guideline on Operational Risk.

Capital charge for operational risk for the Banking Cluster witnessed a growth of 9.2% in line with the growth in business volumes in the banking entities.

SBM BANKING CLUSTER			
Figures in MUR Mn	Dec 2020	Dec 2019	Dec 2018
Capital charge for operational risk	1,161	1,062	946

4. Leverage Ratio

The Basel III reforms introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The leverage ratio is intended to restrict the build-up of leverage in the banking sector to avoid destabilising deleveraging processes that can damage the broader financial system and the economy.

The leverage ratio for the Group and the Banking Cluster stood at 7.6% and 6.9% respectively as at 31 December 2020 against the Basel Committee on Banking Supervision recommended minimum of 3%.

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OUR GREATEST GLORY IS NOT IN NEVER FALLING, BUT IN RISING EVERY TIME WE FALL.

- Confucius -

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STATEMENT OF DIRECTORS' RESPONSIBILITY

FOR THE YEAR ENDED 31 DECEMBER 2020

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 SBM Holdings Ltd (the 'Company') and its subsidiaries (collectively 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 and the Company 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 external auditors Deloitte, have full and free access to the Board of Directors and its Committees to discuss the audit matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and the Company while ensuring that: the financial statements fairly present the state of affairs of the Group and the Company, as at the financial year end, and the results of its operations and cash flow for that period; and they have been prepared in accordance with and comply with International Financial Reporting Standards and the Mauritius Companies Act 2001, the Financial Reporting Act 2004, as well as the requirements of the Banking Act 2004.

Directors 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. Other main responsibilities of the Directors include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and upholding of the Code of Corporate Governance and ensuring timely and comprehensive communication to all stakeholders on events significant to the Group and the Company.

The Board of SBM Holdings Ltd, recognising that the Group and the Company, 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.

Mr Sattar Hajee Abdoula
Chairman

Mr Subhas Thecka
Chairman, Audit Committee

31 March 2021

Deloitte.

7th-8th floors, Standard Chartered Tower
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Mauritius

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

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **SBM Holdings Ltd** (the "Company" and the "Public Interest Entity") and its subsidiaries (the ''Group'') set out on pages 172 to 339, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2020, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standard Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of SBM Holdings Ltd for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 29 April 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters described below relate to the consolidated financial statements and no key audit matter was identified on the separate financial statements.

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Key audit matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are not credit impaired	
IFRS 9 requires the Group to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • Model estimations – the Group has used a statistical model to estimate ECLs depending on type of portfolio which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loan portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR– These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months. • Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macroeconomic forecasts are estimates of future economic conditions.	Our audit procedures included amongst others: • Testing of the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions used in the models; • Evaluating controls over model monitoring and validation; • Use of specialist team in performing certain procedures; • Verifying the historical data used in determination of PD in the models; • Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology; • Assessing the appropriateness of the macro-economic forecasts used; • Assessing the reasonableness of the qualitative adjustments (overlays) applied by management for events not captured by the ECL models;
• Economic scenarios – the Group has used a range of future economic conditions in light of the global pandemic of COVID-19. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment. • Qualitative adjustments - Adjustments to the model-driven ECL results are accounted by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.	• Independently assess probability of default, loss given default and exposure at default assumptions; • Testing the accuracy and completeness of ECL by reperformance; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9. We found the assumptions used in determining the expected credit losses in the financial statements and related disclosures to be appropriate.

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

7th-8th floors, Standard Chartered Tower
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Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Credit impaired assets	
Provision for expected credit losses on credit-impaired loans and advances to non-bank customers and memorandum items at 31 December 2020 amount to MUR 13,893 million and the charge to profit or loss for the year amount to MUR 4,429 million. The use of assumptions for the measurement of provision for expected credit losses is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment. The details of allowance for credit impairment on loans and advances to non-bank customers and memorandum items are disclosed in Notes 9(c), 23 and 34 to the financial statements. The most significant judgements are: - whether impairment events have occurred - valuation of collateral and future cash flows - management judgements and assumptions used Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for expected credit losses, this item is considered as a key audit matter.	Our audit procedures included amongst others: • Obtaining audit evidence in respect of key controls over the processes for identification of impaired assets and impairment assessment; • Inspecting the minutes of Impaired Advances Review Forum, Board Credit Committee, Board Risk Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; • Challenging the methodologies applied by using our industry knowledge and experience; • Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; and • Performing a risk-based test of loans and advances to customers to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9. We found the assumptions used in determining the allowance for credit impairment and disclosures in the financial statements to be appropriate.

Other information

The Directors are responsible for the other information. The other information, which we obtained prior to the date of this auditor's report, comprises the Statement of Directors' responsibility, Report from the Company Secretary and the Corporate Governance Report, but, does not include the consolidated and separate financial statements and our auditor's report thereon. The other information which is expected to be made available to us after that date comprises the following: About SBM Group, Persevering during the Covid-19 Pandemic, Group Structure & Team, Chairman's letter, Message from the Leadership Team, Strategy Report, Sustainability Report, Financial Review and Risk Management Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard on the reports obtained prior to the date of this auditor's report. When we read the other information expected to be available after the auditor's report date, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

NEXT
HOME

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Cybercity
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Deloitte.

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

Other information (cont'd)

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Responsibilities of Directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

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

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless laws or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- We have no relationship with, or interest in, the Company and its subsidiaries other than in our capacities as auditor and tax advisor;
- We have obtained all information and explanations that we have required; and
- In our opinion, proper accounting records have been kept by the Group and the Company as far as appears from our examination of those records.

Use of this report

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

Deloitte
Chartered Accountants
31 March 2021

Jacques de C du Mée, ACA
Licensed by FRC

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	THE GROUP 31 December 2020 MUR' 000	THE GROUP Restated 31 December 2019 MUR' 000	THE GROUP Restated 31 December 2018 MUR' 000	THE COMPANY 31 December 2020 MUR' 000	THE COMPANY Restated 31 December 2019 MUR' 000	THE COMPANY Restated 31 December 2018 MUR' 000
ASSETS							
Cash and cash equivalents	6	21,577,245	18,181,126	15,653,515	304,473	178,632	32,890
Mandatory balances with central banks		11,290,363	10,680,287	9,977,260	-	-	-
Loans to and placements with banks	7	3,130,387	6,942,745	8,582,414	-	-	-
Derivative financial instruments	8	809,379	936,093	879,742	-	-	-
Loans and advances to non-bank customers	9	120,239,361	109,475,989	102,108,174	-	-	-
Investment securities	10(a)	121,053,397	100,290,935	77,347,157	7,005,132	5,898,161	7,333,009
Investment in subsidiaries	10(b)	-	-	-	29,523,743	29,899,918	28,485,152
Investment in associate	10(c)	-	1,479,048	1,308,157	-	1,272,977	1,272,977
Property and equipment	11(a)	3,207,034	3,328,308	3,153,914	2,194	3,865	5,780
Right of use assets	11(b)	807,230	759,905	-	-	-	-
Goodwill and other intangible assets	12	2,296,694	2,729,474	3,226,318	883	1,157	44
Deferred tax assets	18(d)	806,110	355,992	89,440	-	-	-
Other assets	13	3,204,894	3,235,998	1,679,186	49,719	231,515	153,309
Total assets		288,422,094	258,395,900	224,005,277	36,886,144	37,486,225	37,283,161
LIABILITIES							
Deposits from banks	15	1,403,315	907,521	716,702	-	-	-
Deposits from non-bank customers	16	226,862,221	199,397,188	169,384,480	-	-	-
Other borrowed funds	17	15,017,177	13,373,033	11,964,588	-	-	-
Derivative financial instruments	8	1,279,984	1,126,364	1,009,171	41,524	47,645	19,356
Lease liabilities	11(b)	804,407	795,345	-	-	-	-
Current tax liabilities	18(a)	260,225	712,071	502,109	-	-	503
Pension liability	14	743,807	338,875	173,055	6,914	2,459	-
Other liabilities	19	6,711,844	7,457,402	6,501,238	211,206	112,588	91,474
Deferred tax liabilities	18(d)	-	-	159,477	-	-	-
Subordinated debts	20	10,142,786	9,739,981	9,412,677	10,142,786	9,739,981	9,412,677
Total liabilities		263,225,766	233,847,780	199,823,497	10,402,430	9,902,673	9,524,010
SHAREHOLDER'S EQUITY							
Stated capital	21	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204
Retained earnings		893,576	1,114,355	2,275,054	271,475	780,197	946,651
Other reserves		(3,322,421)	(4,191,408)	(5,718,447)	(1,412,934)	(821,818)	(812,673)
		30,071,359	29,423,151	29,056,811	31,358,745	32,458,583	32,634,182
Treasury shares	21	(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		25,196,328	24,548,120	24,181,780	26,483,714	27,583,552	27,759,151
Total equity and liabilities		288,422,094	258,395,900	224,005,277	36,886,144	37,486,225	37,283,161

Approved by the Board of Directors and authorised for issue on 31 March 2021

Mr Sattar Hajee Abdoula
Chairman

Mr Subhas Thecka
Chairman, Audit Committee

The notes on pages 179 to 339 form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	THE GROUP 31 December 2020 MUR' 000	THE GROUP Restated 31 December 2019 MUR' 000	THE GROUP Restated 31 December 2018 MUR' 000	THE COMPANY 31 December 2020 MUR' 000	THE COMPANY Restated 31 December 2019 MUR' 000	THE COMPANY Restated 31 December 2018 MUR' 000
Continuing operations							
Interest income using the effective interest method		11,054,390	10,813,591	9,013,230	52,286	77,863	84,566
Other interest income		202,013	147,557	265,771	-	-	-
Interest expense using the effective interest method		(3,625,431)	(4,155,476)	(2,949,881)	(444,508)	(476,589)	(309,019)
Other interest expense		(434,831)	(163,906)	(274,326)	(50,728)	(9,784)	(6,653)
Net interest income/(expense)	27	7,196,141	6,641,766	6,054,794	(442,950)	(408,510)	(231,106)
Fee and commission income		1,451,371	1,476,544	1,169,053	-	-	-
Fee and commission expense		(57,312)	(43,508)	(30,919)	(13)	(150)	(199)
Net fee and commission income/(expense)	28	1,394,059	1,433,036	1,138,134	(13)	(150)	(199)
OTHER INCOME							
Net trading income	29	1,049,474	1,234,987	1,634,949	-	-	-
Net gain/(losses) from financial assets at fair value through profit or loss	30(a)	4,708	(153,946)	(136,756)	376,448	(8,422)	(19,053)
Net gains on derecognition of financial assets measured at amortised cost	30(b)	180,325	27,110	33,179	2,372	6,396	28,408
Net gains /(losses) on derecognition of financial assets measured at fair value through other comprehensive income	30(c)	1,245,740	231,379	4,321	-	371	(794)
Other operating income	31	151,114	227,569	1,189,766	274,467	1,570,456	1,233,068
Non-interest income		4,025,420	3,000,135	3,863,593	653,274	1,568,651	1,241,430
Total Operating income		11,221,561	9,641,901	9,918,387	210,324	1,160,141	1,010,324
Personnel expenses	32	(2,859,550)	(2,869,406)	(1,951,225)	(56,583)	(82,994)	(104,253)
Depreciation of property and equipment	11(a)	(290,350)	(268,967)	(205,246)	(1,671)	(2,142)	(1,946)
Depreciation of right of use assets	11(b)	(183,480)	(204,214)	-	-	-	-
Amortisation of intangible assets	12	(575,386)	(616,923)	(621,951)	(274)	(208)	(6)
Other expenses	33	(2,242,163)	(2,152,969)	(1,953,492)	(529,347)	(338,347)	(283,424)
Impairment of subsidiary	10(b)	-	-	-	(124,000)	-	-
Non-interest expense		(6,150,929)	(6,112,479)	(4,731,914)	(711,875)	(423,691)	(389,629)
Profit/(loss) before credit loss expense		5,070,632	3,529,420	5,186,473	(501,551)	736,450	620,695
Credit loss (expense)/credit on financial assets and memorandum items	34	(3,757,402)	(2,916,209)	(3,559,350)	(217)	1,085	(1,646)
Operating profit/(loss)		1,313,230	613,213	1,627,123	(501,768)	737,535	619,049
Share of profit of associate	10(c)	-	139,237	100,240	-	-	-
Profit/(loss) before income tax		1,313,230	752,450	1,727,363	(501,768)	737,535	619,049
Tax (expense)/income	18(b)	(300,126)	(717,129)	(379,954)	336	(357)	(10,867)
Profit/(loss) for the year from continuing operations		1,013,104	35,322	1,347,409	(501,432)	737,178	608,182
Discontinued operations							
Profit/(loss) for the year from discontinued operations	42	7,906	(17,965)	(1,398)	-	-	-
Profit/(loss) for the year attributable to equity holders of the parent		1,021,010	17,356	1,346,011	(501,432)	737,178	608,182

STATEMENTS OF PROFIT OR LOSS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	THE GROUP			THE COMPANY		
			Restated	Restated		Restated	Restated
		31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
EARNINGS PER SHARE							
From continuing operations							
Basic (cents)	35	39.2	1.4	52.2	-	-	-
Diluted (cents)	35	39.2	1.4	52.2	-	-	-
From continuing and discontinued operations							
Basic (cents)	35	39.6	0.7	52.1	-	-	-
Diluted (cents)	35	39.6	0.7	52.1	-	-	-

The notes on pages 179 to 339 form an integral part of these financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	THE GROUP			THE COMPANY		
			Restated	Restated		Restated	Restated
		31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit/(loss) for the year		1,021,010	17,356	1,346,011	(501,432)	737,178	608,182
Other comprehensive income :							
Items that will not be reclassified subsequently to profit or loss:							
Increase in revaluation of property	11(a)	754	255,148	-	-	-	-
Deferred tax on revaluation of property	18(d)	-	(9,950)	-	-	-	-
Reversal in net property revaluation reserve		-	-	(17,689)	-	-	-
Impact of change in deferred tax rate on revaluation of property		-	118,392	-	-	-	-
Remeasurement of defined benefit pension plan	14	(747,337)	(203,865)	(33,496)	(7,291)	-	-
Deferred tax on remeasurement of defined benefit pension plan	18(d)	51,409	14,271	5,694	-	-	-
Impact of change in deferred tax rate on defined benefit pension plan		-	(7,923)	-	-	-	-
Share of associate-remeasurement of defined benefit pension plan	10(c)	-	(31,105)	-	-	-	-
Share of other comprehensive income/(loss) of associate	10(c)	-	76,112	(96,235)	-	-	-
Net (loss)/gain on equity instruments designated at FVTOCI		(591,373)	45,277	(77,085)	(591,373)	-	(77,085)
		(1,286,547)	256,357	(218,811)	(598,664)	-	(77,085)
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of foreign operations	39	88,906	327,378	(176,373)	-	-	-
Exchange differences resulting from share of associate	39	-	25,496	-	-	-	-
Recycling of reserves on derecognition of investment in associate	39	24,166	-	-	-	-	-
Investment securities measured at FVTOCI (Debt instrument):							
Movement in fair value during the year		2,035,417	418,362	(505,354)	258	-	-
Relassification of (losses)/gains included in profit or loss on derecognition		(1,235,218)	231,379	1,491	-	(9,145)	-
Movement in credit loss expense relating to debt instruments held at FVTOCI		474	(6,356)	24,686	-	-	-
		913,745	996,259	(655,550)	258	(9,145)	-
Total other comprehensive (loss)/ income attributable to equity holders of the parent		(372,802)	1,252,616	(874,361)	(598,406)	(9,145)	(77,085)
Total comprehensive income/(loss) for the year attributable to equity holders of the parent		648,208	1,269,972	471,650	(1,099,838)	728,033	531,097

The notes on pages 179 to 339 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

THE GROUP	Notes	Stated capital MUR' 000	Treasury shares MUR' 000	Statutory reserve MUR' 000	Retained earnings MUR' 000	Net property revaluation reserve MUR' 000	Other reserves MUR' 000	Total equity MUR' 000
At 01 January 2018								
- As previously stated		32,500,204	(4,875,031)	593,966	1,919,447	120,416	(5,549,797)	24,709,205
- Prior year adjustments	5	-	-	-	(95,443)	-	-	(95,443)
- As restated		32,500,204	(4,875,031)	593,966	1,824,004	120,416	(5,549,797)	24,613,762
Profit for the year		-	-	-	1,346,011	-	-	1,346,011
Other comprehensive loss for the year		-	-	-	(27,802)	(17,689)	(828,870)	(874,361)
Total comprehensive income/(loss) for the year		-	-	-	1,318,209	(17,689)	(828,870)	471,650
Transfer from retained earnings to statutory reserve		-	-	3,108	(3,108)	-	-	-
Revaluation surplus realised on depreciation		-	-	-	39,581	(39,581)	-	-
Dividend	22	-	-	-	(903,632)	-	-	(903,632)
At 31 December 2018 *(as restated)*		32,500,204	(4,875,031)	597,074	2,275,054	63,146	(6,378,667)	24,181,780
At 01 January 2019 *(as restated)*		32,500,204	(4,875,031)	597,074	2,275,054	63,146	(6,378,667)	24,181,780
Profit for the year		-	-	-	17,356	-	-	17,356
Other comprehensive (loss)/income for the year		-	-	-	(228,622)	363,590	1,117,648	1,252,616
Total comprehensive income for the year		-	-	-	(211,266)	363,590	1,117,648	1,269,972
Transfer from retained earnings to statutory reserve		-	-	90,000	(90,000)	-	-	-
Revaluation surplus realised on depreciation		-	-	-	43,121	(43,121)	-	-
Transfer to retained earnings		-	-	-	1,078	-	(1,078)	-
Dividend	22	-	-	-	(903,632)	-	-	(903,632)
At 31 December 2019 *(as restated)*		32,500,204	(4,875,031)	687,074	1,114,355	383,615	(5,262,097)	24,548,120
At 01 January 2020 *(as restated)*		**32,500,204**	**(4,875,031)**	**687,074**	**1,114,355**	**383,615**	**(5,262,097)**	**24,548,120**
Profit for the year		**-**	**-**	**-**	**1,021,010**	**-**	**-**	**1,021,010**
Other comprehensive (loss)/income for the year		**-**	**-**	**-**	**(695,928)**	**754**	**322,372**	**(372,802)**
Total comprehensive income for the year		**-**	**-**	**-**	**325,082**	**754**	**322,372**	**648,208**
Reclassification of reserves		**-**	**-**	**6,709**	**(10,125)**	**2,285**	**1,131**	**-**
Revaluation surplus realised on depreciation		**-**	**-**	**-**	**53,505**	**(53,505)**	**-**	**-**
Transfer from retained earnings to general reserve		**-**	**-**	**-**	**(589,241)**	**-**	**589,241**	**-**
At 31 December 2020		**32,500,204**	**(4,875,031)**	**693,783**	**893,576**	**333,149**	**(4,349,353)**	**25,196,328**

Other reserves in the Statements of financial position comprise of statutory reserve, net property revaluation reserve and other reserve (Note 39).

The notes on pages 179 to 339 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

THE COMPANY	Notes	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 2018		32,500,204	(4,875,031)	1,242,101	(735,588)	28,131,686
Profit for the year		-	-	608,182	-	608,182
Other comprehensive loss for the year		-	-	-	(77,085)	(77,085)
Total comprehensive income /(loss) for the year		-	-	608,182	(77,085)	531,097
Dividend	22	-	-	(903,632)	-	(903,632)
At 31 December 2018 *(as restated)*		32,500,204	(4,875,031)	946,651	(812,673)	27,759,152
At 01 January 2019 *(as restated)*		32,500,204	(4,875,031)	946,651	(812,673)	27,759,152
Profit for the year		-	-	737,178	-	737,178
Other comprehensive (loss)/income for the year		-	-	-	(9,145)	(9,145)
Total comprehensive income for the year		-	-	737,178	(9,145)	728,033
Dividend	22	-	-	(903,632)	-	(903,632)
At 31 December 2019 *(as restated)*		32,500,204	(4,875,031)	780,197	(821,818)	27,583,553
At 01 January 2020 *(as restated)*		**32,500,204**	**(4,875,031)**	**780,197**	**(821,818)**	**27,583,553**
Loss for the year		**-**	**-**	**(501,432)**	**-**	**(501,432)**
Other comprehensive loss for the year		**-**	**-**	**(7,290)**	**(591,116)**	**(598,406)**
Total comprehensive income for the year		**-**	**-**	**(508,722)**	**(591,116)**	**(1,099,838)**
At 31 December 2020		**32,500,204**	**(4,875,031)**	**271,475**	**(1,412,934)**	**26,483,714**

The notes on pages 179 to 339 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	THE GROUP			THE COMPANY		
			Restated	*Restated*		*Restated*	*Restated*
		31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net cash from/(used in) operating activities	36	2,197,241	2,405,916	(1,552,503)	(400,801)	895,232	(2,256,336)
INVESTING ACTIVITIES							
Acquisition of property and equipment	11(a)	(224,068)	(196,296)	(235,021)	-	(227)	(4,620)
Acquisition of intangible assets	12	(153,549)	(125,695)	(286,758)	-	(1,321)	(50)
Disposal of property and equipment		60,897	6,808	150,793	-	-	-
Acquisition of business		-	-	162,158	-	-	-
Investment in subsidiaries		-	-	-	(97,825)	(1,414,766)	(3,819,974)
Other dividend received	31	135,175	199,833	142,801	274,467	1,570,456	1,233,068
Net cash (used in)/generated from investing activities		(181,545)	(115,350)	(66,027)	176,642	154,142	(2,591,576)
FINANCING ACTIVITIES							
Increase/(decrease) in other borrowed funds		1,644,145	1,408,445	(3,807,576)	-	-	-
Proceeds from subordinated liabilities debts raised		-	-	5,711,211	-	-	5,711,211
Dividend paid on ordinary shares	22	-	(903,632)	(903,632)	-	(903,632)	(903,632)
Capital contribution repayment from subsidiaires		-	-	-	350,000	-	-
Payment of principal portion of lease liabilities	11(a)	(266,900)	(229,319)	-	-	-	-
Net cash flow from/(used in) financing activities		1,377,245	275,494	1,000,003	350,000	(903,632)	4,807,579
Net change in cash and cash equivalents		3,392,941	2,566,060	(618,527)	125,841	145,742	(40,333)
Expected credit loss allowance on cash and cash equivalents		3,178	(38,449)	(59,496)	-	-	-
Cash and cash equivalents at start of year		18,181,126	15,653,515	16,331,538	178,632	32,890	73,223
Cash and cash equivalents at end of year	6	21,577,245	18,181,126	15,653,515	304,473	178,632	32,890

The notes on pages 179 to 339 form an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1A GENERAL INFORMATION

SBM Holdings Ltd (the "Company") is a public company incorporated on 18 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.

These financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

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

1B IMPACT OF COVID-19 OUTBREAK

COVID-19 has shaken the world since the beginning of the year 2020. 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 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 the Group's profitability, liquidity, capital adequacy and asset quality. The results of the stress testing have been presented to and agreed by the Board.

As at 31 December 2020, the increase in the overall credit risk has been factored into the Group's year end results which have resulted in an increase in the provisioning levels.

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

SBM Bank (Mauritius) Ltd

Mauritius witnessed its first outbreak of COVID-19 in March 2020, affecting its economic, trading and travel conditions. The government imposed strict controls and restrictions such as travel bans, quarantines and other emergency public safety measures in an attempt to contain the contagion. Mauritius mirrored the same global disruptions faced by several countries that were experiencing several waves of the COVID-19 outbreak during the year.

The country has been subject to a second national lockdown in March 2021, after new local cases have been detected. The continued spread of the coronavirus presents immense challenges in credit and financial market locally and internationally. All industries and sectors of the economy worldwide are being impacted by the COVID-19 outbreak. Some industries like tourism, including SMEs linked to the hospitality sector, airlines, construction and real estate are heavily impacted as these sectors will not only depend on the success of the local outbreak containment but on the global situation and recovery.

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1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Mauritius) Ltd (cont'd)

Government support measures

In view of the challenges that the country is facing on its economic and trading activities, Mauritius being heavily dependent on the tourism sector including SMEs linked to the hospitality sector and the export industry; the Government of Mauritius has taken a series of accompanying measures including reviewing of monetary policies by the Bank of Mauritius to enhance the economic resilience of the country.

The main initiatives promulgated by the Bank of Mauritius included:

- Reduction of the Key Repo Rate (KRR) in March 2020 by 50 basis points to 2.85 percent per annum and further reduction to 1.85 percent in April 2020 – aim is to bolster domestic economic activity; currently the repo rate is stable at 1.85 percent.
- Reduction in Cash Reserve Ratio from 9 percent to 8 percent - the excess funds transferred to a special account held with BOM, aim of which is to grant loans to businesses impacted by COVID-19.
- Revised Guideline on Credit Impairment Measurement and Income Recognition effective from 01 January 2020 has been put on hold.
- Special Relief Assistance of MUR 5 billion with interest rate capped at 1.5 percent with a capital and interest moratorium for 9 months and loan repayment of 39 months given through commercial banks
- 6 month capital moratorium for existing loans for economic operators impacted – moratorium period extended to 30 June 2021.
- Household Support – as part of its financial assistance programme, BOM has reiterated its commitment to again bear the interest payable on the outstanding household loans with commercial banks, for the period 01 January 2021 to 31 March 2021.
- Special Foreign Currency (USD) Line of Credit – USD 300 million. Target is operators having foreign currency earnings.
- Swap Arrangement (USD/MUR) – USD 100 million to support import-orientated businesses.

All these measures have been extended up to 30 June 2021 as the Bank of Mauritius commits towards maintaining financial stability, consistent with its statutory responsibilities.

Furthermore, the Bank of Mauritius has introduced transitional arrangements for regulatory capital treatment of IFRS 9 provisions for expected credit losses. Under these transitional arrangements, a financial institution shall add back a proportion of Stage 1 and Stage 2 provisions under IFRS 9 to its Tier 1 Capital if it opts to do so.

The implementation of the finalisation of Basel III has also been deferred by one year, aiming to provide more operational capacity for banks and regulators to respond to the impact of COVID-19 on the banking systems worldwide, and to boost the capacity of banks to manoeuver through the worst part of the economic stress while supporting their clients.

Following the budget brief 2020-2021, the Bank of Mauritius has set up a subsidiary company, the Mauritius Investment Corporation (MIC) in June 2020 to enhance the economic stability in light of COVID-19. The purpose of the MIC is to financially assist COVID-distressed entities and industries (namely the tourism sector) through loans which these entities will use to repay their financial and debt obligations. As at date, the MIC has committed to disburse approximately MUR 17 billion to identified impacted sectors with initial disbursement of a first tranche of MUR 2 billion in March 2021, the majority of which pertains to the tourism/hospitality and food service sectors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Mauritius) Ltd (cont'd)

Measures by the Bank

In respect of oversight of the impact of COVID-19 on the internal control environment and financial results of the Bank, the Directors and management have considered the below aspects:

- Reviewed global and local regulatory and industry guidance on the accounting treatment of the financial impact of COVID-19.
- Reviewed and adopted the regulatory guidance notes and directives issued by Bank of Mauritius, in response to the impact on the Maurition banking industry.
- Considered the impact on the accounting treatment of COVID-19 relief measures offered to the Bank's customers, notably in relation to the moratorium extension support scheme.
- Reviewed the measures taken to ensure the internal financial control environment remained resilient despite the impact of COVID-19 on the operating environment.
- Reviewed the results of assessments conducted in relation to the impact of COVID-19, with particular focus on credit portfolio reviews.
- Reviewed the potential impact of COVID-19 on the Bank's accounting for expected credit losses (ECL) in accordance with IFRS 9.
- Reviewed the approach adopted to determine the forward-looking impact from an IFRS 9 Financial Instruments perspective on the Bank's credit provisions.

Key impact on financial performance of the Bank:

COVID-19 outbreak is expected to significantly disrupt the operating environment of financial institutions. Following are some of the key accounting and financial reporting considerations:

Loans and advances to banks and customers:

Credit risk

The COVID-19 pandemic has hit the world in unprecedented ways, heightening risk with prolonged uncertainty. Macroeconomic conditions around the globe have deteriorated with a global growth contraction estimated at 3.5 percent for FY 2020 as per the World Economic Outlook. Mauritius faced a downgrade of long-term issuer rating by Moody's from Baa1 to Baa2 on 04 March 2021 with negative outlook on account of the erosion of Mauritius' fiscal and economic strength as a result of the economic shock brought on by the coronavirus pandemic.

With a prolonged shock on the economy mainly on the tourism sector, the credit quality of the Bank's client base has deteriorated owing to the impact on their financial position. Although various measures have been taken to support different segments of the economy and a vaccination program is ongoing, the recovery pattern of the economy is still uncertain. As per Moody's report, per capita income will only return to 2019 levels at end of 2022 assuming international tourist flows to resume in second half of 2021.

Given the uncertainty of the pandemic, the Bank simulated three stress scenarios based on the future economic recovery in both the local and domestic market. In order to assess the extent of probable deterioration in the quality of Bank's book, an impairment assessment has been conducted considering a scenario of no further government support after June 2021 and no improvement in the macroeconomic conditions before 2023.

In its baseline scenario, the Bank has considered that recovery would start in 2021 and GDP is expected to reach its pre-COVID level as from 2023 onwards. The Bank has thus impacted its book assuming lower growth in advances, reduction in interest rate on both advances and deposits in 2021. No major impairment has been considered under this scenario. This scenario resulted in a slight increase in the expected credit loss amount.

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Mauritius) Ltd (cont'd)

Loans and advances to banks and customers (cont'd):

Credit risk (cont'd)

In its mild case scenario, the Bank has factored a U-shaped recovery with recession prolonged in 2021, recovery starting from 2022 and GDP reaching pre-COVID level from 2021. The Bank has thus, impacted its book assuming lower growth in advances, reduction in interest rate on both advances and deposits in 2021, worsening credit ratings of corporate and SME clients by 2 notches, considering all tourism and rescheduled exposures as Stage 2 and taking a Loss Given Default premium. The Bank ended with an increase in ECL within the Bank's appetite for the coming year ending 31 December 2021 after taking into consideration the retail clients that are probable to be classified as stage 3 for which specific provision would be anticipated.

In its worst-case scenario, the Bank has considered a nike-shaped recovery with underlying assumption that recession will aggravate in 2021 and recovery will start afterwards with GPD gradually reaching its pre-COVID level as from 2025 onwards. The Bank thus considered a minimal growth in advances, further reduction on interest rates on both advances and deposits, and a fall in exchange income and impairment of different client segments considering no further support after June 2021 including no MIC support. Under this scenario, the Bank anticipated higher specific provisioning for clients likely to move to stage 3. The Bank however is of the opinion that the worst case scenario is unlikely given all the measures undertaken.

Impact on expected credit losses (ECL)

The Bank has considered the impact of COVID-19 in its financial statements within different segments (corporates and SMEs, retail, bank and sovereigns) by revisiting its ECL Framework to cater for higher level of uncertainty in markets both locally and internationally while remaining in line with the statements released by local and international bodies with regards to IFRS 9 in a COVID-19 environment (principally the Bank of Mauritius and IASB respectively).

The Bank has considered the impact on the key inputs including the Probability of Default (PD), the Loss Given Default (LGD), forward-looking Macroeconomic Variables (MEVs), staging and bucketing parameters, relief programmes, scenario-weights allocations and other qualitative indicators to assess the significant increase in credit risk (SICR) of its loan book. The Bank is closely monitoring forbearance measures by assessing potential loss in principal or interest which may result into a classification into stage 3.

The Bank has adopted a probabilistic approach in determining its MEVs due to the uncertainties prevailing across markets. A scenario weight approach (baseline, upside and downside) has been applied to reflect the likelihood of such event occurring based on assessments of economic and market conditions relating to COVID-19. The scenarios assumed were very bearish to properly reflect the current and projected local and global economic environment.

The Bank enhanced its SICR assessment framework using more objective and subjective factors to adapt to this unprecedented condition. In-depth analysis was performed on exposures in COVID impacted sectors at various levels including Business team, Credit Underwriting team and Management Credit Forum/Board Credit Committee. As a result of this exercise some exposures depicted the attributes of SICR and were moved to stage 2.

A post modelling adjustment was also applied by the Bank on its PD, LGD and other qualitative considerations to restructured exposures due to COVID-19 as well as to cater for the downgrade in the sovereign rating of Mauritius by Moody's on the 04 March 2021. Following this downgrade in the rating of Mauritius, financial institutions in Mauritius were downgraded to reflect the inherent increase in credit risk in the country.

Stage 3 exposures have been assessed considering COVID-19 impact and adequate provisioning has been made by the Bank as at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Mauritius) Ltd (cont'd)

Loans and advances to banks and customers (cont'd):

Credit risk (cont'd)

The Bank continues to consider the potential impact of COVID-19 through discussions with relevant regulatory bodies domestically and with the concerned counterparties given the on-going developments and the high degree of uncertainty prevailing with the country facing its second wave of the pandemic.

Cash and cash equivalents, mandatory balances with central banks and loans to and placements with banks

The Bank did not observe significant impact on the carrying value of the above items as they carry low credit risks and are less susceptible to changes in value in the event of an economic downturn. The related ECL incorporated similar measures as discussed under the heading "impact on ECL"

Investment securities

With respect to the investment securities carried at fair value, the main impact of COVID-19 was the changes in market rates including interest rates and foreign currency exchange rates as well as the changes in the credit quality of the instruments. The Bank focused on its treasury management operations during this pandemic situation.

Property, equipment, right-of-use assets and intangible assets

These assets are carried at cost less accumulated depreciation and impairment. Though not directly impacted by COVID-19, the Bank carried its annual assessment of impairment of the above-mentioned assets. The Bank remains focused to execute its revamped strategy around technology, innovation and customer service in the coming years.

Deposits from non-bank customers and other borrowed funds

These liabilities are accounted for at amortised cost and therefore their carrying values are not materially affected by COVID-19, except for the impact on the exchange rate of the rupee vis-à-vis major currencies which results in an increase in the carrying value of foreign currency denominated deposits. The Bank has experienced renewal of its deposit base and its strategy in the short to medium term remains to raise cheaper sources of funding by increasing its deposits book.

Pension liabilities

The current significant economic uncertainty affects the measurement of retirement benefit obligation and plan assets, particularly when quoted prices in active markets for identical assets do not exist. The methodology used is to derive a yield curve based on government bonds from secondary market. The reference point for setting the discount rate is the yields on bonds from the secondary market with terms ranging from 0.25 to 20 years. The discount rate commensurate with the duration of liabilities is then determined. The discount rate decreased from 5.3 percent in 2019 to 2.9 percent in 2020 resulting in a significant increase in the retirement benefit liability.

Taxes

The pandemic could affect future profits as a result of direct and indirect (effect on customers, suppliers, service providers) factors. Deferred tax assets are recognised for deductible temporary differences existing at reporting date. Based on the budget for the next 12 months, despite the outbreak's adverse forecasted impact on the Bank's operations, it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised.

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1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Mauritius) Ltd (cont'd)

Liquidity risk

The Bank's internal and regulatory liquidity ratios demonstrate a healthy liquidity position as at 31 December 2020. The Bank's Liquidity Coverage Ratio (LCR) at year end stood at 154 percent which is above the current regulatory minimum LCR requirement of 100 percent, demonstrating a robust liquidity position. The LCR is a stressed liquidity measure as at applied stressed outflow rates on depositors' balances and haircuts on cash inflows. Stressed tests based on several scenarios are performed on a regular basis to monitor the LCR, which remains above the regulatory limit.

Interest rate risk

As an emergency COVID-19 response, both the Bank of Mauritius and United States Federal Reserve revised their respective policy rates downwards. The Bank's balance sheet being predominantly USD and MUR based was adversely impacted in term of the Net Interest Income by the decline in the Bank's Net Interest Margin for the year under review.

Capital adequacy ratio (CAR)

The Bank achieved a CAR of 15.9 percent as at 31 December 2020 which is above the minimum requirement of 13.9 percent.

In apprehension of the challenges posed by the COVID-19 pandemic, as per the correspondence from BOM on 11 January 2021, titled "Regulatory Forbearance", BOM has deferred the implementation of the last tranche of the capital conservation buffer ("CCB") amounting to 0.6 percent to 01 April 2022. Thus, for financial year 2020, banks are required to maintain a CCB of 1.9 percent. This measure has helped release more capital whilst also allowing greater flexibility in terms of funding capacity and support which can be provided to customers.

The Bank has prepared a capital plan in a crisis situation of COVID-19 by running a few scenarios to demonstrate how the regulatory ratios fluctuate based on different ECL simulations. The Bank remains within the regulatory requirements in the Baseline and Moderate Scenario. In the extreme scenario whereby no MIC or further support post June 2021 coupled with late recovery is considered (outlined under Credit risk section), the Bank would require capital injection to meet the regulatory CAR. Although the Bank has simulated a worst case scenario, the Bank does not foresee such scenario to materialise given the measures being undertaken to sustain companies with cash flow difficulties including MIC support, moratorium on repayments amongst others.

The Bank continues to monitor the impact of COVID-19 by performing several stressed testing scenarios to demonstrate how the regulatory ratios fluctuate based on different ECL simulations.

The COVID-19 pandemic has hit the world in unprecedented ways, heightening risk with prolonged uncertainty. Macroeconomic conditions around the globe have deteriorated with a global growth contraction estimated at 3.3 percent for FY 2020 as per the World Economic Outlook. Mauritius faced a downgrade of long-term issuer rating by Moody's from Baa1 to Baa2 on 04 March 2021 with negative outlook on account of the erosion of Mauritius' fiscal and economic strength as a result of the economic shock brought on by the coronavirus pandemic.

With a prolonged shock on the economy mainly on the tourism sector, the credit quality of the Bank's client base has deteriorated owing to the impact on their financial position. Although various measures have been taken to support different segments of the economy and a vaccination program is ongoing, the recovery pattern of the economy is still uncertain. As per Moody's report, per capita income will only return to 2019 levels at end of 2022 assuming international tourist flows to resume in second half of 2021.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (India) Limited

The Indian economy, which contracted by 23.9% in the quarter spanning April-June 2020, witnessed a lesser extent of deceleration in the following quarter (July-September 2020) wherein the economy contracted by only 7.5%. The Central Bank has indicated that there were signs of such contraction stemming in the quarter October-December 2020, with the possibility of marginal growth (+0.1%) pending formal announcement of quarterly economic performance. A pick-up in merchandise trade, agriculture and manufacturing activity, in addition to partial easing of lockdown measures across the country, contributed to the initiation of recovery.

COVID-19 infected tally in India had reached 10.3 million as at 31 December 2020, with 149 thousand deaths being reported. While the total number of cases is still growing, the number of daily new cases being reported has declined. The number of daily cases reached its peak in September 2020 (approx. 97,000) and reduced to around 22,000 by the end of December 2020 (further reduction in daily new cases was witnessed in January 2021 to around 13,000). The Union Budget 2021-2022 announced on 01 February 2021 has allocated INR 350 billion for COVID-19 vaccines (to be supplemented further if required) indicating a deep commitment on the part of the government to eradicate the virus, in addition to addressing the pandemic's economic fallout through various relief packages announced in second and third quarters of 2020.

With the pick-up in economic activity and the improving daily cases' numbers, combined with the possibility of efficient vaccine roll-out, the IMF has projected an 12.5% growth for India in 2021. Meanwhile, World Bank, considering the impact of the economic slowdown witnessed in the course of 2020 and the business and liquidity contraction experienced by various MSME and mid-cap businesses across sectors, has indicated the possibility of a further 9.6% contraction in the Indian economy in 2021 owing to reduced spending, investment and employment.

Therefore a lot of uncertainty still clouds the coming months and the first half of 2021 marks a period of "wait and watch".

Impact on ECL

Due to the disruptions in economic activities brought about by the COVID-19 pandemic, management has considered the impact on its book within different segments (Corporates and Retail) by considering mild case, medium-risk and worst-case scenarios for ECL exercise. The Bank has considered macroeconomic variables in the computation of the ECL as on 31 December 2020, including the likely COVID-19 impact. Given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty and it is still not possible at this time to predict the extent and nature of the overall future impact on the ECL. However, the Bank has developed scenarios aimed to factor in future macroeconomic conditions through management overlays to assess the impact on ECL. The impact will vary with sectors and will be influenced by the extent of trade disruptions, social-distancing and resultant economic slowdown. To begin with we have classified all our exposures into three risk categories; high, medium, and low, based on the sectoral impact of COVID 19 as well as financial impact observed till date on each of the bank's borrowers. Basis 31 December 2020 financials, base case ECL has been determined at MUR 433.7 million.

Other estimation uncertainties

Cash and cash equivalents, mandatory balances with central banks and loans to and placements with banks:

Management does not expect a significant impact on the carrying value of these items as they are considered to carry low credit risks and less susceptible to changes in value in the event of an economic downturn. Cash and Cash equivalent mainly comprises the Cash held at teller/ATM and Cash at Vault; mandatory balances with central banks are cash reserves maintained with Reserve Bank of India; there are cash balances held as Cash collaterals with Clearing Corporation of India (regulatory driven central clearing body). Loans and placements with Bank mainly comprise of the excess foreign currency placement with overseas branches of government owned banks (public sector banks) for ultrashort terms mostly on overnight basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (India) Limited (cont'd)

Derivative financial instruments

Bank currently holds plain vanilla derivative transactions (Short term and long term Forward contracts) on fully matched basis (interbank cover back to back matching client transactions); hence the net impact on the Bank's financial position or profits are expected to be minimal.

Loans to non-bank customers

There is consensus that COVID 19 will be majorly impacting all global economies including India. The last estimates by World Bank indicated India's GDP to shrink 9.6% in the year 2021. The contraction that India is expected to see in the 2021 might not be uniform; instead it might differ according to various parameters such as state and sector. Agriculture and government sectors are not likely to see any contraction. On 1 September 2020, the Ministry of Statistics and programme implementation released the GDP figures for the quarter April-June 2020, which showed a contraction of 23.9%, as mentioned earlier. Since then, however, in the quarter spanning October-December 2020 improvement in some of the clients and sectors was observed. The uncertainties associated with the reining in of COVID 19 pandemic are still significantly impacting many businesses and industries. While sectors like agriculture produce, FMCG, milk and milk produce, food, health care, medical equipment etc., providing products and services of an essential nature, have benefitted in the current environment, some of the sectors like aviation, construction, financial, real estate, hospitality, shipping etc. are affected in a major way and have still to show signs of recovery. It may also be noted that the RBI and Government of India have taken few steps like COVID restructuring and Emergency Credit Line funding against government guarantee to support companies with COVID stress and mitigate the economic impact of the crisis in various ways. We are tracking our exposures regularly and are in touch with our customers, proactively assessing the situation. The business strategy is being dynamically managed in the evolving situation. The Bank has also carried out stress tests as per regulatory guidelines. Results of which have been separately provided.

Investment securities

For investment securities (fixed income instruments) held in Available for Sale and Held for Trading category, the main impact of COVID-19 will be due to changes in market interest rates and any changes in the credit quality of the instruments. Most of these holdings are High Quality Liquid Assets (Securities issued by Government of India) and hence safeguarded against credit risk. A small portion of securities is also held in Non-Sovereign papers issued by issuers with highest credit ratings. Though the interest rate cycle is at its trough (bottomed out) long-term bond yields are expected to stay in a narrow band of 15 to 20 bp from current levels; as RBI will hold its grip on sovereign borrowing costs and ensure orderly rate environment. Adequate liquidity levels will stay for an extended period of time in CY 21. Hence, management expects the market value of these investments staying more or less stable.

Property, equipment, right of use assets and intangible assets

Asset is considered as impaired when at the balance sheet date, there is indications that the assets may be impaired and the carrying amount of the asset, or where applicable, the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value-in-use). The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If such recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment loss is recognised as an expense in the Profit and Loss Account. Management is of the view that there will be not be material impairment which may require impact to be recognized in Profit and Loss account.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (India) Limited (cont'd)

Deposits from non-bank customers and other borrowed funds

The Bank has been constantly monitoring the Deposits from non-Bank customers. The deposits from non-bank customers have increased between 31 March 2020 and 31 December 2020. There has been growth across segments like CASA and Term Deposits; only FCNRB Deposit balances decreased marginally in last quarter. There has been strong focus on liabilities during this period. This has also been supported to an extent by deposit rates being in line with peers at the higher end of the industry. The Bank has been dynamically moderating the interest rates keeping in view the liability strategy, liquidity management and industry trend. The Bank did not have any borrowings from Other Banks (other than RBI) as on 31 December 2020. Borrowings availed from RBI under the various liquidity enhancement schemes introduced by the Central Bank, constitute collateralized term borrowings from the regulator under Long Term Repo Operations and Targeted Long Term Repo Operations amounting to MUR 113.7 million. Ninety per cent of this borrowing is for long term (3 years maturing in 2023) thus will not have any impact on liquidity movement in near future.

Furthermore, the Bank has adequate excess Government Securities, over and above the SLR requirement that can be used to borrow under Liquidity Adjustment Facility of the Reserve Bank of India, if required.

Pension liabilities included in other liabilities

The Bank does not provide any Pension plans to its employees; hence the same will not be impacted due to COVID-19 situation.

Going concern

In light of the witnessed and anticipated economic impact of COVID-19, Management had conducted a risk analysis and stress test again as at 31 December 2020 (following earlier testing conducted as at 31 March 2020 and 30 June 2020) on the following elements:

(i) Liquidity risks

Liquidity position of SBM Bank (India) Limited was comfortable as at 31 March 2020, with Liquidity Coverage Ratio (LCR) at 248%, as against regulatory stipulation of LCR 100% (since reduced to 80%). The bank had High Quality Liquid Assets (HQLA) amounting to MUR 5,095.7 million as against total liability of MUR 13,542.6 million and Deposit of MUR 9,907.6 million as on 31 March 2020. Such HQLA, taken for LCR, are predominantly Government Securities denominated in INR. LCR declined to 143% as on 31 December 2020, with growth in loan book, but was well above the regulatory requirement of 90% and BIS requirement of 100%. HQLA increased to MUR 5,737.2 million in December 2020 from MUR 5,095.7 million in March 2020 and MUR 5,155.8 million in June 2020.

Net Stable Funding Ratio remained above BIS stipulation of 100% at 154% as at 31 March 2020 and was at 113% as at 31 December 2020 as the loan portfolio increased from March 2020 to December 2020. The increase in credit led to higher Required Stable Funding and lowered NSFR compared to March 2020. The Contingency Funding Plan, under assumed stress condition, did not require any additional funding as on 31 December 2020 for assumed stress under local problem. The excess liquidity, in form of cash and securities eligible for repo, available with the bank was expected to be sufficient to address probable outflows in event of local problem. Bank had positive cumulative gaps from overnight to two-month bucket, in the Structural Statement of Liquidity (SSL), on 31 December 2020, though there were negative mismatches from more than two months bucket to 5 years bucket these negative gaps were within the risk appetite of the bank. The Bank has been monitoring its liquidity level regularly against the backdrop of COVID-19, there has been no significant/major outflows other than on account of loan growth. RBI has been pursuing easing liquidity policy to mellow the economic impact of COVID-19. The Bank has conducted liquidity stress test for 30 September 2020 and 31 December 2020, in addition 31 March 2020 and 30 June 2020 on the basis on regulatory guidelines. Stress test results do not indicate major impact on cost or capital in a prescribed stress situation considering the level of extra liquidity available with the Bank.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (India) Limited (cont'd)

(ii) Interest rate risks

The Bank has assessed the impact, in line with Stress Test prescribed by RBI, that any adverse situation could have on its net interest income basis financial statements as at 31 December 2020. In the prescribed stressed situation, the impact has been estimated to be MUR 102.9 million on account of Interest Rate Risk in the Banking Book and MUR 16.8 million on account of Interest Rate Risk in the Investment Portfolio. Bank has also calculated the Earnings at Risk at 200 basis point adverse movement of interest rate. The Earnings at Risk is within 25% of annualized NII as on 31 December 2020 at MUR 74.2 million, which is within the risk appetite of the Bank. Bank maintained Modified Duration for the investment portfolio within its risk appetite as on 31 December, 2020. The Modified Duration of HTM portfolio is below the limit of 6.5 at 6.2 and Modified Duration of AFS is at 0.6 against the limit of 4. The Bank carries moderate interest risk in the trading book of its investment portfolio.

(iii) Capital risks

The Bank's current Capital Adequacy Ratio, as of 31 December 2020, stands at 26.1% compared to the regulatory requirement of 11.9%. The leverage ratio was at 12.7% above the regulatory floor of 3.5%.

The Bank has conducted the stress test on Credit Risk, Forex Portfolio, Investment Book, Liquidity Risk, Interest Rate Risk in the Banking Book to assess the impact of Capital Adequacy under assumed stress situation, prescribed by RBI, for its book as on 31 December 2020. Based on the regulatory stressed situation, the stressed CRAR, as on 31 December 2020, came to 14.6%. The result of stress test based on financials of 31 December 2020 is furnished below. Increase in advances portfolio during 2020 results in Stressed CRAR of 14.6%.

The results of stress test, based on regulatory prescription, indicate that in case such scenario materializes, we will be within regulatory requirement of CRAR; however, the capital of the Bank will fall below the minimum requirement of MUR 2.7 billion.

(iv) Credit risk

Basis financials as on 31 December 2020, in its mild case scenario, the Bank has factored worsening of credit ratings of all the high risk and medium risk clients by one notch. The resultant ECL is MUR 511.6 million (incremental component, over Base Case ECL, of MUR 77.9 million).

In its medium risk scenario, the Bank has considered two notch downgrades of rating for its high-risk accounts and one notch downgrade for medium risk accounts, with no downgrade for low-risk cases. The resultant total ECL is MUR 712.2 million (an incremental component of MUR 278.5 million).

While in a worst-case scenario, rating downgrade of two notches for high-risk accounts and two notches for medium risk accounts have been considered. The resultant total ECL is MUR 809.0 million (incremental ECL of MUR 375.3 million).

We are tracking our exposures regularly and are in touch with our customers, proactively assessing the situation. The business strategy is being dynamically managed in the evolving situation. The Bank has also carried out stress test as per regulatory guidelines. Results of which have been separately provided.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

Banque SBM Madagascar SA

Madagascar economy has come to a standstill with the spread of the Corona Virus 2019 disease (Covid-19), partly due to the lock down measures since March 2020 and also given that Madagascar is heavily dependent on the tourism sector and the export industry.

The Post COVID-19 impacts in Madagascar economy are also inevitable:

- The annual turnover of most business entities.
- The purchasing power of the population has been impacted.
- Several closures of business, increase of unemployment.
- Depreciation of local currency following the drop in export business, the EURO has increased by 16% compared to the exchange rate prior COVID-19, whereas the USD has increased by 5%.

Impact on the bank following the pandemic COVID-19

The potential impact of COVID-19 pandemic on the balance sheet items of Banque SBM Madagascar SA is not as significant as we were expecting compared to the main players in the banking sector.

Total assets

The total assets have increased by MUR 0.1 billion from December 2019 to December 2020, representing 4%, mostly in Cash in hand and balance with Central Bank.

For the loans & advances and T-bills, we note a slight decrease as compared to the financial year 2019. Our exposure/operations to the exports of local commodities/tourism/mining are very limited.

Deposits growth

Deposits growth is almost stable. Deposits from customers are accounted for at amortised cost and therefore, their carrying values are not expected to be affected by Covid-19, except for any impact that the latter may have on the exchange rate of the Ariary vis à vis major currencies. The bank's customers are not so affected by the COVID-19 impact as their sector activities have not been affected considerably and are manageable.

Out total deposits have decreased by 3%, compared to the FY 2019, mainly in special savings accounts and demand deposits.

We are closely following up for the parastatal deposits and government institutions.

Loans and advances

The loans & advances have decreased on a yearly basis (2020 VS 2019) by 10% mainly due to the settlement of the liability of one of our main customer.

In line with the extension of the measures taken by the Malagasy authorities, and in order to support the national solidarity effort in the fight against the COVID-19, all the Banks in Malagasy Territory have committed to the following:

- To identify all individuals and companies directly affected by the crisis of COVID-19.
- Support affected customers through, some exceptional measures such as deferred payments of loans, granting of special lines of credit.

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

Banque SBM Madagascar SA (cont'd)

Exceptional requests received by the Bank SBM Madagascar SA during last year 2020 do not relate mostly to the COVID-19 impact.

This does not constitute an indicator of deterioration of the Bank Portfolio, and does not require any additional provisions as at 31 December 2020.

Assets impairment

In terms of credit impairment, the bank has not recorded new impaired accounts especially due to the COVID-19.

We note a decrease in the amount of credit impairment from 31 December 2019 to 31 December 2020 followings the repayment of one of our big customer.

Going concern

In the light of the anticipated economic impact of Covid-19, Management has made an assessment of the Bank's ability to continue as going concern on the following elements:

Liquidity

The Bank's liquidity position has remained strong and as at 31 December 2020, Liquidity Coverage Ratio (LCR) stood at 113%. This is well above of 100% imposed by the Malagasy Central Bank.

This high level of liquid assets is comprised mostly the amount of the local government securities (treasury bill) and deposits of some customers.

The Bank has been monitoring its liquidity level on a daily basis to ensure that with the impact of Covid-19, there is no significant outflow other than the business as usual.

Capital adequacy

The Bank's current capital adequacy ratio as at December 2020 stands at 21.1% (following the Malagasy Central Bank format) compared to the regulatory requirement of 8%.

Our capital adequacy ratio is further strengthened with the reversal of Flamingo expenses & Telecommunications fees until 31 December 2020 in our shareholder's funds (By MUR 0.1 billion), following the decision of the Board of SBM Holdings Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Kenya) Limited

Initial cases of the COVID-19 were reported in China towards the end of 2019. The infection quickly spread to many other countries in the world and on 12 March 2020 the World Health Organisation (WHO) stated that the global COVID-19 outbreak can be described as a pandemic. The first case of this infection was reported in Kenya on 13 March 2020 and since then other cases have been identified across the country. On overall, the pandemic has resulted in a global economic growth slowdown, with some regions registering negative Gross Domestic Product (GDP) growth in 2020.

Going forward, it is still uncertain as to when the impact of the pandemic will be brought under control and hence global economic re-bounce. Like any other player in the industry, the SBMBK future operating income and costs is likely to be affected by the prevailing adverse economic environment arising from the pandemic. Over and above impact on the general business growth, the most substantial future impact that the Bank might encounter is increased credit risk, particularly due to the following:

- Declining performance in certain sectors of the economy like hospitality, trade, transport and education sectors hence increased possibility of default.
- Downward changes in credit ratings (both internal and external).
- Increased time to realisation of collateral for some portfolios and sectors as well as reassessment of the quality of collateral.
- Increased days past due for loans issued.
- Macroeconomic factors that have impact on the forward-looking estimates.
- Increased modification losses because of the restructurings.

During the reporting period, the Bank operations were normal and uninterrupted. Whereas the pandemic outbreak will have some effect on the future business performance, in consideration of the mitigating actions taken at both Bank and National level, the Directors of SBMBK are of the opinion that the effect will not be material.

Significant judgement and estimates impacted by COVID-19

a. Impairment provisions on advances

Incorporating forward-looking information

SBMBK continuously conducts periodic stress tests on the loan assets to assess whether any conditions exist that confirms significant increase in credit risk arising from the impacts of the COVID-19. As of the date of approval of the financial statement of SBMK no significant increase in credit risk had been observed.

Significant judgement and estimates associated with the COVID-19 pandemic include impairment provision on advances. In determining the level of impairment required, SBMK took into account all current economic factors as well as forward looking information.

Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the forward-looking assumptions for the purposes of expected credit loss calculation was availed and taken into account. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19, these scenarios represented reasonable and supportable forward-looking views as at SBMK reporting date.

The credit model inputs and assumptions including forward looking macro-economic assumptions were adjusted in response to the COVID-19 pandemic with the fundamental credit model mechanics and methodology underpinning SBMK calculation of ECL remaining consistent with prior periods.

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1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Kenya) Limited (cont'd)

The Bank's lending to the top three sectors as at end of 2020 was as follows:

- Trade sector at 23% same as 2019.
- Manufacturing sector at 18% compared to 2019 at 12%.
- Personal and household sector at 17% compared to 2019 at 20%.

b. COVID-19 debt relief measures provided to customers

SBMBK implemented support measures to customers impacted by COVID-19 through repayment deferral arrangements that were deemed continuation of customers' existing loans and were therefore accounted for as non-substantial loan modifications.

In consideration of the impact of the pandemic on customers' businesses, the Bank modified some of the loans from various sectors, at the request of the customers, totaling MUR 1.7 billion, which constituted 13.6% of the gross exposure as at 31 December 2020. The modifications did not result in material change in present value of the future contractual cash flows. The Bank continues to monitor performance of the loans modified in consideration of the impact of the pandemic.

c. Fair value measurement

SBMBK assessed valuation techniques for financial instruments to determine the impact that the market volatility introduced by COVID-19 has had on the fair valuation measurements of these instruments. In carrying out the assessment, inputs that are reflective of market participation were considered as opposed to Bank specific inputs.

Other subsidiaries

Impact on going concern

The management concludes that the impact of the COVID-19 on it other subsidiaries within the Group business, does not cast doubt upon the Group's ability to continue as going concern. The Group undertakes to inject any capital requirements to any other subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATION (IFRS)

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

New and revised IFRSs and IFRICs that are effective for the financial year

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

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

Amendments to References to the Conceptual Framework in IFRS Standards

Amendment to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (IBOR)

The amendments, which are applicable for financial reporting periods beginning on or after 01 January 2020, focus on hedge accounting issues related to uncertainties arising in the period leading up to the replacement of IBORs with alternative nearly risk-free rates, and provide reliefs to allow hedge accounting to continue during the period of uncertainty before an IBOR is replaced. The amendments are mandatory for all hedge relationships directly affected by interest rate benchmark reform, and are required to be applied on a retrospective basis.

The Group applies the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (RFR). A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of the IBOR reform.

IBOR reform phase 1 requires that for hedging relationships affected by IBOR reform, the Group must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. Also, the Group is not required to discontinue the hedging relationship if the results of the assessment of restrospective hedge effectiveness fall outside the range of 80% to 125%, although any hedge ineffectiveness must be recognised in profit or loss, as normal.

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued.

The adoption of the amendments had no impact on the financial performance and financial position of the Group.

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2 APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATION (IFRS) (CONT'D)

New and revised IFRSs and IFRICs in issue but not yet effective (cont'd)

IAS 1 Presentation of Financial Statements - Amendments regarding classification of liabilities (effective 01 January 2023).

IAS 1 Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective 01 January 2023).

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates (effective 01 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 01 January 2022).

IAS 39 Financial Instruments - Recognition and Measurement Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021).

IFRS 7 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021).

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 01 January 2022).

IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021).

IFRS 16 Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification (effective 01 June 2020).

IFRS 16 Leases - Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021).

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.

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3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Estimates

3.1 Expected credit losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a long term ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL are assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

3.2 Fair values of financial assets and liabilities

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data is not available, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

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3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.3 Other estimations

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. Assessment of useful lives - Note 11.
ii. Pension liability - Note 14.
iii. Fair value of other financial assets and liabilities - Note 40(a)(ii).
iv. Incremental borrowing rate used to determine the value of rights of use assets.-Note 11(b).

Judgement

3.4 Going concern

Directors have made an assessment of the Group's and the Company's ability to continue as a going concern and are satisfied that the Group and the Company has the resources to continue in business for the foreseeable future. Furthermore, Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Hence, these financial statements continue to be prepared on the going concern basis.

3.5 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of The Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

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FOR THE YEAR ENDED 31 DECEMBER 2020

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4 SUMMARY OF SIGNIFICANT 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 is rounded to the nearest thousands (MUR' 000), except 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 for 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 IFRS 16, 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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and in compliance with the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004.

(c) Basis of consolidation

The financial statements comprise the financial statements of SBM Holdings Ltd and its subsidiaries as at 31 December 2020 and with comparatives of 2019 and 2018.

Control is achieved when the Company 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 Company 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 Company has less than a majority of the voting or similar rights of an investee, the Company 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 Company's voting rights and potential voting rights.

4 SUMMARY OF SIGINIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Basis of consolidation (cont'd)

The Company re-assesses whether 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 Company obtains control over the subsidiary and ceases when the Company 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 Company gains control until the date the Company 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 balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated 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 statements of profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statements 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.

(d) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

NOTES TO THE FINANCIAL STATEMENTS
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4 SUMMARY OF SIGINIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Foreign currency translation

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

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

ii. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into Mauritian Rupees at the rates of exchange prevailing 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 statements of profit or loss and other comprehensive income (OCI) for the year. 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 statements of profit or loss and other comprehensive income, any exchange component of that gain or loss shall be recognised in the statements of profit or loss and other comprehensive income.

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

vi. 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 2020	31 December 2019	31 December 2018
INR/MUR	**0.541**	0.513	0.491
100 MGA/MUR	**1.340**	1.008	0.998
KES/MUR	**0.362**	0.362	0.337
SCR/MUR	**1.891**	2.6878	-

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4 SUMMARY OF SIGINIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Foreign currency translation (cont'd)

The average rates for the following years are:

	31 December 2020	31 December 2019	31 December 2018
INR/MUR	0.533	0.505	0.497
100 MGA/MUR	1.043	0.983	1.018
KES/MUR	0.371	0.348	0.339
SCR/MUR	2.235	2.639	-

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. On disposal/derecognition of a foreign entity, such translation differences are recognised in the statements of profit or loss in the period in which the foreign entity is disposed of/derecognised.

(f) Financial instruments

Financial instruments - initial recognition

Financial assets and liabilities, with the exception of loans and advances to non-bank customers and balances due to customers, are initially recognised on the trade date, that is, the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to non-bank customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 7, 8 and 9. Financial instruments are initially measured at their fair value (as defined in Note 7, 8 and 9), except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

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4 SUMMARY OF SIGINIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (cont'd)

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in Note 7 and 9; or
- FVTOCI, as explained in Note 8 and 9.

The Group classifies and measures its derivative and trading portfolio at FVTPL as explained in Notes 8 and 9. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 9.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Reclassifications

If the business model under which the entity holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the financial assets. During the current financial year there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.

The solely payments of principal and interest (SPPI) test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

4 SUMMARY OF SIGINIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (cont'd)

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Other financial assets

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

(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) 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 FVTOCI (Fair Value Through Other Comprehensive Income) 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 FVTOCI 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 statements 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 FVTOCI 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.

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FOR THE YEAR ENDED 31 DECEMBER 2020

4 SUMMARY OF SIGINIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial liabilities and equity instruments

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

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

(iii) Financial liabilities
Financial liabilities include deposits from banks and non-bank customers, other borrowed funds, subordinated liabilities and other liabilities. Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the Group's 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.

(j) 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.

(k) Provisions

Provisions are recognised when the Group and the Company have 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.

(l) Offsetting financial instruments

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

4 SUMMARY OF SIGINIFICANT ACCOUNTING POLICIES (CONT'D)

(m) 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.

The accounting policies of each relevant line item are included in the respective notes.

5 PRIOR YEARS' ADJUSTMENTS

The Group and the Company have restated their financial statements in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to correct certain errors identified during the year ended 31 December 2020. These are summarised below together with the impact on these financial statements.

THE GROUP

Impact as at 01 January	**01 January 2018**		
	As previously reported	**Adjustments**	**As restated**
	MUR' 000	**MUR' 000**	**MUR' 000**
Shareholder's equity			
Retained earnings	1,919,447	(95,443)	1,824,004

Impact as at 31 December	**31 December 2019**			**31 December 2018**		
	As previously reported	**Adjustments**	**As restated**	**As previously reported**	**Adjustments**	**As restated**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Assets						
Loans to and placements with banks	9,240,131	(2,297,386)	6,942,745	11,090,361	(2,507,947)	8,582,414
Derivative financial instruments	874,269	61,824	936,093	764,077	115,665	879,742
Loans and advances to non-bank customers	109,396,640	79,349	109,475,989	102,108,174	-	102,108,174
Property and equipment	4,088,213	(759,905)	3,328,308	3,153,914	-	3,153,914
Rights-of-use assets	-	759,905	759,905	-	-	-
Other assets	3,159,878	76,120	3,235,998	1,655,659	23,527	1,679,186
Liabilities						
Other borrowed funds	15,670,968	(2,297,935)	13,373,033	14,522,085	(2,557,497)	11,964,588
Derivative financial instruments	881,176	245,188	1,126,364	799,441	209,730	1,009,171
Lease liability	-	795,345	795,345	-	-	-
Pension liability	-	338,875	338,875	-	173,055	173,055
Current tax liabilities	536,283	175,788	712,071	495,964	6,145	502,109
Other liabilities	8,824,992	(1,367,590)	7,457,402	6,706,294	(205,056)	6,501,238
Shareholder's equity						
Retained earnings	1,107,260	7,095	1,114,355	2,270,280	4,774	2,275,054
Other reserves	(4,214,549)	23,141	(4,191,408)	(5,718,447)	-	(5,718,447)
Impact for the year ended 31 December						
Interest income	10,644,090	(10,644,090)	-	8,816,856	(8,816,856)	-
Interest income using the effective interest rate method	-	10,813,591	10,813,591	-	9,013,230	9,013,230
Other interest income	-	147,557	147,557	-	265,771	265,771
Interest expense	(4,156,726)	4,156,726	-	(2,971,513)	2,971,513	-
Interest expense using using the effective interest rate method	-	(4,155,476)	(4,155,476)	-	(2,949,881)	(2,949,881)
Other interest expense	-	(163,906)	(163,906)	-	(274,326)	(274,326)
Net interest income	6,487,364	154,402	6,641,766	5,845,343	209,451	6,054,794

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5 PRIOR YEARS' ADJUSTMENTS (CONT'D)

THE GROUP (cont'd)

	31 December 2019			31 December 2018		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net fee and commission income						
Fees and commission income	1,616,807	(140,263)	1,476,544	1,307,329	(138,276)	1,169,053
Other income						
Profit arising from dealing in foreign currencies	381,611	(381,611)	-	758,677	(758,677)	-
Net gain from financial instruments	107,592	(107,592)	-	509,849	(509,849)	-
Net gain on sale of securities	665,904	(665,904)	-	204,458	(204,458)	-
Dividend income	223,076	(223,076)	-	110,051	(110,051)	-
Other operating income	4,493	223,076	227,569	1,073,651	116,115	1,189,766
Net trading income	-	1,234,987	1,234,987	-	1,634,949	1,634,949
Net losses from financial assets at FVTPL	-	(153,946)	(153,946)	-	(136,756)	(136,756)
Net gains on derecognition of financial assets measured at amortised cost	-	27,110	27,110	-	33,179	33,179
Net gains on derecognition of financial assets measured at FVTOCI	-	231,379	231,379	-	4,321	4,321
Non-interest expense						
Depreciation of property and equipment	(476,839)	207,872	(268,967)	(205,246)	-	(205,246)
Depreciation of right-of-use assets	-	(204,214)	(204,214)	-	-	-
Other expenses	(1,873,960)	(279,009)	(2,152,969)	(1,919,132)	(34,360)	(1,953,492)
Bank levy	(171,368)	171,368	-	-	-	-
Profit/(loss) before credit loss expense	3,419,427	109,993	3,529,420	5,080,886	105,588	5,186,474
Credit loss (expense)/credit on financial assets and memorandum items	(2,996,142)	79,933	(2,916,209)	(3,559,350)	-	(3,559,350)
Profit before income tax	562,522	189,928	752,450	1,621,776	105,587	1,727,363
Tax expense/(credit)	(547,487)	(169,642)	(717,129)	(375,982)	(3,972)	(379,954)
Profit for the year	15,035	2,321	17,356	1,245,794	100,217	1,346,011
Total other comprehensive income	1,229,475	23,141	1,252,616	(874,361)	-	(874,361)
Total comprehensive income for the year	1,244,510	25,462	1,269,972	371,433	100,217	471,650

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5 PRIOR YEARS' ADJUSTMENTS (CONT'D)

THE COMPANY

Impact as at 31 December	31 December 2019			31 December 2018		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Liabilities						
Derivative financial instruments	-	47,645	47,645	-	19,356	19,356
Pension liability	-	2,459	2,459	-	-	-
Other liabilities	117,340	(4,752)	112,588	91,777	(303)	91,474
Shareholder's equity						
Retained earnings	825,549	(45,352)	780,197	965,704	(19,053)	946,651
Impact for the year ended 31 December						
Interest income	68,079	(68,079)	-	77,913	(77,913)	-
Interest income using the effective interest rate method	-	77,863	77,863	-	84,566	84,566
Interest expense	(476,589)	476,589	-	(309,019)	309,019	-
Interest expense using the effective interest rate method	-	(476,589)	(476,589)	-	(309,019)	(309,019)
Other interest expense	-	(9,784)	(9,784)	-	(6,653)	(6,653)
Net interest income	(408,510)	-	(408,510)	(231,106)	-	(231,106)
Other income						
Profit arising from dealing in foreign currencies	(289,253)	289,253	-	(29,695)	29,695	-
Net gain from financial instruments	17,879	(17,879)	-	-	-	-
Net gain on sale of securities	6,767	(6,767)	-	27,614	(27,614)	-
Other operating income	-	1,570,456	1,570,456	-	1,233,068	1,233,068
Dividend income	1,570,456	(1,570,456)	-	1,233,068	(1,233,068)	-
Net losses from financial assets at FVTPL	-	(8,422)	(8,422)	-	(19,053)	(19,053)
Net gains on derecognition of financial assets measured at amortised cost	-	6,396	6,396	-	28,408	28,408
Net gains on derecognition of financial assets measured at FVTOCI	-	371	371	-	(794)	(794)
Other expenses	(49,096)	(289,251)	(338,347)	(253,729)	(29,695)	(283,424)
Profit for the year	763,477	(26,298)	737,178	627,235	(19,053)	608,182

5 PRIOR YEARS' ADJUSTMENTS (CONT'D)

a. Accounting for interest on derivatives and presentation of cross currency swaps

In prior years, one of the subsidiaries was accounting for cross currency swaps (CCS) on the statements of financial position on the basis that there was an exchange of principal at inception of those contracts. However, the subsidiary has reassessed the nature of those derivatives and considers that they should be classified as off balance sheet items.

- The notional amount of the cross currency swaps of MUR 2,292 million for 2019 and MUR 2,504 million for 2018 was adjusted from loans to and placements with banks to off balance sheet assets and MUR 2,293 million for 2019 and MUR 2,534 million for 2018 was adjusted from other borrowed funds to off balance sheet liabilities.
- The corresponding interest receivable on the CCS of MUR 5.3 million for 2019 and MUR 3.6 million was reclassified to derivative financial asset and interest payable on the CCS of MUR 5.3 million for 2019 and MUR 23.2 million was reclassified to derivative financial liabilities.
- The retranslation of the CCS as asset and liability were reversed in the statement of profit or loss net of tax impact amounting to MUR 28 million for 2019 and MUR (119.3) million for 2018. An amount of MUR 95.4 million was adjusted against opening reserves at 01 January 2018 for 2017 impact.

Interest receivable/payable on derivatives were previously shown under other assets and other liabilities respectively, now they are shown under derivative assets and derivative liabilities. The financial statements have been restated accordingly.

- Interest receivable on derivatives of MUR 66.5 million for 2019 and MUR 76.1 million has been reclassified from other assets to derivative financial assets.
- Interest payable on derivatives of MUR 23.5 million for 2019 and MUR 24.4 million has been reclassified from other liabilities to derivative financial liabilities.
- Interest payable on derivatives of MUR 144.1 million for 2019 and MUR 99.7 million has been reclassified from other assets to derivative financial liabilities.

The netting of interest receivable, payable and mark-to-market (MTM) on some of its derivatives was not being accounted properly. The subsidiary has reassessed the impact and a net of MUR (8.9) million in 2019 and MUR 15.0 million in 2018 was reclassified from derivative financial assets to derivative financial liabilities.

The subsidiary omitted to record MTM on its back to back collar option deals. The Group restated an MTM of MUR 42.8 million in 2019 and MUR 40.0 million in 2018 in derivative financial assets and liabilities respectively.

b. Change in the classification of investment in mutual funds

The subsidiary was classifying an investment in a mutual fund under the Fair Value Through Other Comprehensive Income (FVTOCI) category. The subsidiary has reassessed the classification and measurement of this investment and has determined that this investment does not meet the definition of an equity instrument as it does not meet the SPPI test. Hence, the investment in mutual fund is now classified under the Fair Value Through Profit or Loss (FVTPL) category and the fair value movement from reserves to the statements of profit or loss. These financial statements have been restated accordingly. The amount of investments for 2019 was MUR 159.9 million and MUR 171.3 million for 2018 and the fair value movement amounted to MUR 23.1 million for 2019 and nil for 2018.

c. Bank levy as per the VAT act enacted under the Finance Act 2018

Bank levy is a special levy as per the VAT Act enacted under the Finance Act 2018. The subsidiary was presenting this levy under its "other expenses" following assessment made under IAS 12 Income Taxes and IFRIC 21 Levies. In January 2021, the regulator advised all banks to treat this levy as a tax expense as it is a non allowable deduction as per the Income Tax Act. Bank levy amounting to MUR 171.4 million for 2019 has been restated under tax expense from other expenses and the bank levy payable which was previously under other liabilities has been shown as part of the current tax liabilities.

d. Reversal of excess expected credit losses

Another subsidiary has recognised a provision amounting to MUR 79.3 million on its loans and advances which was excess of the expected credit losses recognised under IFRS 9 in the Group's financial statements year ended 31 December 2019. Management has corrected the 2019 statements of profit or loss to reverse the excess provision.

e. Accounting for interest rate swap

The Company has entered into an interest rate swap contract with its subsidiary in 2018. The derivative contract was not fair valued as required by IFRS 9 at 31 December 2018 and 2019. The resulting fair value amounting to MUR 47.6 million at 31 December 2019 and MUR 19.4 million at 31 December 2018 were adjusted in the statements of financial position as at these dates. The corresponding adjustment to the statements of profit or loss amount to MUR 26.3 million for the year 2019 and MUR 19.1 million for the year 2018. The Group figures were also restated as these were not eliminated on consolidation in 2018 and 2019.

f. Other reclassifications

The Group and the Company have also made certain reclassifications to comply with the requirements of IAS 1.82 and IFRS 7 as follows:

i. Presentation of interest income measured at effective interest rate in a separate line item on the face of the statement of profit or loss.
ii. Reclassification between interest income and interest expense arising on derivatives used for risk management purpose following analysis made by deals.
iii. Reclassifications of gain/loss on disposal of financial assets held for trading to net trading income.
iv. Presentation of gain/loss on disposal of financial assets measured at amortised cost in a separate line item on the face of the statements of profit or loss.
v. Reclassification of financial assets measured at fair value through profit or loss (not held for trading) from net trading income.
vi. Presentation of the financial performance of SBMBS as a separate line following the Management's decision to wind up the subsidiary.

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6 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 and balances with banks and central banks excluding mandatory balances with central banks, loans to and placements with banks having an original maturity of up to 3 months. Cash and cash equivalents are measured at amortised cost.Accounting policy for calculating allowance for impaired losses is outlined under Note 9 (c).

	THE GROUP			THE COMPANY		
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash in hand	2,016,632	2,884,293	3,211,813	-	-	-
Foreign currency notes and coins	1,318,174	33,579	293,161	-	-	-
Unrestricted balances with central banks[1]	11,290,418	4,480,589	1,830,100	-	-	-
Loans to and placements with banks[2]	2,543,251	2,215,105	3,563,925	-	-	-
Balances with banks	4,410,441	8,572,409	6,797,814	304,473	178,632	32,890
	21,578,916	18,185,975	15,696,813	304,473	178,632	32,890
Less: allowance for credit losses	(1,671)	(4,849)	(43,298)	-	-	-
	21,577,245	18,181,126	15,653,515	304,473	178,632	32,890

An analysis of changes in the corresponding ECL allowances is, as follows:

	THE GROUP		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
	Stage 1	Stage 1	Stage 1
ECL allowance as at 01 January	4,849	43,298	-
Movement for the year	1,671	4,849	43,298
Assets repaid	(4,849)	(43,298)	-
ECL allowance as at 31 December	1,671	4,849	43,298

[1] Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement.
[2] The balance above relates to loans and placements with banks having an original maturity of up to three months. The balances were classified under stage 1 and 12-month ECL was calculated thereon. The balances include loans to and placements with banks having an original maturity of up to three months.

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7 LOANS TO AND PLACEMENTS WITH BANKS

Accounting policy

The Group only measures loans to and placements with banks at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined in Note 4(f).

Accounting policy for calculating allowance for impaired losses is outlined under Note 9 (c).

	THE GROUP		
		Restated	*Restated*
	31 December 2020	31 December 2019	31 December 2018
Loans to and placements with banks	MUR' 000	MUR' 000	MUR' 000
- In Mauritius	353,508	2,482,043	5,039,036
- Outside Mauritius	2,797,237	4,486,183	3,580,345
	3,150,745	6,968,226	8,619,381
Less: allowance for credit losses	(20,358)	(25,481)	(36,967)
	3,130,387	6,942,745	8,582,414
Remaining term to maturity			
Up to 3 months	47,293	2,158,912	2,983,998
Over 3 months and up to 6 months	1,257,394	2,637,285	2,404,664
Over 6 months and up to 12 months	1,008,868	1,119,602	425,528
Over 1 year and up to 2 years	-	1,052,427	1,926,723
Over 2 years and up to 5 years	837,190	-	878,467
	3,150,745	6,968,226	8,619,380

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7 LOANS TO AND PLACEMENTS WITH BANKS (CONT'D)

Credit loss allowance for loans to and placement with banks

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. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are explained in Note 40 and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 9.

	31 December 2020	31 December 2019	31 December 2018
	Total	Total	Total
	Stage 1	Stage 1	Stage 1
Internal rating grade	MUR' 000	MUR' 000	MUR' 000
Performing			
High grade	-	2,003,522	342,903
Standard grade	2,807,724	3,719,888	5,039,802
Sub-standard grade	343,021	1,244,816	3,236,676
Total	3,150,745	6,968,226	8,619,381

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

	31 December 2020	31 December 2019	31 December 2018
	Total	Total	Total
	Stage 1	Stage 1	Stage 1
	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January	6,968,226	8,619,381	5,746,997
Financial assets originated or purchased	2,698,297	4,535,728	5,362,749
Financial assets derecognised or repaid	(6,589,629)	(6,342,254)	(2,488,856)
Foreign exchange adjustments	73,851	155,371	(1,509)
At 31 December	3,150,745	6,968,226	8,619,381

	31 December 2020	31 December 2019	31 December 2018
	Total	Total	Total
	Stage 1	Stage 1	Stage 1
	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January	25,481	36,967	16,091
New assets originated or purchased	18,004	5,801	54,984
Assets repaid (excluding Write-offs)	(22,614)	(17,394)	(34,108)
Discontinued operations of SBMBS	(513)	-	-
Foreign exchange adjustments	-	107	-
ECL allowance as at 31 December	20,358	25,481	36,967

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8 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

Derivative financial instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price,commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed below.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group and the Company uses interest rate swaps, to hedge its interest rate risks and commodity price risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Accounting policy (cont'd)

Fair value hedges

In accordance with its wider risk management, as set out in Note 40(d)(i), it is the Group's strategy to apply fair value hedge accounting to keep interest rate sensitivities within its established limits. Applying fair value hedge accounting enables the Group to reduce fair value fluctuations of fixed rate financial assets and liabilities as if they were floating rate instruments linked to the attributable benchmark rates. From a hedge accounting point of view, the Group designates the hedged risk as the exposure to changes in the fair value of a recognised financial asset or liability or an unrecognised firm commitment, or an identified portion of such financial assets, liabilities or firm commitments that is attributable to a particular risk and could affect profit or loss. The Group only hedges changes due to interest rates such as benchmark rates (e.g. LIBOR), which are typically the most significant component of the overall fair value change. The Group assesses hedge effectiveness by comparing fair value movements of the hedging instruments and the hedged items attributable to changes in these benchmark rates using the hypothetical derivative method as set out above.

In accordance with its hedging strategy, the Group matches the principal of the hedging instruments to the principal of the hedged items, including prepayment expectations. The Group uses pay fixed/receive floating interest rate swaps to hedge its fixed rate debt instruments and pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities. The Group applies only a micro fair value hedging strategy as set out under the relevant subheadings below.

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments.
- Different interest rate curves applied to discount the hedged items and hedging instruments.
- Derivatives used as hedging instruments having a non-nil fair value at the time of designation.
- The effect of changes in counterparties' credit risk on the fair values of hedging instruments or hedged item.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the statement of profit or loss in net trading income. In addition, the cumulative change in the fair value of the hedged item attributable to the hedged risk is recognised in the statement of profit or loss in net trading income, and also recorded as part of the carrying value of the hedged item in the statement of financial position.

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8 DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Accounting policy (cont'd)

Micro fair value hedges

A fair value hedge relationship is a 'Micro fair value hedge' when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a fair value hedge relationship include fixed rate corporate and small business loans. These hedge relationships are assessed for prospective hedge effectiveness on a monthly basis.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Group decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Group discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit or loss.

For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at FVOCI, changes in fair value that were recorded in the statement of profit or loss whilst hedge accounting was in place are amortised in a similar way to amortised cost instruments using the EIR method. However, as these instruments are measured at their fair values in the statement of financial position, the fair value hedge adjustments are transferred from the statement of profit or loss to OCI. There were no such instances in either the current year or in the comparative year.

	THE GROUP		
		Restated	Restated
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Assets			
Derivative assets	809,379	936,093	879,742
Liabilities			
Derivative liabilities	1,279,984	1,126,364	1,009,171

	THE COMPANY		
		Restated	Restated
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Liabilities			
Derivative liabilities	41,524	47,645	19,356

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8 DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

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

THE GROUP	Notional Principal Amount	Fair Values	
		Assets	Liabilities
	MUR' 000	MUR' 000	MUR' 000
31 December 2020			
Derivatives held for trading			
Foreign exchange contracts*	32,091,286	229,597	(242,497)
Cross currency swaps	5,050,377	241,609	(163,384)
Other derivative contracts	5,750,536	252,074	(296,493)
Derivatives held for risk management purposes			
Foreign exchange contracts*	4,844,566	145	-
Derivatives used as micro fair value hedges			
Interest rate swap contracts	19,241,246	85,954	(577,610)
	66,978,012	809,379	(1,279,984)
31 December 2019 (as restated)			
Foreign exchange contracts*	42,455,045	631,353	(430,779)
Cross currency swaps	1,159,579	90,972	(56,421)
Other derivative contracts	17,682,461	179,057	(220,731)
Derivatives held for risk management purposes			
Foreign exchange contracts*	3,144,009	4,239	-
Derivatives used as micro fair value hedges			
Interest rate swap contracts	18,786,898	30,471	(418,433)
	83,227,992	936,092	(1,126,364)
31 December 2018 (as restated)			
Foreign exchange contracts*	32,522,758	258,257	(174,969)
Cross currency swaps	1,159,362	469,507	(419,291)
Other derivative contracts	23,896,447	152,938	(217,783)
Derivatives used as micro fair value hedges			
Interest rate swap contracts	16,623,585	(960)	(197,128)
	74,202,152	879,742	(1,009,171)
THE COMPANY			
31 December 2020			
Interest rate swap contracts	2,571,602	-	(41,524)
31 December 2019 (as restated)			
Interest rate swap contracts	2,380,835	-	(47,645)
31 December 2018 (as restated)			
Interest rate swap contracts	2,228,584	-	(19,356)

* Foreign exchange contracts include foreign swaps, forward and spot contracts.

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9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS

Accounting policy

The Group measures loans and advances to non-bank customers at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined in Note 4(e).

In cases where, as part of the Group's asset and liability management activity, fair value hedge accounting is applied to loans and advances measured at amortised cost – refer to Note 8 (Derivative financial instruments) for further details on hedge accounting. Allowance for credit impairment consists of specific and portfolio allowances.

	THE GROUP		
		Restated	
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Retail customers	41,555,983	39,586,963	32,121,254
Credit cards	510,114	584,532	606,448
Mortgages	27,601,971	25,507,821	22,478,894
Other retail loans	13,443,898	13,494,610	9,035,912
Corporate customers	47,903,770	46,543,416	44,638,968
Governments	7,705	8,515	9,315
Entities outside Mauritius (including offshore/ Global Business Licence Holders)	46,515,477	35,594,084	35,656,506
	135,982,935	121,732,978	112,426,043
Less allowance for credit impairment (Note 9(c))	(15,743,574)	(12,256,989)	(10,317,869)
	120,239,361	109,475,989	102,108,174
a. Remaining term to maturity			
Up to 3 months	12,112,549	12,705,070	15,712,905
Over 3 months and up to 6 months	4,181,785	3,984,337	3,662,406
Over 6 months and up to 12 months	10,873,328	7,759,014	10,214,335
Over 1 year and up to 2 years	12,481,660	8,090,422	9,471,038
Over 2 years and up to 5 years	25,591,882	23,850,257	20,731,023
Over 5 years	70,741,732	65,343,878	52,634,336
	135,982,935	121,732,978	112,426,043

Out of the MUR 120.2 billion, there is an amount of MUR 6.2 billion (2019: MUR 8.2 billion and 2018: MUR 4.7 billion) relating to loans where fair value hedge accounting has been applied. Refer to Note 40(d)(ii) for more details.

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

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 Group acts as lessor of several items like car and equipment. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Group during the year is MUR 69.3 million (2019: MUR 87.3 million and 2018: MUR 79.7 million).

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

	THE GROUP			
	Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020				
Gross investment in finance leases	500,376	1,119,442	109,089	1,728,907
Less: Unearned finance income	(66,463)	(104,089)	(4,195)	(174,747)
Present value of minimum lease payments	433,913	1,015,353	104,894	1,554,160
Credit loss expense				(94,545)
Net investment in finance lease				1,459,615
31 December 2019				
Gross investment in finance leases	435,140	1,081,017	97,472	1,613,629
Less: Unearned finance income	(78,465)	(124,708)	(4,386)	(207,559)
Present value of minimum lease payments	356,675	956,309	93,086	1,406,069
Credit loss expense				(45,769)
Net investment in finance lease				1,360,301
31 December 2018				
Gross investment in finance leases	432,719	948,760	100,295	1,481,774
Less: Unearned finance income	(72,313)	(114,792)	(4,769)	(191,874)
Present value of minimum lease payments	360,406	833,968	95,526	1,289,900
Credit loss expense				(45,055)
Net investment in finance lease				1,244,845

Finance lease contracts give the lessees the option to purchase the assets for a residual value at the termination 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.

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

c. Impairment losses on loans and advances to non-bank customers

Accounting policy

The Group recognises allowance for allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 40. The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

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

c. *Impairment losses on loans and advances to non-bank customers*

Accounting policy (cont'd)

The calculation of ECLs

The Group calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 40.
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 40.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 40.

When estimating the macro-economic variables used in ECL calculation, the Group considers three scenarios (a base case, an upside and a downside). These economic scenarios are subject to different assumptions with the base scenario being the best estimate. These estimates are taken from reputable external providers based on econometrics methods.

PD Estimates: Retail, Corporate and SME PD models all use the logistic regression framework to model quarterly default rates. For the different segments, different features including macro-economic variables have been chosen for inclusion in the logit models based on their statistical significance in explaining defaults as well as intuitiveness of the coefficients.

For banks, external default data from Standard & Poor's (S&P) is used. The PD models convert the through-the-cycle transition matrices (and TTC Default rates) from Standard & Poor's into point-in-time estimates that reflect economic conditions observed at reporting date. The forward looking factor is quantified by a scalar factor arrived by a difference if two economic regressions (with Macroeconomic variables and without Macroeconomic variables).

For sovereigns, historical default rates from Moody's is used together with correlated Global MEVs. The average 12-month rating transition matrix is converted into point-in-time (PIT) transition matric using the Vasicek Transformation.

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

c. *Impairment losses on loans and advances to non-bank customers (cont'd)*

Accounting policy (cont'd)

LGD estimates: Retail, Corporate and SME LGD model use the work-out LGD framework. In this methodology, LGD estimates are based on the historical data after discounting the cash flows (of the contracts in default) that are recorded through the recovery & workout stage at the reference time. Two possible outcomes are considered: Cure (Facility defaults, but goes back to active without loss, LGD close to zero) and No cure (Facility defaults, does not cure, LGD between 0% and 100%). A logit model is fitted to the work-out LGD and the different features for inclusion in the model are chosen based on their statistical significance as well as the intuitiveness of the coefficients.

For banks and sovereign exposures, in the absence of internal data, Basel F-IRB unsecured recovery rates for senior claims is used for the LGD parameter.

EAD estimates: Revolving products use segment specific (Retail, SME, Corporate) credit conversion factors (CCF) to project EAD values. Amortising products use an amortising schedule, where the expected cash flows from the Group's IT system is used to project EAD values at each point-in-time.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out below, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Credit loss allowance and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 23. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained in Note 23.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired , the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Loan commitments and letters of credit

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within other liabilities.

Financial guarantee contracts

The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statements of profit or loss, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within other liabilities.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Group only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Credit cards and other revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. In the case of credit cards, the most significant judgement is to reflect the operational practice of card reissuance and the associated credit assessment as enabling a formal re-origination trigger. As a consequence, a capped lifetime approach of 12 months is used on credit card and overdraft balances.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade but greater emphasis is also given to qualitative factors such as changes in usage.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- Consumer Price Index [CPI];
- Nominal Bilateral Exchange Rate;
- Debt to GDP ratio;
- Unemployment rate;
- Interest Rate;
- Official Reserves;
- Current Account balance;
- Share Price Index; and
- Real imports of goods and services.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Those adjustments are described below.

Governance and post model adjustments

The IFRS 9 PD, EAD and LGD models are subject to the Goup's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. Post model adjustments (PMAs) are applied where necessary to incorporate the most recent data available and are made on a temporary basis ahead of the underlying model parameter changes being implemented.

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

c. *Impairment losses on loans and advances to non-bank customers (cont'd)*

Accounting policy (cont'd)

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Group's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the consolidated statements of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statements of financial position.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance 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. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between stage 2 and stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6-9 months probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- The probation period of two years has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- The customer does not have any contract that is more than 30 days past due.

If modifications are substantial, the loan is derecognised, and a new loan is recognised.

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 effective interest rate (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

Statutory portfolio allowance

A portfolio allowance for credit losses is maintained in accordance with the guidelines of the Bank of Mauritius. These guidelines require that the Group maintains a provision for credit impairment on all unimpaired loans and advances of not less than 1%. In addition, the Bank of Mauritius also imposes additional macro-prudential provisioning up to 1% on exposures to certain sectors of the economy.

Allowance for credit losses 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 statements of financial position. Changes in the carrying amount of the allowance accounts are recognised in the statements 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 "Credit loss expense on financial assets and memorandum items" in the statements of profit or loss.

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

c. *Impairment losses on loans and advances to non-bank customers (cont'd)*

Significant accounting estimates and judgements

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

In relation to credit impaired facilities, the Group determines expected credit losses by estimating the shortfall between the present value of expected cash flows and the present value of contractual cash flows. The estimation of expected cash flows is inherently judgmental and involves an estimation of proceeds from liquidation of the borrowers, proceeds from realisation of collaterals and the timing and extent of repayments on forborne facilities.

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

c. *Impairment losses on loans and advances to non-bank customers (cont'd)*

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating syste and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal gradi system are set out in Note 40 and policies on whether ECL allowances are calculated on an individual or collective basis are set out this same note above.

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	Individual	Individual		
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	41,942,338	1,442,105	-	43,384,443
Standard grade	44,793,986	8,836,941	-	53,630,927
Sub-standard grade	11,176,371	7,333,128	-	18,509,499
Past due but not impaired	-	1,736,224	-	1,736,224
Non-performing				
Individually impaired	-	-	18,721,842	18,721,842
Total	97,912,695	19,348,398	18,721,842	135,982,935

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	Individual	Individual		
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	38,369,120	858,047	239,536	39,466,703
Standard grade	34,933,187	5,950,770	293,978	41,177,935
Sub-standard grade	8,934,272	9,076,157	-	18,010,429
Past due but not impaired	-	7,064,523	-	7,064,523
Non-performing				
Individually impaired	-	167,848	15,845,540	16,013,388
Total	82,236,579	23,117,345	16,379,054	121,732,978

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	Individual	Individual		
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	28,414,581	6,131,756	-	34,546,337
Standard grade	19,787,126	10,723,893	-	30,511,019
Sub-standard grade	13,065,150	13,377,335	247,519	26,690,004
Past due but not impaired	-	2,693,127	184,005	2,877,132
Non-performing				
Individually impaired	-	-	17,801,551	17,801,551
Total	61,266,857	32,926,111	18,233,075	112,426,043

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

c. *Impairment losses on loans and advances to non-bank customers (cont'd)*

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

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January 2020	83,236,579	23,117,345	16,379,054	122,732,978
Financial assets originated or purchased	32,547,701	4,355,865	10,710	36,914,276
Assets derecognised or repaid (excluding Write-offs)	(22,146,087)	(5,223,549)	(9,790,782)	(37,160,418)
Assets impaired during the year	-	-	4,624,291	4,624,291
Transfers to stage 1	5,469,560	(5,541,634)	72,074	-
Transfers to stage 2	(5,841,320)	5,905,478	(64,158)	-
Transfers to stage 3	(103,176)	(3,918,216)	4,021,392	-
Changes to contractual cash flows due to modifications not resulting in derecognition	2,110,013	(318,251)	2,475,216	4,266,978
Amounts written off	-	-	(8,904)	(8,904)
Foreign exchange adjustments	2,639,425	971,360	1,002,949	4,613,734
Gross carrying amount as at 31 December 2020	97,912,695	19,348,398	18,721,842	135,982,935

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January 2019	61,266,857	32,926,111	18,233,075	112,426,043
Financial assets originated or purchased	31,249,039	7,513,169	473,898	39,236,106
Assets derecognised or repaid (excluding Write-offs)	(16,923,064)	(11,415,773)	(3,118,382)	(31,457,219)
Assets impaired during the year	-	-	757,439	757,439
Transfers to stage 1	11,357,786	(11,031,690)	(326,096)	-
Transfers to stage 2	(5,950,563)	6,026,778	(76,215)	-
Transfers to stage 3	(312,532)	(1,083,518)	1,396,050	-
Changes to contractual cash flows due to modifications not resulting in derecognition	498,461	(342,182)	(36,968)	119,311
Amounts written off	-	-	(1,438,755)	(1,438,755)
Foreign exchange adjustments	1,050,595	524,450	515,008	2,090,053
Gross carrying amount as at 31 December 2019	82,236,579	23,117,345	16,379,054	121,732,978

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January 2018	75,445,032	26,480,391	5,272,417	107,197,840
Financial assets originated or purchased	10,905,285	25,170,193	5,522,575	41,598,053
Assets derecognised or repaid (excluding Write-offs)	(16,425,767)	(15,837,821)	(1,442,658)	(33,706,246)
Assets impaired during the year	12,724,891	(10,999,679)	(1,725,212)	-
Transfers to stage 1	(8,476,034)	8,726,829	(250,795)	-
Transfers to stage 2	(11,626,953)	(157,262)	11,784,215	-
Transfers to stage 3	(1,279,597)	(456,540)	(927,467)	(2,663,604)
Gross carrying amount as at 31 December 2018	61,266,857	32,926,111	18,233,075	112,426,043

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

An analysis of changes in ECL allowances by staging as follows:

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2020	267,653	2,346,058	9,643,278	12,256,989
Movement for the year	373,556	726,757	3,755,116	4,855,429
Allowance on new financial assets	96,919	57,312	-	154,231
Assets derecognised or repaid (excluding Write-offs)	(471,231)	(275,146)	(1,036,393)	(1,782,770)
Transfers to stage 1	234,020	(204,911)	(29,109)	-
Transfers to stage 2	(56,878)	57,859	(981)	-
Transfers to stage 3	2,344	(1,161,098)	1,158,754	-
Remeasurement of loss allowance	62,059	(62,041)	439,348	439,366
Impact of ECL on transfers	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	(219,973)	(219,973)
Foreign exchange adjustments	(509)	8,337	32,474	40,302
At 31 December 2020	507,933	1,493,127	13,742,514	15,743,574

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2019	147,612	1,634,218	8,536,039	10,317,869
Movement for the year	512,203	1,488,206	3,685,092	5,685,501
Assets derecognised or repaid (excluding Write-offs)	(400,042)	(279,836)	(643,564)	(1,323,442)
Transfers to Stage 1	425,462	(280,018)	(145,444)	-
Transfers to Stage 2	(73,746)	132,305	(58,559)	-
Transfers to Stage 3	(10,509)	(163,935)	174,444	-
Changes to contractual cash flows due to modifications not resulting in derecognition	27,370	(22,152)	231	5,449
Changes to models and inputs used for ECL calculations	(5,736)	(62,430)	(36,127)	(104,293)
Impact of ECL on transfers	(363,926)	(114,964)	116,623	(362,267)
Recoveries	-	-	(840,365)	(840,365)
Amounts written off	-	-	(1,423,620)	(1,423,620)
Foreign exchange adjustments	8,965	14,664	278,528	302,157
At 31 December 2019	267,653	2,346,058	9,643,278	12,256,989

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2018	25,083	1,302,777	2,741,142	4,069,002
Movement for the year	53,432	236,793	6,387,154	6,677,379
Assets derecognised or repaid (excluding Write-offs)	18,017	31,801	(724,703)	(674,885)
Transfers to Stage 1	6,558	(3,007)	(3,551)	-
Transfers to Stage 2	(1,000)	6,603	(5,603)	-
Transfers to Stage 3	(67,398)	(4,135)	71,533	-
Remeasurement of loss allowance	112,920	63,386	70,067	246,374
At 31 December 2018	147,612	1,634,218	8,536,039	10,317,869

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

d. Impairment losses on loans and advances to non-bank customers by industry sectors

							Restated
	31 December 2020					31 December 2019	31 December 2018
THE GROUP	Gross amount of loans	Impaired loans	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	4,884,288	916,528	407,510	35,988	443,498	173,333	213,832
Manufacturing	12,257,856	1,246,358	838,904	144,637	983,540	1,059,951	1,545,056
of which EPZ	*1,778,560*	*26,531*	*3,942*	*22,840*	*26,782*	*35,333*	*17,118*
Tourism	16,326,449	267,751	90,110	365,930	456,040	274,924	292,249
Transport	3,745,354	1,398,448	1,037,958	33,866	1,071,824	1,159,502	1,139,307
Construction	11,705,352	805,954	607,453	399,245	1,006,698	441,145	617,914
Financial and business services	9,383,774	808,945	728,601	111,011	839,612	630,641	406,414
Traders	14,678,244	7,337,548	5,298,519	168,214	5,466,733	4,736,893	3,482,486
Personal	42,908,381	1,730,230	1,223,038	532,278	1,755,316	1,641,672	1,768,163
of which credit cards	*577,282*	*65,439*	*64,140*	*6,202*	*70,341*	*48,255*	*93,484*
Professional	379,839	82,718	82,718	8,913	91,631	76,405	104,055
Global Business Licence holders	8,565,272	1,248,424	1,096,615	14,089	1,110,705	646,597	105,568
Others	11,148,126	2,878,938	2,331,088	186,889	2,517,977	1,415,926	642,825
	135,982,935	18,721,842	13,742,514	2,001,060	15,743,574	12,256,989	10,317,869

Total impaired loans for 2019 for the Group were MUR 16,379 million (2018: MUR 18,233 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10A INVESTMENT SECURITIES

Accounting policy

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

The investment securities included in the statement of financial position include:

- Debt investments measured at amortised cost: these instruments are initially measured at their fair value plus incremental transaction cost, and subsequently at their amortised cost using the effective interest method;
- Debt instruments mandatorily measured at FVTPL or designated at FVTPL; these are measured at fair value with changes recognised immediately in statement of profit or loss;
- Debt securities measured at FVTOCI; and
- Equity investments designated as FVTOCI.

Debt instruments at FVTPL

The Group classifies financial assets at FVTPL when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. FVTPL assets are recorded and measured in the statements of financial position at fair value. Changes in fair value are recognised in net gains on financial instruments. Interest and expense is recorded in net interest income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

The Group also classifies assets with contractual cash flows that are not SPPI as financial assets at FVTPL.

Debt instruments at FVTOCI

For debt instruments measured at FVTOCI, gains and losses are recognised in OCI except for the following which are recognised in statement of profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method;
- ECL and reversals; and
- Foreign exchange gains and losses.

When a debt security measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit or loss.

Equity investments designated at FVTOCI

Equity investments are classified as equity instruments at FVTOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in statement of profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVTOCI are not subject to an impairment assessment.

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 value.

10A INVESTMENT SECURITIES (CONT'D)

Remaining term to maturity	31 December 2020									31 December 2019	31 December 2018
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		
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Investment securities measured at amortised cost											
Government bonds and treasury notes	29,632	628,729	611,381	89,897	7,061,189	9,374,063	13,247,337	-	31,042,228	24,694,470	20,135,511
Treasury bills	938,378	1,684,042	180,685	-	-	-	-	-	2,803,105	701,300	9,804,650
Bank of Mauritius bills	1,315	50,168	989,847	-	152,052	5,183,483	4,976,466	-	11,353,331	1,604,090	1,232,730
Bank bonds	-	-	-	-	105,675	386,265	-	-	491,940	760,841	-
Corporate bonds	-	41,127	-	-	135,996	33,519	-	-	210,642	-	695,990
	969,325	2,404,066	1,781,913	89,897	7,454,912	14,977,330	18,223,803	-	45,901,246	27,760,701	31,868,881
(b) Investment securities mandatorily measured at FVTPL											
Government bonds and treasury notes	15	-	-	-	-	-	706	-	721	2,459,716	765,118
Treasury bills	799,645	876,539	1,976,073	-	-	-	-	-	3,652,258	4,019,870	5,142,257
Bank of Mauritius bills/notes	1,537,842	1,498,127	541,717	-	-	762,825	-	-	4,340,511	4,252,324	3,107,186
Bank bonds	-	-	-	-	-	-	-	-	-	493,666	-
Corporate bonds	-	-	-	-	-	-	-	-	-	-	697,223
Redeemable participating shares	-	-	-	-	-	-	-	-	-	-	351,187
Other investment securities	-	-	-	-	-	230,749	-	-	230,749	220,233	-
Bank bonds secured by government	-	-	-	-	-	-	-	1,356,130	1,356,130	549,308	-
	2,337,502	2,374,666	2,517,790	-	-	993,574	706	1,356,130	9,580,368	11,995,117	10,062,971

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10A INVESTMENT SECURITIES (CONT'D)

Remaining term to maturity	31 December 2020									31 December 2019	31 December 2018
THE GROUP (cont'd)	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		
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(c) Investment securities measured at FVTOCI (both equity and debt instruments)											
Government bonds	995,332	313,326	-	1,852,056	1,657,444	5,116,989	10,897,184	-	20,832,331	19,534,404	7,534,159
Treasury bills/notes	9,242,582	-	528,846	1,756,622	-	-	-	-	11,528,050	12,744,147	10,575,017
Bank of Mauritius bills	100	-	-	896,766	1,018,377	2,453,980	-	-	4,369,223	5,671,581	2,141,448
Other investment	-	-	-	238,428	9,014	-	-	-	247,442	-	174,752
Bank bonds	786,223	416,735	1,114,654	587,681	5,210,501	6,499,153	312,759	-	14,927,706	10,958,425	5,775,598
Corporate paper and preference shares	43,250	174,219	39,943	203,803	738,559	3,609,441	1,872,842	-	6,682,057	375,346	109,589
Corporate bonds	134,710	-	-	-	-	-	177,928	-	312,638	5,101,602	2,916,229
	11,202,197	904,280	1,683,443	5,535,356	8,633,895	17,679,563	13,260,713	-	58,899,447	54,385,505	29,226,792
Total gross investment securities	14,509,024	5,683,012	5,983,146	5,625,253	16,088,807	33,650,467	31,485,222	1,356,130	114,381,061	94,141,323	71,158,644
Less: allowance for credit losses									(131,871)	(166,435)	(62,554)
Total gross investment securities after allowance for credit losses									114,249,190	93,974,889	71,096,090
Equity investments											
Equity shares of companies:											
- Other equity investments measured at FVTOCI	-	-	-	-	-	-	-	5,181,355	5,181,355	6,316,046	6,251,067
- Other equity investments measured at FVTPL								1,622,852	1,622,852	-	-
	-	-	-	-	-	-	-	6,804,207	6,804,207	6,316,046	6,251,067
Total investment securities									121,053,397	100,290,935	77,347,157

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10A INVESTMENT SECURITIES (CONT'D)

Remaining term to maturity	31 December 2020									31 December 2019	31 December 2018
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		
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Investment securities measured at amortised cost											
Government bonds and treasury notes	-	139,613	-	-	149,273	203,830	584,860	-	1,077,577	824,758	1,997,193
Bank of Mauritius bills/notes	-	-	-	-	-	-	-	-	-	239,844	610,387
	-	139,613	-	-	149,273	203,830	584,860	-	1,077,577	1,064,602	2,607,580
(b) Investment securities mandatorily measured at FVTPL											
Redeemable participating shares	-	-	-	-	-	-	-	661,057	661,057	598,699	351,187
(c) Investment securities measured at FVTOCI (both equity and debt instruments)											
Corporate bonds	-	-	-	-	-	8,637	-	-	8,637	7,738	-
	-	-	-	-	-	8,637	-	-	8,637	7,738	-
Total gross investment securities	-	139,613	-	-	149,273	212,468	584,860	661,057	1,747,271	1,671,039	2,958,767
Less: allowance for credit losses									(778)	(561)	(1,638)
Total gross investment securities after allowance for credit losses									1,746,494	1,670,478	2,957,129
The Company											
Investment securities											
Equity shares of companies -measured at FVTOCI	-	-	-	-	-	-	-	3,636,307	3,636,307	4,227,683	4,375,880
Equity shares of companies -measured at FVTPL	-	-	-	-	-	-	-	1,622,331	1,622,331	-	-
	-	-	-	-	-	-	-	5,258,638	5,258,638	4,227,683	4,375,880
Total investment securities									7,005,132	5,898,161	7,333,009

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10A INVESTMENT SECURITIES (CONT'D)

THE GROUP

The table below shows gross balances under IFRS 9:

	31 December 2020				31 December 2019	31 December 2018
Debt investment securities at amortised cost	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total	Stage 1 total	Stage 1 total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
High grade	10,584,921	-	-	10,584,921	7,377,774	15,780,405
Standard grade	33,636,087	-	-	33,636,087	19,681,628	15,766,803
Sub standard grade	1,680,238	-	-	1,680,238	701,299	321,673
Total gross carrying amount	45,901,246	-	-	45,901,246	27,760,701	31,868,881
Credit loss allowance	(131,871)	-	-	(131,871)	(166,338)	(62,554)
Carrying amount	45,769,375	-	-	45,769,375	27,594,363	31,806,327

	31 December 2020				31 December 2019	31 December 2018
Debt investment securities at amortised cost	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total	Stage 1 total	Stage 1 total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January	166,338	-	-	166,338	60,916	23,149
New assets originated or purchased	63,235	-	-	63,235	31,724	8,674
Assets derecognised or repaid (excluding Write-offs)	(100,062)	-	-	(100,062)	(2,243)	(11,939)
Impact on year end ECL of exposures	-	-	-	-	5,102	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	63,114	42,670
Foreign exchange adjustments	2,360	-	-	2,360	7,725	-
At 31 December	131,871	-	-	131,871	166,338	62,554

	31 December 2020				31 December 2019	31 December 2018
Debt investment securities at FVTOCI	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total	Stage 1 total	Stage 1 total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
High grade	38,093,070	-	-	38,093,070	30,942,979	13,463,797
Standard grade	19,133,658	154,550	-	19,288,208	22,685,597	14,650,729
Sub standard grade	1,010,872	259,854	247,443	1,518,169	756,929	1,112,266
Total gross carrying amount	58,237,600	414,404	247,443	58,899,447	54,385,505	29,226,792
Credit loss allowance	-	-	-	-	(96)	-
Carrying amount	58,237,601	414,404	247,443	58,899,447	54,385,410	29,226,792

10A INVESTMENT SECURITIES (CONT'D)

The table below shows gross balances under IFRS 9 (cont'd):

THE COMPANY

	31 December 2020				31 December 2019	31 December 2018
Debt investment securities at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 Total	Stage 1 Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Standard grade	1,077,577	-	-	1,077,577	1,064,602	2,607,580
Credit loss allowance	(778)	-	-	(778)	(561)	(1,638)
Carrying amount	1,076,799	-	-	1,076,799	1,064,041	2,605,942

	31 December 2020				31 December 2019	31 December 2018
ECL allowance as at 01 January	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 Total	Stage 1 Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January	561	-	-	561	1,638	-
New assets originated or purchased	217	-	-	217	-	1,638
Assets derecognised or repaid (excluding Write-offs)	-	-	-	-	(1,077)	-
At 31 December	778	-	-	778	561	1,638

	31 December 2020				31 December 2019	31 December 2018
Debt investment securities at FVTOCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 Total	Stage 1 Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Standard grade	8,637	-	-	8,637	7,738	-
Total gross carrying amount	8,637	-	-	8,637	7,738	-

No loss allowance is recognised in the statement of financial position for debt instruments measured at FVTPL as the carrying amount is at fair value.

The above investment grades is to conclude that there has been no significant increase in credit risk and hence only a 12 months ECL is recognised.

10A INVESTMENT SECURITIES (CONT'D)

THE COMPANY (cont'd)

	31 December 2020			
ECL allowance at FVOCI	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
As at 01 January	53,308	-	-	53,308
Movement for the year	23,082	21,938	-	45,020
Assets derecognised or repaid (excluding Write-offs)	(44,545)	-	-	(44,545)
Transfers to stage 2	(2,727)	2,727	-	-
As at 31 December	29,118	24,665	-	53,783

	31 December 2019			
ECL allowance at FVOCI	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
As at 01 January	59,678	-	-	59,678
Movement for the year	44,533	-	-	44,533
Assets derecognised or repaid (excluding Write-offs)	(50,903)	-	-	(50,903)
As at 31 December	53,308	-	-	53,308

	31 December 2018			
ECL allowance at FVOCI	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
As at 01 January	34,993	-	-	34,993
Movement for the year	42,604	-	-	42,604
Assets derecognised or repaid (excluding Write-offs)	(17,919)	-	-	(17,919)
As at 31 December	59,678	-	-	59,678

10B INVESTMENT IN SUBSIDIARIES

Accounting policy

Financial statements of the Company

Subsidiaries are entities controlled by the Company. The Company 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

Investment in subsidiaries are carried at cost in the Company's separate financial statements 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.

THE COMPANY	31 December 2020	31 December 2019	31 December 2018
Investment in subsidiaries	MUR' 000	MUR' 000	MUR' 000
Equity shares	175	175	150
Capital contribution	29,523,568	29,899,743	28,485,002
Total investment in subsidiaries	29,523,743	29,899,918	28,485,152

	31 December 2020	31 December 2019	31 December 2018
Investment reconciliation is as follows:	MUR' 000	MUR' 000	MUR' 000
Opening balance	29,899,918	28,485,152	24,665,178
Investments during the year	-	25	-
Capital contribution during the year	97,825	1,414,741	3,819,974
Redemption of capital contribution	(350,000)	-	-
Impairment losses	(124,000)	-	-
Closing balance	29,523,743	29,899,918	28,485,152

Details of subsidiaries are as follows:

	Country of Incorporation and Operation	Business Activity	Effective % holding	Carrying Amount 31 December 2020	31 December 2019	31 December 2018
				MUR' 000	MUR' 000	MUR' 000
SBM (NFC) Holdings Ltd [1]	Mauritius	Non-Financial Holding Company	100	50	50	25
SBM 3S Ltd	Mauritius	Training Services	100	25	25	25
SBM (Bank) Holdings Ltd	Mauritius	Bank Investment Holding Company	100	75	75	75
SBM (NBFC) Holdings Ltd	Mauritius	Non-Banking Financial Investments Holding Company	100	25	25	25
				175	175	150

[1] Following an assessment based on carrying value methodology, an impairment loss of MUR 124 million is recorded with respect to the investment in SBM (NFC) Holdings Ltd.

The investment in subsidiaries is classified as non current assets.

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10C INVESTMENT IN ASSOCIATE

Accounting policy

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in the OCI of the investee company is presented as part of the movements in Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in its statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss.

	Country of Incorporation and Operation	Business Activity	% Holding
State Insurance Company of Mauritius	Mauritius	Long term insurance business and pensions	20

	The Group 31 December 2019	The Group 31 December 2018	The Company 31 December 2019	The Company 31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Opening balance	1,308,157	1,336,902	1,272,977	1,272,977
Share of profit	139,237	100,240	-	-
Share of associate-remeasurement of defined benefit pension plan	(31,105)	-	-	-
Share of other comprehensive income	76,112	(96,235)	-	-
Exchange differences resulting from share of associate	25,496	-	-	-
Dividend income from associate (Note 29)	(38,849)	(32,750)	-	-
Carrying amount	1,479,048	1,308,157	1,272,977	1,272,977

10C INVESTMENT IN ASSOCIATE (CONT'D)

	The Group	
	31 December 2019	31 December 2018
Summarised financial information in respect of the Group's associate is set out below:	MUR' 000	MUR' 000
Total assets	21,880,172	18,575,605
Total liabilities	15,684,648	13,055,152
Total revenue	1,238	1,033,239
Total profit for the period	696	501,200
Share of profit	139	100,240
Share of other comprehensive income	(26,944)	(96,235)
Share of net assets	1,239,105	1,104,091
Carrying amount	1,570,790	1,308,157

Effective 01 January 2020, SBM Holdings Ltd ceased to account for SICOM as an investment in associate following resignation of an ex director of SBM Holdings Ltd from the Board of SICOM. The Group elected to account this investment as an equity investment at FVTPL. The movement is as per the table below.

		The Group	The Company
		31 December 2020	31 December 2020
		MUR' 000	MUR' 000
Cost of investment as associate		1,479,048	1,272,977
Accounting of revaluation gain in company on cessation of equity accounting		-	206,071
Cost of Equity as at 01 January 2020		1,479,048	1,479,048
Fair value movement through profit and loss		143,283	143,283
Carrying amount at 31 December 2020	10 (a)	1,622,331	1,622,331

The financial year end of SICOM, ends as at 30 June. The information for capital commitment and contingent liability is available only at year end. The investment in associate is classified as non current assets.

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11A PROPERTY AND EQUIPMENT

Accounting policy

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

It is the Group's policy to revalue its freehold 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 the net property revaluation reserve held in respect of the respective asset, and then to the *Statement of profit or loss*.

Progress payments on tangible fixed assets are 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 on owned assets 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*.

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*.

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.

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11A PROPERTY AND EQUIPMENT (CONT'D)

THE GROUP

Cost or valuation	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018	1,033,626	1,665,206	1,879,791	28,545	4,607,168
Additions	56,948	870	167,230	9,973	235,021
Disposals	-	-	(59,861)	-	(59,861)
Write-off	(108,078)	-	(557)	(1,297)	(109,932)
Revaluation adjustment	(17,689)	-	-	-	(17,689)
Acquisition of new business	-	-	894,842	35,590	930,432
Translation adjustment	(6,388)	4,263	(8,107)	(390)	(10,622)
Transfers	94,532	(96,586)	2,054	-	-
At 31 December 2018	1,052,951	1,573,753	2,875,392	72,421	5,574,517
Additions	-	507	192,567	3,222	196,296
Disposals	-	-	-	(13,821)	(13,821)
Write-off	(9,962)	-	(331)	-	(10,293)
Revaluation adjustment	78,837	(153,210)	-	-	(74,373)
Translation adjustment	13,795	-	37,503	2,100	53,398
At 31 December 2019	1,135,621	1,421,050	3,105,131	63,922	5,725,724
Additions	18	16,827	224,207	-	241,052
Disposals	(33,000)	-	(174,004)	(2,900)	(209,904)
Write-off	-	-	(89)	-	(89)
Revaluation adjustment	-	-	754	-	754
Translation adjustment	12,028	-	1,363	214	13,605
At 31 December 2020	1,114,667	1,437,877	3,157,362	61,236	5,771,141

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11A PROPERTY AND EQUIPMENT (CONT'D)

THE GROUP

Accumulated depreciation	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018	71,161	173,252	1,524,924	17,425	1,786,762
Charge for the year	14,736	51,998	131,340	7,172	205,246
Transfer	2,565	(2,565)	-	-	-
Acquisition of new business	-	-	559,491	14,737	574,228
Disposals	-	-	(30,841)	-	(30,841)
Translation adjustment	(1,965)	398	(2,442)	(229)	(4,238)
At 31 December 2018	86,497	223,083	2,182,472	39,105	2,531,157
Charge for the year	17,846	52,443	187,996	10,682	268,967
Discontinued operations	-	-	811	-	811
Write-off	-	-	(170)	-	(170)
Disposals	-	-	-	(11,506)	(11,506)
Revaluation movement	(56,589)	(272,931)	-	-	(329,520)
Translation adjustment	178	-	15,512	885	16,575
At 31 December 2019	47,932	2,595	2,386,621	39,166	2,476,314
Charge for the year	26,033	57,067	197,437	9,813	290,350
Write-off	-	-	(52)	-	(52)
Disposals	(727)	-	(141,802)	(2,460)	(144,989)
Discontinued operations	-	-	1,597	-	1,597
Translation adjustment	1,808	-	989	4	2,801
Transfer	1,158	-	(1,157)	-	-
At 31 December 2020	76,205	59,662	2,443,633	46,523	2,626,021
Net book value					
At 31 December 2020	1,038,463	1,378,215	713,729	14,713	3,145,120
Progress payments on tangible fixed assets					61,914
					3,207,034
At 31 December 2019	1,087,689	1,418,455	718,511	24,756	3,249,410
Progress payments on tangible fixed assets					78,898
					3,328,308
At 31 December 2018	966,454	1,350,670	692,920	33,316	3,043,360
Progress payments on tangible fixed assets					33,650
Acquisition of new business					76,904
					3,153,914

Other tangible fixed assets, included within property and equipment,furniture, fittings and computer equipment.
The property, equipment are classified as Non Current Assets.

11A PROPERTY AND EQUIPMENT (CONT'D)

THE COMPANY

	Other tangible fixed assets	Motor vehicles	Total
Cost or valuation	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018	-	6,013	6,013
Additions	80	4,540	4,620
At 31 December 2018	80	10,553	10,633
Additions	227	-	227
At 31 December 2019	307	10,553	10,860
Additions	-	-	-
At 31 December 2020	307	10,553	10,860
Accumulated depreciation			
At 01 January 2018	-	2,907	2,907
Charge for the year	9	1,937	1,946
At 31 December 2018	9	4,844	4,853
Charge for the year	32	2,110	2,142
At 31 December 2019	41	6,954	6,995
Charge for the year	61	1,610	1,671
At 31 December 2019	103	8,565	8,666
Net book value			
At 31 December 2020	205	1,989	2,194
At 31 December 2019	266	3,599	3,865
At 31 December 2018	71	5,709	5,780

11A PROPERTY AND EQUIPMENT (CONT'D)

The Directors have reviewed the carrying amount of the Group's and Company's property and equipment and are of the opinion that no impairment is required at the reporting date (2019 and 2018: Nil).

		THE GROUP		
		31 December 2020	31 December 2019	31 December 2018
		MUR' 000	MUR' 000	MUR' 000
Freehold land	Level 2	485,001	484,983	432,692
Freehold buildings	Level 3	629,676	650,638	620,259
Buildings on leasehold land	Level 3	1,437,877	1,421,050	1,573,753
		2,552,554	2,556,671	2,626,704

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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	718,378	779,955	499,869
leasehold building	333,426	347,500	360,873
	1,051,804	1,127,455	860,742

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 December 2019 by an independent Chartered Valuation Surveyor, on an open market value basis. The freehold land and building in India were revalued in March 2019 by independent Chartered Valuation Surveyors on an open market value basis.The inputs used to revalue the PPE relate to unit prices of similar market transactions.

11B RIGHT OF USE ASSETS AND LEASE LIABILITIES

THE GROUP

Group as a lessee - as from 01 January 2019

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term and are subject to impairment in line with the Group's policy as described below. Type of right-to-use assets are land, plant and equipment and IT equipment. The average lease term is 5 years.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Significant accounting estimates and judgements

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects the rate the Group 'would be subject to', which requires either estimation when no observable rates are available or adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs which has been derived from local Government Treasury Bond yield rates for different maturities and the issued SBM Bond yield rates in order to account for entity-specific adjustments namely the risk premium.

11B RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONT'D)

Right-of-use assets

	Land and buildings	Other tangible fixed assets	Total
Cost	MUR' 000	MUR' 000	MUR' 000
At 01 January 2019	559,599	206,167	765,766
Additions	132,079	81,485	213,564
Termination	(8,434)	-	(8,434)
At 31 December 2019	683,244	287,652	970,896
Additions	146,438	38,189	184,627
Disposals	(69,936)	(8,733)	(78,670)
Discontinued operations	(6,009)	-	(6,009)
Translation adjustment	11,029	-	11,029
At 31 December 2020	764,766	317,108	1,081,874
Accumulated Depreciation			
At 01 January 2019	-	-	-
Charge for the year	158,762	45,452	204,214
Discontinued operations	-	2,847	2,847
Translation adjustment	3,956	(26)	3,930
At 31 December 2019	162,718	48,273	210,991
Charge for the year	164,386	19,094	183,480
Disposals	(113,380)	(8,759)	(122,139)
Discontinued operations	2,277	-	2,277
Translation adjustment	35	-	35
At 31 December 2020	216,036	58,608	274,644
Net book value			
At 31 December 2020	520,526	239,379	807,230
At 31 December 2020	520,526	239,379	759,905

11B RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONT'D)

Right-of-use assets (cont'd)

The following are the amounts recognised in profit or loss:

	31 December 2020	31 December 2019
	MUR' 000	MUR' 000
Depreciation expense on right-of-use assets	183,481	204,214
Interest expense on lease liability (Note 27)	60,093	57,750
Expense relating to leases of low-value assets (included in other operating expenses)	7,156	6,801
Discontinued operations of SBMBS	2,277	2,847
Gain on contract termination of right-of-use asset	-	(344)
Total amount recognised in profit or loss	253,007	271,268

Lease Liabilities

Maturity analysis of lease liability are as follows:

	31 December 2020	31 December 2019
	MUR' 000	MUR' 000
Up to 1 year	237,099	238,254
1 to 5 years	699,057	755,584
5 to 25 years	28,414	140,234
	964,570	1,134,072
Further analysed into:	699,257	694,245
Non current	105,150	101,100
Current	804,407	795,345

The Group had a total cash outflow for leases of MUR 266.9 million (2019: MUR 229 million)

At 31 December 2020, the group does not have any commitment for short term leases.

There are no variable lease payment in the lease contracts of the Group.

The Directors have reviewed the carrying amount of the Group's right of use assets and are of the opinion that no impairment is required at the reporting date (2019: nil).

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12 GOODWILL AND OTHER INTANGIBLE ASSETS

Accounting policy

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with that disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

Intangible assets with identifiable useful lives are tested for impairment annually as at 31 December at CGU level, as appropriate, and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

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

Significant accounting estimates and judgements

Assessment of useful lives

Determining the carrying amount of intangible assets requires an estimation of the useful lives of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Group and the industry in which it operates in order to best determine the useful lives of intangible assets.

(a) Intellectual property rights

The Group entered into an agreement in respect of Business Process Engineering and Business Transformation Initiatives to aligh both its strategies and processes with the Technology Transformation Initiative namely Flamingo Project and also high performance banks. The costs incurred in respect of these initiatives were capitalised as intellectual property rights are now being amortised after the project went live in September 2016.

(b) WIP software

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

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12 GOODWILL AND OTHER INTANGIBLE ASSETS (CONT'D)

THE GROUP

Cost	Software MUR' 000	WIP Software MUR' 000	Intellectual Property MUR' 000	Goodwill MUR' 000	Total MUR' 000
At 01 January 2018	4,537,221	84,612	322,775	401,556	5,346,164
Translation adjustment	(992)	(1,795)	-	16,158	13,371
Additions	215,787	70,971	-	-	286,758
Write-off	(41,334)	(2,653)	(37,860)	-	(81,847)
Impairment	-	-	-	(417,714)	(417,714)
Disposal	(611,464)	-	-	-	(611,464)
Scrapping of assets	(1,741)	-	-	-	(1,741)
Acquisition of new business	528,498	-	-	-	528,498
Transfer	51,660	(51,660)	-	-	-
At 31 December 2018	4,677,635	99,475	284,915	-	5,062,025
Translation adjustment	45,248	935	-	-	46,183
Additions	49,034	76,661	-	-	125,695
Write-off	(4,430)	(9,882)	-	-	(14,312)
Scrapping of assets	-	(928)	-	-	(928)
Transfer	78,175	(78,175)	-	-	-
At 31 December 2019	**4,845,662**	**88,086**	**284,915**	**-**	**5,218,663**
Translation adjustment	**7,406**	**709**	**-**	**-**	**8,115**
Additions	**36,067**	**117,482**	**-**	**-**	**153,549**
Write-off	**(13,973)**	**(767)**	**-**	**-**	**(14,740)**
Disposal	**(110,156)**	**-**	**-**	**-**	**(110,156)**
Transfer	**96,561**	**(96,561)**	**-**	**-**	**-**
At 31 December 2020	**4,861,567**	**108,949**	**284,915**	**-**	**5,255,431**

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12 GOODWILL AND OTHER INTANGIBLE ASSETS (CONT'D)

THE GROUP

Accumulated amortisation	Software MUR' 000	WIP Software MUR' 000	Intellectual Property MUR' 000	Goodwill MUR' 000	Total MUR' 000
At 01 January 2018	1,356,585	-	113,966	-	1,470,551
Translation adjustment	11,993	-	-	-	11,993
Charge for the year	564,968	-	56,983	-	621,951
Reversal of accumulated amortisation	(1,741)	-	-	-	(1,741)
Acquisition of new business	344,320	-	-	-	344,320
Disposal adjustment	(611,366)	-	-	-	(611,366)
At 31 December 2018	1,664,759	-	170,949	-	1,835,708
Translation adjustment	35,648	-	-	-	35,648
Discontinued operations	910				910
Charge for the year	559,939	-	56,983	-	616,923
At 31 December 2019	**2,261,257**	**-**	**227,932**	**-**	**2,489,189**
Translation adjustment	**4,960**	**-**	**-**	**-**	**4,960**
Charge for the year	**518,403**	**-**	**56,983**	**-**	**575,386**
Write-off	**(641)**	**-**	**-**	**-**	**(641)**
Disposal adjustment	**(110,157)**	**-**	**-**	**-**	**(110,157)**
At 31 December 2020	**2,673,821**	**-**	**284,915**	**-**	**2,958,737**
Net book value					
At 31 December 2020	**2,187,746**	**108,949**	**-**	**-**	**2,296,694**
At 31 December 2019	2,584,405	88,086	56,983	-	2,729,474
At 31 December 2018	3,012,876	99,476	113,966	-	3,226,318

The Directors have reviewed the carrying amount of the Group's and Company's intangible assets and are of the opinion that no impairment is required at the reporting date (2019 and 2018: Nil). The intangible assets are non-current assets whose maturity are more than one year.

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12 GOODWILL AND OTHER INTANGIBLE ASSETS (CONT'D)

THE COMPANY	Software	Total
Cost or valuation	MUR' 000	MUR' 000
Additions	50	50
At 31 December 2018	50	50
Additions	1,321	1,321
At 31 December 2019	1,421	1,421
Additions	-	-
At 31 December 2020	**1,371**	**1,371**
Accumulated depreciation		
At 01 January 2017	-	-
Charge for the year	6	6
At 31 December 2018	6	6
Charge for the year	208	208
At 31 December 2019	214	214
Charge for the year	**274**	**274**
At 31 December 2020	**488**	**488**
Net book value		
At 31 December 2020	**883**	**883**
At 31 December 2019	1,157	1,157
At 31 December 2018	44	44

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13 OTHER ASSETS

Accounting policy

Other assets and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified at amortised costs 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.

	THE GROUP			THE COMPANY		
		Restated	*Restated*			
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accounts receivable[1]	**2,548,401**	2,689,697	1,263,320	**48,900**	231,000	153,108
Balances due in clearing	**121,987**	118,917	96,629	**-**	-	-
Tax paid in advance[2]	**106,316**	97,127	96,416	**-**	-	-
Dividend receivable	**-**	62,092	-	**-**	-	-
Prepayment[3]	**223,411**	187,255	80,694	**513**	509	-
Others	**221,193**	81,290	142,222	**306**	6	201
	3,221,308	3,236,378	1,679,281	**49,719**	231,515	153,309
Less: allowance for credit losses[4]	**(16,414)**	(380)	(95)	**-**	-	-
	3,204,894	3,235,998	1,679,186	**49,719**	231,515	153,309

An analysis of changes in the corresponding ECL allowances is, as follows:

	THE GROUP		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
	Stage 1	Stage 1	Stage 1
ECL allowance as at 01 Janaury	**380**	(95)	-
Movement for the year	**16,414**	380	(95)
Assets repaid	**(380)**	95	-
ECL allowance as at 31 December	**16,414**	380	(95)

[1] Credit risk is managed for each category and is subject to the Group's established policy, procedures and control relating to customers credit risk management. The accounts receivable are mainly transition accounts that will be cleared the following day and therefore is not subject to impairment.
[2] The tax paid in advance is incurred by the Indian Operations and Kenyan Operations and SBM (Bank) Holdings Ltd . The amount is shown net of current tax payable.
[3] Prepayments have a maturity of less than one year and are treated as current assets while deposits/advance payments are non-current assets as they have a maturity of more than one year.
[4] The allowance for impairment losses relates only to Stage 1.

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14 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 65. 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 Statements 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 Statements 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 statements 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 who joined after 31 December 2004 are entitled to defined contribution retirement benefit pension arrangements. Employer contributions are expensed in the statements of profit or loss in the period in which they fall due. The defined contribution benefit replaced the defined benefit pension plan as from 01 January 2005. Employees who were initially in the defined benefit pension plan remained in the said plan

(iii) Travel tickets/allowances

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

Significant accounting estimates and judgements

The Group operates a defined benefit pension plan for its employees. The amount shown in the statements 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.

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14 PENSION LIABILITY (CONT'D)

	THE GROUP			THE COMPANY	
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Defined benefit plan (Note 14(a))	579,836	241,628	109,621	2,231	1,363
Residual retirement gratuities (Note 14(b))	163,971	97,247	63,434	4,683	1,096
	743,807	338,875	173,055	6,914	2,459

(a) Defined benefit plans

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

	THE GROUP			THE COMPANY	
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Reconciliation of net defined benefit liability					
Present value of funded defined benefit obligation	1,944,808	1,315,862	1,044,716	11,137	7,425
Fair value of planned assets	(1,364,972)	(1,074,234)	(935,095)	(8,906)	(6,062)
Net liability arising from defined benefit obligation	579,836	241,628	109,621	2,231	1,363
Reconciliation of net defined benefit liability					
Balance at start of the year	241,628	109,621	91,752	1,363	-
Amount recognised in statements of profit or loss (Note 32)	39,545	34,166	30,274	292	1,363
Amount recognised in other comprehensive income	601,282	204,365	33,496	3,189	-
Less employer contributions	(302,619)	(106,524)	(45,901)	(2,613)	-
Balance at end of the year	579,836	241,628	109,621	2,231	1,363
Reconciliation of fair value of planned assets					
Balance at start of the year	1,074,234	935,095	946,010	6,062	-
Interest income	60,273	59,075	52,493	361	-
Employer contributions	299,815	106,524	45,901	2,612	-
Transfer from another entity	-	-	-	-	6,062
Benefits paid	(46,149)	(38,813)	(28,872)	(8)	-
Return on planned assets excluding interest income	(23,201)	12,353	(80,437)	(121)	-
Balance at end of the year	1,364,972	1,074,234	935,095	8,906	6,062

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14 PENSION LIABILITY (CONT'D)

(a) Defined benefit plans (cont'd)

	THE GROUP			THE COMPANY	
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Reconciliation of present value of defined benefit obligation					
Balance at start of the year	1,315,862	1,044,716	1,037,762	7,425	-
Current service cost	31,285	30,680	26,473	260	-
Past service cost	-	-	-	-	1,363
Interest expense	68,533	62,561	56,294	393	-
Other benefits paid	(46,149)	(38,813)	(28,872)	(8)	-
Transfer from another entity	-	-	-	-	6,062
Liability experience loss	-	226,181	-	-	-
Liability loss/(gain) due to change in financial assumptions	575,277	(9,463)	(46,941)	3,067	-
Balance at end of the year	1,944,808	1,315,862	1,044,716	11,137	7,425
Components of amount recognised in statements of profit or loss					
Service cost	31,285	30,680	26,473	260	1,363
Net interest on net employee defined benefit liability	8,260	3,486	3,801	32	-
Total expense (Note 32)	39,545	34,166	30,274	292	1,363
Components of amount recognised in other comprehensive income					
Return on planned assets below/(above) interest income	23,201	(12,353)	80,437	121	-
Liability experience loss	-	226,181	-	-	-
Change in effect of asset ceiling	578,081	-	-	-	-
Liability experience (gain)/loss due to change in financial assumptions	-	(9,463)	(46,941)	3,067	-
Total	601,282	204,365	33,496	3,188	-

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14 PENSION LIABILITY (CONT'D)

(a) Defined benefit plans (cont'd)

	THE GROUP			THE COMPANY	
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019
	%	%	%	%	%
Allocation of plan assets at end of year					
Equity - Overseas quoted	26	23	18	26	23
Equity - Overseas unquoted	5	8	10	5	8
Equity - Local quoted	25	26	28	25	26
Equity - Local unquoted	5	7	7	5	7
Debt - Overseas quoted	-	1	1	0	1
Debt - Overseas unquoted	-	-	6	-	-
Debt - Local quoted	6	6	4	6	6
Debt - Local unquoted	10	15	23	10	15
Cash and other	23	14	3	23	14
Total	100	100	100	100	100

	THE GROUP			THE COMPANY	
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019
Allocation of planned assets at end of year					
Reporting entity's own transferable financial instruments (%)	2	3	4	2	3
Principal assumptions used at end of year					
Discount rate based on government bonds (%)	2.9	5.3	6.1	2.9	5.3
Rate of salary increases (%)	2.6	3.1	4.0	5.0	3.1
Rate of pension increases (%)	1.0	0.8	1.6	1.0	0.8
Average retirement age (ARA)	65	65	65	65	65
Average life expectancy for:					
- Male at ARA	15.9 years	15.9 years	15.9 years	15.9 years	15.9 years
- Female at ARA	20.0 years	20.0 years	20.0 years	20.0 years	20.0 years

	THE GROUP			THE COMPANY	
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019
Sensitivity analysis on defined benefit obligation at end of year	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Increase due to 1% decrease in discount rate	350,141	205,990	184,915	1,782	1,157
Decrease due to 1% increase in discount rate	272,348	167,365	148,350	1,448	962

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14 PENSION LIABILITY (CONT'D)

(a) Defined benefit plans (cont'd)

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.

IAS 19 requires that the discount rate be set based on the yields of high quality corporate bonds with an appropriate term. Since no deep market in such bonds is available, IAS 19 requires that the yield on government bonds of appropriate term can be applied. The discount rate takes account of the nominal yield to redemption of government bonds traded on the secondary market as at 31 December 2020 and the duration of last year's liabilities.

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 48.1 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 15-33 years.The Company expects to make a contribution of around MUR 419,000 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 23 March 2021 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 579.8 million as at 31 December 2020 for the plan (31 December 2019: MUR 241.6 million; 31 December 2018: MUR 109.6 million).

The Company sponsors a final salary defined benefit pension plan for a category of its employees. The Company has recognised a net defined benefit liability of MUR 2.2 million as at 31 December 2020 for the plan (31 December 2019: MUR 1.4 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 to 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.

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 PENSION LIABILITY (CONT'D)

(b) Residual retirement gratuities

The amount included in the statements of financial position arising from the Group's and the Company's obligation in respect their residual retirement gratuities is as follows:

	THE GROUP			THE COMPANY	
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Reconciliation of net defined benefit liability					
Balance at start of the year	97,247	63,434	-	1,096	-
Amount recognised in statements of profit or loss (Note 32)	(79,331)	34,313	63,434	(515)	1,096
Amount recognised in other comprehensive income	146,055	(500)	-	4,102	-
Balance at end of the year	163,971	97,247	63,434	4,683	1,096
Reconciliation of present value of defined benefit obligation					
Balance at start of the year	97,247	63,434	-	1,096	-
Current service cost	7,525	3,700	-	523	-
Interest expense	5,155	3,869	-	58	-
Past service cost	(92,011)	26,744	63,434	(1,096)	1,096
Liability experience (gain)/loss	(1,594)	2,612	-	(122)	-
Liability loss/(gain) due to change in financial assumptions	147,649	(3,112)	-	4,224	-
Balance at end of the year	163,971	97,247	63,434	4,683	1,096

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14 PENSION LIABILITY (CONT'D)

(b) Residual retirement gratuities (cont'd)

	THE GROUP			THE COMPANY	
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Components of amount recognised in statements of profit or loss					
Service cost	(84,486)	30,444	63,434	(573)	1,096
Net interest on net defined benefit liability/(asset)	5,155	3,869	-	58	-
Total expense as above	(79,331)	34,313	63,434	(515)	1,096
Components of amount recognised in other comprehensive income					
Liability experience (gain)/loss	(1,594)	2,612	-	(122)	-
Liability loss/(gain) due to change in financial assumptions	147,649	(3,112)	-	4,224	-
Total	146,055	(500)	-	4,102	-

	THE GROUP			THE COMPANY	
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019
Principal assumptions used at end of year					
Discount rate	2.9%	5.3%	6.1%	2.9%	5.3%
Rate of salary increases	5.0%	3.1%	4.0%	5.0%	3.1%
Rate of pension increases	1.0%	0.8%	1.6%	0.0%	0.8%
Average retirement age (ARA)	60/65	60/65	60/65	60/65	60/65
Sensitivity analysis on defined benefit obligation at end of year					
Increase due to 1% decrease in discount rate	55,857	13,458	19,090	1,797	471
Decrease due to 1% increase in discount rate	44,150	9,002	8,686	1,419	271

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. The results are particularly sensitive to a change in discount rate due to the nature of the liabilities being the difference between the pure retirement gratuities under the Workers' Rights Act 2019 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the member at retirement from the SBM Group DC Fund with reference to the Group's share of contributions. The latter amount per below table.

	THE GROUP			THE COMPANY	
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019
Share of contributions	(146,763)	(179,276)	(140,696)	(2,401)	(6,719)

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14 PENSION LIABILITY (CONT'D)

(b) Residual retirement gratuities (cont'd)

Future cashflows

The funding policy is to pay benefits from the reporting entity's cashflow as and when due.

The Group expects to make a contribution of around MUR 12.6 million to the SBM Group DC Fund for the next financial year and the weighted average duration of the defined benefit obligation is 20 years.

The negative 'past service cost' of MUR 96.0 million is on account of a transfer of employees to other entities within the group.

The group is exposed to normal risks associated with residual retirement gratuities such as interest and salary rise risks.

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.

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.

15 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 obligations are discharged, cancelled or they expire.

	THE GROUP		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	1,403,315	907,521	716,702

16 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 obligations are discharged, cancelled or they expire.

		THE GROUP		
		31 December 2020	31 December 2019	31 December 2018
		MUR' 000	MUR' 000	MUR' 000
(i)	Retail customers			
	Current accounts	23,620,520	19,411,521	15,873,186
	Savings accounts	62,410,927	55,538,113	52,327,187
	Time deposits with remaining term to maturity:			
	- Up to 3 months	6,086,658	4,687,493	3,805,778
	- Over 3 months and up to 6 months	2,795,976	2,146,348	2,799,551
	- Over 6 months and up to 12 months	4,056,610	4,464,390	6,666,258
	- Over 1 year and up to 5 years	5,404,438	5,033,085	2,379,746
	- Over 5 years	12,571	2,297,269	81,228
	Total time deposits	18,356,253	18,628,585	15,732,561
	Total deposits from retail customers	104,387,700	93,578,219	83,932,934
(ii)	Corporate customers			
	Current accounts	72,477,613	56,596,878	46,012,337
	Savings accounts	4,538,500	3,993,407	4,655,279
	Time deposits with remaining term to maturity:			
	- Up to 3 months	15,889,458	12,901,434	10,966,221
	- Over 3 months and up to 6 months	3,898,494	4,306,609	2,138,845
	- Over 6 months and up to 12 months	8,192,992	5,780,107	7,952,025
	- Over 1 year and up to 5 years	1,534,469	2,607,327	474,641
	- Over 5 years	1,024	1,033	942
	Total time deposits	29,516,437	25,596,510	21,532,674
	Total deposit from corporate customers	106,532,550	86,186,795	72,200,290
(iii)	Government			
	Current accounts	8,639,186	8,756,331	6,167,370
	Savings accounts	3,855,442	3,441,526	4,090,841
	Time deposits with remaining term to maturity:			
	- Up to 3 months	43,313	6,918,163	1,622,363
	- Over 3 months and up to 6 months	130,443	1,600	619,611
	- Over 6 months and up to 12 months	3,273,488	260,191	745,285
	- Over 1 year and up to 5 years	99	254,363	5,786
	Total time deposits	3,447,343	7,434,317	2,993,045
	Total deposit from the government	15,941,971	19,632,174	13,251,256
	Total deposit from non-bank customers	226,862,221	199,397,188	169,384,480

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17 OTHER BORROWED FUNDS

Accounting policy

Loans and borrowing are recognised initally at fair value, net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR.

	THE GROUP		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks			
- For refinancing	5,558,836	3,334,663	2,868,023
Other financial institutions			
- For refinancing	3,518,739	2,718,585	1,312,137
Borrowings from banks			
- In Mauritius	3,927,866	2,448,757	2,132,609
- Abroad	2,011,736	4,871,028	5,651,819
	15,017,177	13,373,033	11,964,588
Remaining term to maturity			
Up to 3 months	4,750,571	7,901,991	4,295,009
Over 3 months and up to 6 months	3,049,797	1,162,205	3,489,418
Over 6 months and up to 12 months	989,158	36,353	50,998
Over 1 year and up to 5 years	5,742,128	3,611,155	3,400,366
Over 5 years	485,523	661,329	728,797
	15,017,177	13,373,033	11,964,588

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18 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.

Corporate social responsibility (CSR)

Corporate social responsibility (CSR) was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Group is required to allocate 2% of its Segment A chargeable income of the preceding financial year to government approved CSR NGOs. As from July 2017, following amendments to the Finance Act 2017, the Group will now be required as from 01 January 2017 to 31 December 2018 to remit to the Director General at least 50% of the CSR contribution. After 01 January 2019, the Group will be required to remit to the Director General at least 75% of the CSR contribution. 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 as a percentage of its leviable income from residents excluding Global Business Licence holders (the special levy was paid as a percentage of its segmental chargeable income for the year 2019 and 2018). Special levy is recorded under the tax expense line.

As from 01 January 2020, a new tax regime is applicable for the banking sector in Mauritius. Mauritian banks are being taxed at 5% on the first MUR 1.5 billion of their chargeable income, at 15% of the chargeable income between MUR 1.5 billion and the base year income, and at 5% on the remainder, subject to meeting prescribed conditions. The applicable tax rate for India is 43.3% (2019: 43.3% and 2018: 43.3%), whereas that of Madagascar is 20% (2019: 20% and 2018: 20%) and Kenya is 30% (2019: 30% and 2018: 30%).

18A CURRENT TAX LIABILITIES

Current tax liabilities can be analysed as follows:

	THE GROUP			THE COMPANY		
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
Statement of financial position	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January	712,071	502,109	126,371	-	503	1,005
Income tax expenses	421,064	784,562	600,962	-	-	10,008
Corporate social responsibility contribution	70,257	43,597	24,362	-	860	860
Underprovision/(overprovision) in prior years	24,948	3,940	40,862	(336)	(503)	503
Paid during the year	(1,140,644)	(800,502)	(290,447)	336	(860)	(11,873)
Exchange difference	1,161	6,997	-	-	-	-
Bank levy	171,368	171,368	-	-	-	-
At 31 December	260,225	712,071	502,109	-	-	503

Current tax liabilities will repay within the next one year and is classified as current liabilities.

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18B TAX EXPENSE

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

	THE GROUP			THE COMPANY		
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
Statement of financial position	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
In Mauritius	191,465	1,069,241	305,944	(336)	357	10,867
Overseas	108,661	(352,112)	74,010	-	-	-
Total tax expense	300,126	717,129	379,954	(336)	357	10,867
Income tax expense	445,615	803,719	5,761	(336)	(503)	10,251
Special levy on banks	171,368	171,211	184,345	-	-	-
Deferred income tax (Note 18(d))	(398,481)	(301,792)	153,822	-	-	(64)
Corporate social responsibility contribution	70,266	43,597	24,362	-	860	680
Withholding tax	11,358	394	11,664	-	-	-
Total tax expense	300,126	717,129	379,954	(336)	357	10,867

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18C TAX RECONCILIATION

	THE GROUP			THE COMPANY		
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit/(loss) before income tax from continuing operations	1,313,230	752,450	1,727,363	(501,768)	737,535	619,049
Tax on accounting profit at applicable tax rates	210,194	102,216	364,628	(75,265)	110,630	92,857
Under/(Over) provision in previous periods	26,111	10,396	83,920	(337)	(503)	10,188
Non allowable expenses	153,114	679,277	1,425,202	101,024	122,863	87,501
Exempt income	(205,341)	(351,277)	(771,214)	(41,425)	(235,229)	(186,253)
Corporate social responsibility contribution	70,266	43,597	24,362	-	860	679
Special levy on banks	171,368	171,211	184,345	-	-	-
Deferred tax assets not recognised	(153,781)	95,676	(327,747)	15,667	1,736	5,894
Deferred tax on bargain purchase	-	-	(355,833)	-	-	-
Effect of tax rates in foreign jurisdiction	16,837	16,937	43,167	-	-	-
Tax loss utilised	-	(1,787)	(212)	-		
Withholding tax	11,358	394	11,664	-	-	-
	300,126	766,640	682,282	(336)	357	10,866
Foreign tax credit	-	(49,511)	(302,328)	-	-	-
Total tax expense/(income)	300,126	717,129	379,954	(336)	357	10,867

For the year ended 31 December 2020, the Company had accumulated tax losses of MUR 67.3 million (2019: MUR 63.2 million and 2018: MUR 56.7), which can be carried forward and offset against future taxable income up to 31 December 2023.

18D DEFERRED TAX ASSETS/(LIABILITIES)

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 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.

Change in tax rate of SBM Bank (Mauritius) Ltd

The deferred tax rate applied for segment A and segment B in SBM (Bank) Mauritius Ltd is 7% and 5% respectively (2018 & 2017: 17% & 3%). The change in the rate resulted in a tax credit of MUR 112.6 million in the statement of profit or loss and MUR 110.5 million in other comprehensive income. Deferred tax (assets)/liabilities are treated as non current (assets)/liabilities as they have a maturity of over more than one year.

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18D DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Reconciliation of deferred tax assets/(liabilities)

	THE GROUP	THE COMPANY
	MUR' 000	MUR' 000
At 01 January 2018	75,444	-
Exchange difference	7,711	-
Deferred income tax (Note 18(b))	153,822	-
Deferred tax on retirement benefit obligations	(5,694)	-
Underprovision of deferred tax liability in prior years	(161,246)	-
At 31 December 2018	70,037	-
At 01 January 2019	70,037	-
Exchange difference	(9,447)	-
Deferred income tax (Note 18(a))	(189,205)	-
Deferred tax on retirement benefit obligations	(14,271)	-
Deferred tax on revaluation of property	9,950	-
Change in tax rate - recognised in		-
- Other comprehensive income	(110,469)	-
- Statement of profit or loss (Note 18(b))	(112,587)	-
At 31 December 2019	(355,992)	-
At 01 January 2019	**(355,992)**	-
Exchange difference	**(5,440)**	-
Deferred income tax (Note 18(b))	**(398,481)**	-
Deferred tax on retirement benefit obligations	**(51,409)**	-
Underprovision of deferred tax assets in prior years	**5,212**	-
At 31 December 2020	**(806,110)**	-

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18D DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

	THE GROUP			THE COMPANY		
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
Statement of financial position	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Deferred tax assets	**806,110**	355,992	89,440	-	-	-
Deferred tax liabilities	-	-	(159,477)	-	-	-
	806,110	355,992	(70,037)	-	-	-
Analysed as follows:						
Mauritius operations	**497,123**	219,302	(163,996)	-	-	-
Indian operations	**308,987**	136,690	93,959	-	-	-
	806,110	355,992	(70,037)	-	-	-
Analysed as resulting from:						
Accelerated capital allowances	**(142,376)**	(201,527)	(555,146)	-	-	-
Allowances for credit impairment	**667,424**	525,758	581,192	-	-	-
Carried forward losses	**(459,521)**	137,828	137,810	-	-	-
Revaluation of property	-	(160,247)	(261,785)	-	-	-
Defined benefit plans and retirement residual gratuity	**50,686**	23,380	13,470	-	-	-
Bargain purchase	**3,821**	(374,805)	-	-	-	-
Other provisions	**686,076**	405,605	14,422	-	-	-
	806,110	355,992	(70,037)	-	-	-

19 OTHER LIABILITIES

Accounting policy

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. Deferred income relates to loan processing fees and commission on letter of guarantee which is amortised over the life of the facility. Financial liabilities are measured at amortised cost using the effective interest method.

	THE GROUP			THE COMPANY		
		Restated	*Restated*			
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Bills payable	**230,908**	381,142	237,305	-	-	-
Accruals for expenses	**1,086,191**	953,880	726,976	**14,502**	16,516	12,307
Accounts payable	**3,578,027**	4,578,845	4,027,707	**196,704**	96,072	79,167
Deferred income	**277,275**	109,318	41,505	-	-	-
Balance due in clearing	**473**	15,762	318,669	-	-	-
Balances in transit	**862,905**	899,888	772,878	-	-	-
ECL on memorandum items (Note 23)	**368,723**	160,022	179,700	-	-	-
Others	**307,342**	358,545	196,498	-	-	-
	6,711,844	7,457,402	6,501,238	**211,206**	112,588	91,474

Deferred income has a maturity of over more than one year and is treated as non-current liabilities.

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20 SUBORDINATED DEBTS

Loans and borrowings are recognised initially at fair value, net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

	THE GROUP & THE COMPANY		
	31 December 2020	31 December 2019	31 December 2018
Subordinated bonds:	MUR' 000	MUR' 000	MUR' 000
Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024	1,514,667	1,521,542	1,522,229
Class B 1 series bond of USD floating interest rate senior unsecured bonds maturing in 2021	2,575,899	2,388,057	2,237,195
Class A 2 series bond of MUR fixed interest rate senior unsecured bonds maturing in 2028	3,060,520	3,060,520	3,060,520
Class B 2 series bond of USD fixed interest rate senior unsecured bonds maturing in 2025	2,991,700	2,769,862	2,592,733
	10,142,786	9,739,981	9,412,677

The public offer for the issue of subordinated senior unsecured multicurrency floating interest rate bonds for Class 1 series Bond of MUR 1,000 million opened on 20 December 2013. It 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 the 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 repectively were transferred to the Company (SBM Holdings Ltd) with corresponding matching assets (investments).

The public offer for the issue of subordinated senior unsecured multicurrency fixed interest rate bonds for Class A 2 and B2 Series Bonds of MUR 2.0 billion and USD 50.0 million respectively opened on 29 May 2018. Class A 2 Series Bonds were oversubscribed and a maximum amount of MUR 3.1 billion, of MUR 10,000 bonds with half yearly fixed coupon payment of 5.6% per annum maturing in 2028, was retained including the optional amount. Similarly an amount of USD 75.7 million, of USD 1,000 bonds with half yearly payment of fixed coupon rate of 4.8% per annum maturing in 2025, were retained including the optional amount. The public offer was issued by the SBM Holdings Ltd (SBMH) and the bonds are eligible as Tier II Capital.

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

The Class B 1 Series bond amounting to USD 65.0 million will mature in May 2021. As such SBMH has already initiated discussion for a private placement of the approximate amount in MUR to ensure that our capital and liquidity is not affected.

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21 STATED CAPITAL AND TREASURY SHARES

(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	
Authorised, issued and paid up share capital	Number	MUR' 000	Number	MUR' 000
At 31 December 2020	3,037,402,230	32,500,204	3,037,402,230	32,500,204
At 31 December 2019	3,037,402,230	32,500,204	3,037,402,230	32,500,204
At 31 December 2018	3,037,402,230	32,500,204	3,037,402,230	32,500,204
Treasury shares held				
At 31 December 2020	455,610,330	4,875,031	455,610,330	4,875,031
At 31 December 2019	455,610,330	4,875,031	455,610,330	4,875,031
At 31 December 2018	455,610,330	4,875,031	455,610,330	4,875,031

Fully paid ordinary shares carry one vote per share and the right to dividend, except for treasury shares which have no such rights.

22 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 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
Dividend declared after the reporting date:	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
2020: nil; 2019: nil; 2018: 5 cents per share of nominal 10 cents	-	-	129,090	-	-	129,090
Dividend declared in preceeding year and paid in current year:						
2019: nil 2018: 5 cents; 2017: 10 cents	-	129,090	258,179	-	129,090	258,179
Dividend declared and paid in current year:						
2020:nil; 2019:30 cents; 2018:25 cents	-	774,542	645,453	-	774,542	645,453
	-	903,632	903,632	-	903,632	903,632
Less dividend declared and paid during the year	-	(903,632)	(903,632)	-	(903,632)	(903,632)
Dividend payable	-	-	-	-	-	-

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

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23 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. Contingent liabilities are accounted for as off-balance sheet items and are disclosed under memorandum items.

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. Financial guarantee contracts are accounted for as off-balance sheet items and are disclosed under memorandum items.

		THE GROUP		
			Restated	Restated
		31 December 2020	31 December 2019	31 December 2018
a.	**Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers**	MUR' 000	MUR' 000	MUR' 000
	Acceptances on account of customers	361,590	792,774	435,096
	Guarantees on account of customers	11,433,868	8,037,776	8,285,833
	Letters of credit and other obligations on account of customers	3,974,549	760,345	861,137
	Other contingent items	202,295	185,584	-
		15,972,302	9,776,479	9,582,066
b.	**Commitments**			
	Undrawn credit facilities	15,342,522	13,675,505	9,071,296
c.	**Other**			
	Inward bills held for collection	227,129	195,680	303,789
	Outward bills sent for collection	1,584,874	982,276	1,497,623
		1,812,003	1,177,956	1,801,412
	Total Note (40 b(i))	33,126,827	24,629,940	20,454,774

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23 MEMORANDUM ITEMS (CONT'D)

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.

	31 December 2020			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	16,897,993	8,047	-	16,906,040
Standard grade	8,939,807	334,060	-	9,273,867
Sub-standard grade	5,652,053	1,050,224	-	6,702,277
Past due but not impaired	-	54,140	-	54,140
Non-performing				
Individually impaired	-	-	190,503	190,503
Total Note (40 b(i))	31,489,853	1,446,471	190,503	33,126,827

	31 December 2019			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	10,172,295	73,281	-	10,245,576
Standard grade	4,891,646	1,196,573	-	6,088,219
Sub-standard grade	7,306,494	988,646	-	8,295,140
Non-performing				
Individually impaired	-	-	1,005	1,005
Total Note (40 b(i))	22,370,435	2,258,500	1,005	24,629,940

	31 December 2018			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	4,738,147	70,095	-	4,808,242
Standard grade	6,775,947	5,413,008	-	12,188,955
Sub-standard grade	3,419,089	34,990	-	3,454,079
Non-performing				
Individually impaired	-	-	3,498	3,498
Total Note	14,933,183	5,518,093	3,498	20,454,774

23 MEMORANDUM ITEMS (CONT'D)

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

	31 December 2020			
Outstanding exposures	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
As at 01 January	22,370,435	2,258,500	1,005	24,629,940
New exposures	21,648,167	617,553	62,859	22,328,579
Exposures derecognised or matured/lapsed	(12,474,154)	(1,471,906)	(8,107)	(13,954,167)
Transfers to stage 1	211,246	(211,246)	-	-
Transfers to stage 2	(387,022)	387,022	-	-
Transfers to stage 3	-	(134,746)	134,746	-
Foreign exchange adjustments	121,182	1,293	-	122,475
At 31 December Note (40 b(i))	31,489,854	1,446,470	190,503	33,126,827

	31 December 2019			
Outstanding exposures	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
As at 01 January	14,933,183	5,518,093	3,498	20,454,774
New exposures	12,657,043	1,167,803	-	13,824,846
Exposures derecognised or matured/lapsed	(7,714,536)	(2,090,913)	(2,533)	(9,807,982)
Transfers to Stage 1	2,424,141	(2,424,141)	-	-
Transfers to Stage 2	(87,122)	87,242	(120)	-
Transfers to Stage 3	(160)	-	160	-
Foreign exchange adjustments	157,886	416	-	158,302
At 31 December Note (40 b(i))	22,370,435	2,258,500	1,005	24,629,940

	31 December 2018			
Outstanding exposures	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
As at 01 January	26,847,705	9,126	-	26,856,831
New exposures	11,759,160	637,436	3,498	12,400,094
Exposures derecognised or matured/lapsed	(23,673,682)	4,871,531	-	(18,802,151)
As at 31 December	14,933,183	5,518,093	3,498	20,454,774

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23 MEMORANDUM ITEMS (CONT'D)

	31 December 2020			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January	136,059	15,508	8,455	160,022
New exposures	76,231	107,555	144,625	328,411
Exposures derecognised or repaid	(104,183)	(13,361)	(2,692)	(120,236)
Transfers to stage 1	559	(559)	-	-
Transfers to stage 2	(2,688)	2,688	-	-
Transfers to stage 3	-	(424)	424	-
Foreign exchange adjustments	526	-	-	526
At 31 December	106,504	111,407	150,812	368,723

	31 December 2019			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January	161,446	13,664	4,590	179,700
New exposures	78,232	10,082	-	88,314
Exposures derecognised or repaid	(139,701)	(22,593)	(994)	(163,288)
Transfers to stage 1	25,545	(25,545)	-	-
Transfers to stage 2	(248)	248	-	-
Transfers to stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	3,468	39,652	4,761	47,881
Foreign exchange adjustments	7,317	-	98	7,415
At 31 December	136,059	15,508	8,455	160,022

	31 December 2018			
Outstanding exposures	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January	172,837	26	-	172,863
New exposures	35,015	23,544	4,590	63,149
Exposures derecognised or matured/lapsed	(46,406)	(9,906)	-	(56,312)
At 31 December	161,446	13,664	4,590	179,700

The Group is subject to various legal claims from former employees and customers with claims totaling MUR 724.8 million (2019: MUR 978.6 million; 2018: MUR 1,381.6 million). The Group has not made any provision for those claims on the basis that it is not probable that these actions will succeed.

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24 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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Treasury bills/Government bonds	9,470,767	3,638,940	7,512,485
Other	5,704,231	-	-
	15,174,998	3,638,940	7,512,485
Analysed as:			
- In Mauritius	6,555,000	70,000	3,542,550
- Overseas	8,619,998	3,568,940	3,969,935
	15,174,998	3,638,940	7,512,485

25 CAPITAL COMMITMENTS

	THE GROUP		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Approved and contracted for	101,081	187,111	116,213
Approved and not contracted for	282,953	402,998	72,333

26 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.

From 01 January 2019

Refer to Note 11(b) Right-of-use assets.

	THE GROUP
	31 December 2018
	MUR' 000
Leasing arrangements - The Group as lessee	
Operating lease expense	155,277

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 2018
	MUR' 000
Up to 1 year	96,724
After 1 year and before 5 years	219,441
After 5 years and up to 25 years	121,239
	437,404

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27 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 investment securities measured at FVTOCI, interest income or expense is recorded at the effective interest rate (EIR), 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/or 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 calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the effective interest rate to the outstanding amount of the financial asset. For all credit impaired assets, the interest income is reversed and charged against the outstanding amount of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

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27 NET INTEREST INCOME/(EXPENSES) (CONT'D)

	THE GROUP			THE COMPANY		
		Restated	*Restated*			
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income using the effective interest method						
Cash and cash equivalents	120,984	264,649	344,291	-	-	-
Loans to and placements with banks	133,551	229,843	134,339	-	-	-
Loans and advances to non-bank customers	6,782,849	6,592,597	6,596,267	-	-	-
Investment securities at amortised cost	2,942,378	2,529,391	1,114,846	51,929	76,627	77,172
Investment securities at FVTOCI	1,051,956	1,197,111	810,360	357	1,236	7,394
Other	22,672	-	13,127	-	-	-
	11,054,390	10,813,591	9,013,230	52,286	77,863	84,566
Interest income on financial instruments at fair value						
Investment securities	13,591	24,771	133,525	-	-	-
Derivative financial instruments	188,422	122,786	132,246	-	-	-
	202,013	147,557	265,771	-	-	-
Total interest income	11,256,403	10,961,148	9,279,001	52,286	77,863	84,566
Interest expense using the effective interest method						
Deposits from non-bank customers	(2,450,927)	(2,971,139)	(2,179,998)	-	-	-
Other borrowed funds	(669,903)	(650,468)	(460,864)	-	-	-
Subordinated debts	(444,508)	(476,589)	(309,019)	(444,508)	(476,589)	(309,019)
Interest expense on lease liabilities	(60,093)	(57,280)	-	-	-	-
Total interest expense	(3,625,431)	(4,155,476)	(2,949,881)	(444,508)	(476,589)	(309,019)
Other interest expense						
Derivatives	(434,831)	(163,906)	(274,326)	(50,728)	(9,784)	(6,653)
Total interest expense	(4,060,262)	(4,319,382)	(3,224,207)	(495,236)	(486,373)	(315,672)
Net interest income/(expense)	7,196,141	6,641,766	6,054,794	(442,950)	(408,510)	(231,106)

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28 NET FEE AND COMMISSION INCOME/(EXPENSE)

Accounting policy

Fees and commission income and expense are recognized on an accrual basis when the service has been provided. Commission and fees arising from negotiation of transactions with third parties, or participating in the negotiation of a transaction for a third party is recognized on completion of the underlying transaction. Fees and commission that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed.

Other fees and commission expense relate mainly to transaction and services fee, which are expensed as the services are received.

	THE GROUP			THE COMPANY		
		Restated	Restated			
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fee and commission income						
Retail banking customer fees	331,815	340,641	210,648	-	-	-
Corporate banking customer fees	461,586	472,319	386,726	-	-	-
Brokerage income	43,213	44,272	42,920	-	-	-
Asset management fees	40,684	42,956	64,772	-	-	-
Card income	370,742	411,385	353,263	-	-	-
Other	203,331	164,971	110,724	-	-	-
Total fee and commission income	1,451,371	1,476,544	1,169,053	-	-	-
Fee and commission expense						
Interbank transaction fees	(37,467)	(2,344)	(17,002)	-	-	-
Brokerage	(1,042)	(18,719)	(1,139)	-	-	-
Other	(18,803)	(22,445)	(12,778)	(13)	(150)	(199)
Total fee and commission expense	(57,312)	(43,508)	(30,919)	(13)	(150)	(199)
Net fee and commission income/ (expense)	1,394,059	1,433,036	1,138,134	(13)	(150)	(199)

Out of the other fee and commission income an amount of MUR 103.3 million and MUR 60.7 million pertain to revenue from contract with customers disclosed in Note 28.a.(i) (2019: MUR 165.0 million and 2018: 93.6 million).

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FOR THE YEAR ENDED 31 DECEMBER 2020

28A REVENUE FROM CONTRACTS WITH CUSTOMERS

Significant accounting estimates and judgements

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Accounting policy

Identify the performance obligations

SBM Mauritius Asset Managers Ltd

The Company provides asset management services. Revenue from contracts with customers is recognised when the services are rendered to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that management fees, retrocession fees, arranger fees, entry and exit fees and commission from structured products are capable of being distinct since they are different services being provided and the contracts are separate.

SBM Capital Markets Ltd

The Company provides corporate finance advisory services and stock broking services. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that commission from local equity, commission from local bonds, commission from international equity, commission from international bonds, management fees, retrocession fees, arranger fees, entry and exit fees and commission from structured products are capable of being distinct since they are different services being provided and the contracts are separate.

SBM Fund Services Ltd

The Company 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. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that registry fees, administrative fees, trustee fees and debenture holder representative fees are capable of being distinct since they are different services being provided and the contracts are separate.

SBM Factors Ltd

The Company provides factoring services. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

SBM Insurance Agency Ltd

The Company acts as an agent between various insurance companies and customers who want to take up an insurance policy. The Company operates three agency business lines which are General Insurance, Life Insurance and Decreasing Term Assurance. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that commission from general insurance, commission from life insurance and commission from Decreasing Term Assurance (DTA) are capable of being distinct since they are different services being provided and the contracts are separate.

28A REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Accounting policy (cont'd)

Determine the transaction price

SBM Mauritius Asset Managers

Management fees are generated through investment management agreements and are generally based on an agreed percentage of the valuation of the assets under management (AUM). Management fees are recognised as the service is provided and it is probable that the fee will be received.

Retrocession fees are based on an agreed percentage of the management fees charged to the third party funds. The fees are recognised when they are probable to be received.

Entry and exit fees represent variable consideration based on the amount invested/disinvested by the customer.

Arranger fees are based on an agreed percentage of the amount raised on behalf of the client.The fees are recognised when they are probable to be received.

Commission from structured products on the other hand represents a fixed consideration on the amount invested by third parties.

SBM Securities Ltd

The commission fees represent a fixed rate which is charged to the investor. However, this may vary depending on whether the investor benefits from a discount fee or a minimum fee.

SBM Fund Services Ltd

Registry fees from Funds and administrative fees represent variable consideration which is based on each period's NAV. Registry fees from Funds and administrative fees are recognised as the service is provided and it is probable that the fee will be received.

Registry fees from other clients, trustee fees and debenture holder representative fees are generated through agreements between the entity and the clients and are charged a fixed contract amount. Invoicing is done on a quarterly/half yearly and yearly basis and the fees are recognised when they are probable to be received.

SBM Capital Markets Ltd

Corporate finance advisory fees are generated through agreements between the entity and the clients and are charged a fixed contract amount. Invoicing is done on a quarterly/half yearly and yearly basis and the fees are recognised when they are probable to be received.

Arranger fees are based on an agreed percentage of the amount raised on behalf of the client. The fees are recognised when they are probable to be received.

Management fees are generated through investment management agreements and are generally based on an agreed percentage of the valuation of the assets under management (AUM). Management fees are recognised as the service is provided and it is probable that the fee will be received.

Retrocession fees are based on an agreed percentage of the management fees charged to the third party funds. The fees are recognised when they are probable to be received.

Entry and exit fees represent variable consideration based on the amount invested/disinvested by the customer.

Commission from structured products on the other hand represents a fixed consideration on the amount invested by third parties.

Commission received from trading services provided is allocated to each trading activity (equity and bond trading) as and when it is due as per the agreement.

28A REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Accounting policy (cont'd)

Determine the transaction price (cont'd)

SBM Factors Ltd

The Company finances its clients a fixed percentage of the invoices and a factoring fee is charged on the invoices being financed as per the agreement in place.

Signing fee is charged upon onboarding of a new client.

SBM Insurance Agency Ltd

Commission from life insurance represents a fixed consideration which is based on a percentage of the total premium amount and in some cases, on the sum assured. The percentage varies in the case of an initial policy and in the case of a renewal. The commission is recognised as the service is provided and it is probable that the commission will be received.

Commission from general insurance represents a fixed consideration which is based on a percentage of the gross premium amount. For each insurer and for every type of insurance, a specific commission rate is applied. The amount of commission received is calculated based on the commission rate multiplied by the gross premium amount. The commission is recognised as the service is provided and it is probable that the commission will be received.

For DTA commission, the policy is subscribed per client. A percentage is retained as commission prior to payment to insurer. DTA commission are recognised as the service is provided and it is probable that the commission will be received.

Allocate the transaction price to the performance obligations

SBM Mauritius Asset Managers Ltd

The transaction price which comprises the variable consideration related to the management fee is allocated to each individual month as management fee relates specifically to the entity's efforts to provide management services during the month.

Retrocession fees are allocated to each third party fund on a monthly basis as per the respective agreement.

The entry and exit fees are allocated to each client investing or disinvesting from the Funds managed by the Company.

Arranger fees are allocated as per the agreement in place between the Company and the client.

Commission received from structured products is allocated to each product as and when it is due as per the agreement.

SBM Fund Services Ltd

The transaction price which comprises the variable consideration related to the registry and administrative fee is allocated to each individual month as the registry and administrative fee relates specifically to the entity's efforts to provide registry/administrative services during the month.

Trustee fees and debenture holder representative fees are allocated to each client on a monthly basis based on the agreement in place.

SBM Capital Markets Ltd

The corporate finance advisory fees are allocated to each client once the assignment has been completed.

Arranger fees are allocated as per the agreement in place between the Company and the client.

Commission received from trading services provided is allocated to each trading activity (equity and bond trading) as and when it is due as per the agreement.

28A REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Accounting policy (cont'd)

Allocate the transaction price to the performance obligations (cont'd)

SBM Factors Ltd

Factoring fees are allocated to each batch of invoices being financed.

Signing fee is fixed amount charged to the client.

SBM Insurance Agency Ltd

Commission from life and general insurance is allocated to each client on a monthly basis based on the premium collected by the Insurance Company.

DTA commission is allocated once the service is completed based on the agreement in place.

Satisfaction of performance obligations

SBM Mauritius Asset Managers Ltd

The Company concluded that the management and retrocession fees are recognised over time as the customer simultaneously receives and consumes the benefits provided by the Company when the latter discharges the service or the Company's performance enhances the assets that the fund controls.

On the other hand, entry and exit fees are recognised at a point in time as the benefits are obtained only upon new investment or disinvestment by a customer. Arranger fees and commission from structured products are also recognised at a point in time as they are a one-off fee received upon the completion of the capital raising and at the start of the life of each product respectively.

SBM Fund Services Ltd

The Company concluded that all the fees are recognised over time as the customer simultaneously receives and consumes the benefits provided by the Company when the latter discharges the service or the Company's performance enhances the assets that the fund controls.

SBM Capital Markets Ltd

The Company concluded that the management and retrocession fees are recognised over time as the customer simultaneously receives and consumes the benefits provided by the Company when the latter discharges the service or the Company's performance enhances the assets that the fund controls.

On the other hand, entry and exit fees are recognised at a point in time as the benefits are obtained only upon new investment or disinvestment by a customer. Arranger fees and commission from structured products are also recognised at a point in time as they are a one-off fee received upon the completion of the capital raising and at the start of the life of each product respectively.

The Company concluded that the commission income is recognised at a point in time. The Company recognises the revenue as the service is provided.

The Company concluded that the corporate finance advisory fees and arranger fees are recognised at a point in time upon completion of assignment.

SBM Factors Ltd

The Company concluded that the factoring fees are recognised at a point in time upon financing of each batch of invoices. Signing fee is also recognised at a point in time upon onboarding of new client.

SBM Insurance Agency Ltd

The Company concluded that all the commissions are recognised at a point in time upon collection of premium by the Insurance Companies.

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28A REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Accounting policy (cont'd)

Principal versus agent considerations

SBM Mauritius Asset Managers Ltd

The Company determined that it is a principal in the contracts as it is primarily responsible for fulfilling the promise to provide the specified service.

SBM Fund Services Ltd

The Company determined that it is a principal in the contracts as it is primarily responsible for fulfilling the promise to provide the specified service.

SBM Capital Markets Ltd

The Company determined that it is a principal in the contracts as it is primarily responsible for fulfilling the promise to provide the specified service.

SBM Factors Ltd

The Company determined that it is a principal in the contracts since it is primarily responsible for fulfilling the promise to provide the specified service.

SBM Insurance Agency Ltd

The Company determined that it is an agent in the contracts as it is not primarily responsible for fulfilling the promise to provide the specified service. The Company has no discretion in establishing the premium for the policies. The Company's consideration in these contracts is only based on a percentage of the premium being received by the Insurance Companies.

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28A REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

28a (i) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	THE GROUP		
	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000
SBM Mauritius Asset Managers Ltd			
Management fees	37,444	36,781	47,432
Retrocession fees	-	2,682	4,978
Entry and exit fees	2,628	3,387	6,575
Arranger fees	612	-	-
Commission from structured products	-	106	5,787
Asset management fees	40,684	42,956	64,772
SBM Capital Markets Ltd			
Commission income - local equity	5,709	21,597	11,997
Commission income - foreign equity	26,299	9,421	4,542
Commission income - local bonds	1,180	793	3,179
Commission income - foreign bonds	10,025	12,461	23,202
Brokerage income	43,213	44,272	42,920
SBM Capital Markets Ltd			
Entry and exit fees	1,822	612	-
Management fees	12,488	2,871	-
Retrocession fees	5,469	1,659	322
Advisory fees	4,121	8,596	-
SBM Fund Services Ltd			
Registry fees from Funds	4,784	3,569	3,267
Registry fees from other clients	4,886	4,357	3,854
Trustee fees	903	942	859
Debenture holder representative fees	-	-	255
Administrative fees	5,455	5,176	6,251
SBM Factors Ltd			
Factoring fees	21,055	17,862	2,327
Signing fees	75	96	190
SBM eBusiness Ltd			
Setup fee	296	-	-
SBM Insurance Agency Ltd			
Life commission	12,797	12,845	19,223
General commission	2,741	2,394	2,713
DTA commission	26,392	23,103	21,427
Others	103,284	84,082	60,688
Total revenue from contracts with customers	187,181	171,310	168,380

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28A REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

28a (i) Disaggregated revenue information (cont'd)

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	THE GROUP		
	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000
Geographical markets			
Mauritius	145,092	145,090	137,607
Europe	5,469	12,399	14,480
US	21,972	8,538	10,064
Asia Pacific	6,225	2,244	2,646
Africa	8,423	3,039	3,583
Total revenue from contracts with customers	187,181	171,310	168,380
Timing of revenue recognition			
Services transferred at a point in time	115,752	111,158	134,070
Services transferred over time	71,429	60,152	34,310
Total revenue from contracts with customers	187,181	171,310	168,380

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29 NET TRADING INCOME

Accounting policy

Profits arising from dealings in foreign currencies include gains and losses from spot and forward contracts and other currency derivatives. Debt securities income includes the results of buying and selling and changes in the fair value of debt securities and debt securities sold short. The results of trading money market instruments, interest rate swaps, options and other derivatives are recorded under other interest rate instruments.

Other net trading income includes the impact of fair value changes due to movement in the fair value of asset backed securities, recorded as held for trading.

Gains or losses on assets, liabilities and derivatives designated in hedge relationships recognises fair value movements (excluding interest) on both the hedged item and hedging derivative in a fair value hedge relationship, and hedge ineffectiveness from fair value hedge relationships.

Gains or losses on other financial assets designated at fair value through profit or loss recognises fair value movements (excluding interest) on those items designated as fair value through profit or loss.

	THE GROUP			THE COMPANY		
		Restated	Restated			
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit arising from dealing in foreign currencies	734,553	641,117	911,612	-	-	-
Debt securities	177,802	440,810	221,077	-	-	-
Other interest rate instruments	137,119	153,060	502,260	-	-	-
	1,049,474	1,234,987	1,634,949	-	-	-

30A NET GAIN/(LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP			THE COMPANY		
		Restated	Restated			
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets mandatorily measured at fair value through profit or loss	(13,377)	(94,902)	(46,472)	366,601	-	-
Financial assets designated at fair value through profit or loss	18,085	(59,044)	(90,284)	9,847	(8,422)	(19,053)
	4,708	(153,946)	(136,756)	376,448	(8,422)	(19,053)

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30B NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	THE GROUP			THE COMPANY		
		Restated	Restated			
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net gains on derecognition of financial assets measured at amortised cost	180,325	27,110	33,179	2,372	6,396	28,408
	180,325	27,110	33,179	2,372	6,396	28,408

30C NET GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	THE GROUP			THE COMPANY		
		Restated	Restated			
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	1,245,740	231,379	4,321	-	371	(794)
	1,245,740	231,379	4,321	-	371	(794)

The Group sold some assets measured at fair value through other comprehensive income in 2020 as these assets were no longer in line with the Group's policy due to risks associated with these assets.

31 OTHER OPERATING INCOME

Accounting policy

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

	THE GROUP			THE COMPANY		
		Restated	Restated			
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Bargain gain	-	-	957,942	-	-	-
Gain on disposal of property and equipment	(4,017)	4,493	121,773	-	-	-
Dividend income from financial assets measured at FVTOCI	133,255	220,652	110,051	54,467	187,581	82,568
Dividend income from financial assets measured at FVTPL	1,920	2,424	-	-	-	-
Dividend income from investment in subsidiaries	-	-	-	220,000	1,382,875	1,150,500
Others	19,956	-	-	-	-	-
	151,114	227,569	1,189,766	274,467	1,570,456	1,233,068

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32 PERSONNEL EXPENSES

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:

a. wages, salaries and social security contributions;
b. paid annual leave and paid sick leave;
c. bonuses; and
d. non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

a. as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund;
b. as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

The Group operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under personnel expenses. Unpaid contributions are recorded as a liability. Refer to Note 14 for accounting policy on defined benefit plans.

	THE GROUP			THE COMPANY		
	31 December 2020 MUR' 000	*Restated* 31 December 2019 MUR' 000	*Restated* 31 December 2018 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000
Wages and salaries	2,351,532	2,318,390	1,564,000	48,566	67,826	77,618
Other social security obligations	20,214	31,130	1,950	652	831	799
Contributions to defined contribution plans	181,161	187,188	108,674	3,359	7,117	6,176
Increase/(decrease) in liability for defined benefit plans (Note 14(a))	39,545	34,166	30,274	(223)	1,363	-
Residual retirement gratuities (Note 14(b))	(79,331)	34,313	63,434	-	-	-
Staff welfare cost	135,409	116,286	54,759	264	215	153
Others	211,020	147,933	128,134	3,965	5,642	19,507
	2,859,550	2,869,406	1,951,225	56,583	82,994	104,253

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33 OTHER EXPENSES

	THE GROUP			THE COMPANY		
	31 December 2020 MUR' 000	*Restated* 31 December 2019 MUR' 000	*Restated* 31 December 2018 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000
Software licensing and other information technology cost	783,999	692,661	538,223	2,571	73	75,151
Utilities	71,470	88,161	69,863	185	-	-
Professional charges	192,302	222,634	175,946	14,478	22,420	50,869
Marketing costs	84,403	124,161	77,260	1,563	6,555	7,669
Rent, repairs and maintenance	193,090	168,030	236,324	-	-	-
Licence and other registration fees	37,334	60,332	36,733	8,188	15,249	12,951
Impairment of goodwill	-	-	417,715	-	-	-
Other*	879,565	796,990	401,428	502,362	294,050	136,784
	2,242,163	2,152,969	1,953,492	529,347	338,347	283,424

* Includes mainly printing,stationary,subscription and other operational cost.

34 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND MEMORANDUM ITEM

Accounting policy

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Loans and advances to banks;
- Loans and advances to customers;
- Debt investment securities;
- Loan commitments issued;
- Financial guarantee contracts, bills and letters of credit.

With the exception of POCI assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, that is, lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as stage 1); or
- full lifetime ECL, that is, lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as stage 2 and stage 3).

A loss allowance for fulltime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since intial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood of 'investment grade'.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

The Group measures ECL on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

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34 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND MEMORANDUM ITEM (CONT'D)

Accounting policy (cont'd)

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

a. significant financial difficulty of the issuer or the borrower;
b. a breach of contract, such as a default or past due event;
c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender would not otherwise consider;
d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e. the disappearance of an active market for the financial asset because of financial difficulties; or
f. the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiatied due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairement. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Definition of default and cure

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different type of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators such as breach of covenants, overdue status, non-payment on another obligation of the same counterparty. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources, for example, BOM guidelines on impairment.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as stage 2 or stage 1 once cured depends on the updated credit grade, at the time of the cure and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

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34 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND MEMORANDUM ITEM (CONT'D)

The table below shows the impairment charges recorded in the statements of profit or loss under IFRS 9 during 2020:

THE GROUP

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	240,789	(861,268)	4,286,735	3,666,256
Loans and placements with banks*	(7,732)	-	-	(7,732)
Debt instruments measured at amortised cost and FVTOCI**	(36,353)	-	-	(36,353)
Other receivables	13,338	-	-	13,338
Loan commitments	(18,351)	-	-	(18,351)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(11,730)	95,899	142,355	226,524
Total credit loss expense under IFRS 9	179,961	(765,369)	4,429,090	3,843,682
Write-off	-	-	-	185,371
Bad debts recovered	-	-	-	(271,651)
	179,961	(765,369)	4,429,090	3,757,402

THE COMPANY

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Debt instruments measured at amortised cost	217	-	-	217
Total credit loss expense under IFRS 9	217	-	-	217

THE GROUP

	Restated 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	83,706	719,328	3,092,465	3,895,499
Loans and placements with banks*	(50,625)	-	-	(50,625)
Debt instruments measured at amortised cost**	28,126	-	-	28,126
Other receivables	284	-	-	284
Loan commitments	42,834	-	-	42,834
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(78,973)	(37,840)	(994)	(117,807)
Total credit loss expense under IFRS 9	25,352	681,488	3,091,471	3,798,311
Write-off	-	-	-	-
Bad debts recovered	-	-	-	(882,102)
	25,352	681,488	3,091,471	2,916,209

THE COMPANY

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Debt instruments measured at amortised cost	(1,085)	-	-	(1,085)
Total credit loss expense under IFRS 9	(1,085)	-	-	(1,085)

* ECL movement for cash and cash equivalents are included under loans and placement with banks
** ECL movement for debt instrument at FVTOCI are included under debt instruments measured at amortised cost.

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34 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND MEMORANDUM ITEM (CONT'D)

THE GROUP	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	(164,345)	358,377	3,517,715	3,711,747
Loans and placements with banks*	47,975	-	-	47,975
Debt instruments measured at amortised cost**	28,445	-	17,565	46,010
Loan commitments	(19,832)	-	-	(19,832)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(26,733)	-	4,590	(22,143)
Total credit loss expense under IFRS 9	(134,490)	358,377	3,539,870	3,763,757
Bad debts recovered	-	-	-	(204,407)
	(134,490)	358,377	3,539,870	3,559,350

THE COMPANY	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Debt instruments measured at amortised cost	1,646	-	-	1,646
Total credit loss expense under IFRS 9	1,646	-	-	1,646

	31 December 2018
	MUR' 000
Portfolio and specific provisions:	
- On-balance sheet advances (Note 9)	1,101,435
Bad debts written off for which no provisions were made	8,720
Recoveries of advances written off	(142,873)
Other	147,998
	1,115,280
Of which:	
Credit exposure	967,282
Other financial assets	147,998
	1,115,280

35 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, excluding treasury shares.

	THE GROUP		
		Restated	*Restated*
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Profit for the year from continuing operations	1,013,104	35,322	1,347,409
Profit attributable to equity holders of the parent	1,021,010	17,356	1,346,011
Number of shares entitled to dividend (thousands)	2,581,792	2,581,792	2,581,792
From continuing operations			
Basic and diluted earnings per share (cents)	39.2	1.4	52.2
From continuing and discontinued operations			
Basic and diluted earnings per share (cents)	39.6	0.7	52.1

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36 NET CASH FROM/(USED IN) OPERATING ACTIVITIES

Cash flows from operating activities	Notes	THE GROUP 31 December 2020 MUR' 000	THE GROUP Restated 31 December 2019 MUR' 000	THE GROUP Restated 31 December 2018 MUR' 000	THE COMPANY 31 December 2020 MUR' 000	THE COMPANY Restated 31 December 2019 MUR' 000	THE COMPANY Restated 31 December 2018 MUR' 000
Profit/(loss) for the year		1,021,010	17,356	1,346,011	(501,432)	737,178	608,182
Adjustments to determine net cash flows:							
Depreciation of property and equipment	11(a)	290,350	268,967	205,246	1,671	2,142	1,946
Depreciation of right of use assets	11(b)	183,480	204,214	-	-	-	-
Amortisation of intangible assets	12	575,386	616,923	620,210	274	208	6
Impairment of equity investment		-	-	-	124,000	-	-
Write-off of property and equipment	11(a)	37	10,293	109,932	-	-	-
Pension expense	32	(39,786)	68,479	93,708	(223)	-	-
Credit loss expense/(credit) on financial assets and memorandum items		3,757,402	2,916,209	3,559,350	217	(1,085)	1,646
Write-off of intangible assets	12	14,099	15,240	81,847	-	-	-
Bargain gain	31	-	-	(957,942)	-	-	-
Impairment of goodwill		-	-	417,715	-	-	-
Exchange difference		481,978	641,351	(170,514)	369,616	335,824	(29,690)
Net trading income	29	(1,049,474)	(1,234,987)	(1,634,949)	-	-	-
Net loss/(gain) on disposal of property and equipment	31	4,017	(4,493)	(121,773)	-	-	-
Net gains on financial assets measured at amortised cost	30(b)	(180,325)	(27,110)	(33,179)	(2,372)	(6,396)	(28,408)
Investment securities at fair value through profit or loss		(18,086)	59,043	90,284	(376,448)	8,422	19,053
Interest income		(11,256,403)	(10,666,034)	(9,279,001)	(52,286)	(77,863)	(84,566)
Interest expense		4,000,169	4,262,102	3,224,207	495,236	476,589	315,671
Interest expense on lease liabilities	11(b)	60,093	57,280	-	-	-	-
Tax expense	18(b)	300,126	717,129	379,955	(336)	357	10,867
Share of profit of associate	10(c)	-	(139,237)	(100,240)	-	-	-
Dividend income	31	(135,175)	(223,076)	(110,051)	(274,467)	(1,570,456)	(1,233,068)
Operating loss before working capital changes		(1,991,103)	(2,383,069)	(2,279,185)	(216,550)	(95,081)	(418,361)
Change in operating assets and liabilities							
Decrease/(increase) in derivative financial instruments (assets)		1,176,189	1,178,636	2,022,262	(6,121)	(28,289)	(19,356)
Decrease in loans to and placements with banks		3,816,911	1,728,743	5,253,053	-	-	-
Increase in loans and advances to non bank customers		(14,343,348)	(10,387,568)	(161,774)	-	-	-
Increase in investment securities		(18,839,350)	(22,308,819)	(28,707,650)	(17,218)	(1,432,088)	(1,640,897)
(Increase)/decrease in mandatory balances with central banks		(610,076)	(703,027)	10,708,544	-	-	-
Decrease/(increase) in other assets		17,766	(1,495,004)	(221,497)	181,796	(78,206)	(82,862)
Increase /(decrease) in derivative financial instruments (liabilities)		153,620	117,193	(303,487)	-	-	-
Increase in deposits from banks		495,793	190,819	27,437	-	-	-
Increase in deposits from non-bank customers		27,465,033	30,012,707	4,926,494	-	-	-
(Decrease)/increase in other liabilities		(957,165)	1,015,681	1,464,854	98,618	80,150	86,476
Pension contribution paid	14(a)	(302,619)	(106,524)	(45,901)	(2,613)	-	-
Interest received		11,256,403	10,666,034	9,279,000	22,997	70,537	77,804
Interest paid		(4,000,169)	(4,262,102)	(3,224,207)	(411,318)	(485,108)	(285,976)
Income tax (paid)/received	18(a)	(1,140,644)	(800,502)	(290,447)	336	(860)	(11,873)
Net cash from/(used in) from operating activities		2,197,241	2,405,917	(1,552,503)	(400,801)	895,232	(2,256,336)

37 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 31 December 2020 MUR' 000	Key management personnel including Directors 31 December 2019 MUR' 000	Key management personnel including Directors 31 December 2018 MUR' 000	Associates and other entities in which the Group has significant influence 31 December 2020 MUR' 000	Associates and other entities in which the Group has significant influence 31 December 2019 MUR' 000	Associates and other entities in which the Group has significant influence 31 December 2018 MUR' 000	Entities under common control 31 December 2020 MUR' 000	Entities under common control 31 December 2019 MUR' 000	Entities under common control 31 December 2018 MUR' 000
(a) Credit facilities									
(i) *Loans*									
Balance at beginning of year	137,288	209,711	170,942	2,828,699	2,589,191	2,868,421	1,417,901	1,687,766	5,450,405
Loans to Directors/ entities who ceased to be related parties during the year	(56,568)	(49,167)	(23,513)	-	-	(391,377)	(1,417,901)	(256,891)	(3,365,943)
Existing loans of new related parties	34,669	24,067	23,208	-	-	-	-	-	-
Exchange difference	25	3,578	-	-	-	-	-	-	-
Other net movements	115,216	11,709	39,074	(2,828,699)	239,508	112,147	(12,974)	(12,974)	(396,696)
Balance at end of year	230,630	199,898	209,711	-	2,828,699	2,589,191	(12,974)	1,417,901	1,687,766
(ii) Off-balance sheet obligations	-	-	50	-	720,982	678,424	165,360	42,235	34,535
(b) Deposits at end of year	242,961	225,959	237,401	-	2,031,404	1,566,800	59,581	696,682	2,765,967
(c) Interest income	7,432	11,904	9,317	-	84,331	84,922	15,027	73,085	70,609
(d) Interest expense	1,692	1,720	1,791	-	29,358	19,934	9	968	5,461
(e) Other income	186	51	32	-	12,548	13,908	5,882	29,876	32,153
(f) Purchase of goods and services	-	12,549	8,943	-	-	-	602	-	-
(g) Emoluments	53,096	166,466	91,380	-	-	-	-	-	-

Short term benefits amounted to MUR 59.3 million at the reporting date (2019: MUR 56.8 million and 2018: MUR 76.0 million) and long term benefits was nil at the reporting date(2019 and 2018: nil)

THE COMPANY	Entities in which the company has control 31 December 2020 MUR' 000	Entities in which the company has control 31 December 2019 MUR' 000	Entities in which the company has control 31 December 2018 MUR' 000
(a) Cash and cash equivalents at year end	304,473	178,632	32,890
(b) Derivative financial instruments	41,524	47,645	19,356
(c) Accounts payable	168,468	75,026	75,000

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37 RELATED PARTY DISCLOSURES (CONT'D)

THE COMPANY	Entities in which the company has control		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
(d) Interest expense on financial derivatives	50,728	9,784	6,653
(e) Dividend income from subsidiaries	220,000	1,382,875	1,150,500
(f) Services recharged	90,007	1,314	1,078

	THE GROUP		
		Restated	*Restated*
	31 December 2020	31 December 2019	31 December 2018
Related party transactions in relation to post employment benefit plans are as follows:	MUR' 000	MUR' 000	MUR' 000
Deposits at end of year	188,549	211,640	97,051
Interest expense	1	216	-
Other income	4	-	-
Contributions paid	132,322	172,701	170,970

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

All credit facilities with entities considered as related parties disclosed above are at market terms and conditions and will be settled in cash. Credit facilities are secured except for credit card advances and some personal loans which are granted under an unsecured loan scheme in the normal course of business.

38 CAPITAL MANAGEMENT

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

Banks in Mauritius are required to maintain a ratio of eligible capital to risk weighted assets of at least 13.875%, whereas for India, Kenya and Madagascar, the minimum ratio is set at 11.5%, 14.5% and 8% respectively.

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38 CAPITAL MANAGEMENT (CONT'D)

	THE GROUP		
		Restated	*Restated*
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Tier 1 capital	20,626,490	19,944,878	19,722,261
Eligible capital	30,669,954	30,175,351	30,047,298
Risk weighted assets	148,284,367	136,015,554	120,820,021
Capital adequacy ratio (%)	20.68	22.19	24.87

Tier 1 Capital also known as going concern capital consists of shareholder's equity less revaluation of fixed assets and regulatory deductions such as intangible assets and deferred tax and Tier 2 Capital also known as the supplementary capital that provides loss absorption of a going concern basis includes 45% revaluation reserves on fixed assets and allowances for credit losses (restricted to 1.25% of total credit risk weighted assets).

39 OTHER RESERVES

THE GROUP	Fair value reserve on financial instruments recognised in OCI	Net translation reserve	General reserve	Net other reserve	Earnings reserve	Restructuring reserve	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018	(280,870)	109,847	-	1,566	2,935,807	(8,316,147)	(5,549,797)
Other comprehensive loss for the year	(556,262)	(176,373)	-	(96,235)	-	-	(828,870)
At 31 December 2018	(837,132)	(66,526)	-	(94,669)	2,935,807	(8,316,147)	(6,378,667)
At 01 January 2019	(837,132)	(66,526)	-	(94,669)	2,935,807	(8,316,147)	(6,378,667)
Other comprehensive income for the year	764,774	352,875	-	-	-	-	1,117,649
Reclassification of associate to their respective reserve	(76,785)	(17,884)	-	94,669	-	-	-
Transfer to retained earnings	-	(1,078)	-	-	-	-	(1,078)
At 31 December 2019	(149,143)	267,387	-	-	2,935,807	(8,316,147)	(5,262,096)
At 01 January 2020	(149,143)	267,387	-	-	2,935,807	(8,316,147)	(5,262,096)
Other comprehensive income for the year	209,300	113,072	-	-	-	-	322,372
Reclassification of reserves	-	-	590,372	-	-	-	590,372
At 31 December 2020	60,157	380,459	590,372	-	2,935,807	(8,316,147)	(4,349,352)

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 not be reclassified to the statement of profit or loss upon disposal of the related asset.

Fair value reserve on financial instruments recognised in OCI

This reserve comprises of fair value movements recognised on fair value through other comprehensive income.

39 OTHER RESERVES (CONT'D)

Net translation reserve

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

General reserve

The General reserve relates to SBMBK where impairment losses required by legislation exceed those computed under IFRS, the excess is recognised as a general reserve and acccounted for as an appropriation of retained profits and the reserve for reduction.

40 RISK MANAGEMENT

The Board of Directors oversees the risk management framework and ensures decision making is aligned with the Board-driven strategic risk objectives and risk appetite. Board approves the risk policies and a set of 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 approved framework. Any deviation and non-compliance are reported to Board Risk Committee. 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 Classification of financial assets and financial liabilities

The following table shows the measurement categories under IFRS 9 for financial assets and financial liabilities:

THE GROUP	New classification under IFRS 9	31 December 2020	*Restated* 31 December 2019	*Restated* 31 December 2018
		MUR' 000	MUR' 000	MUR' 000
Financial assets				
Cash and cash equivalents	Amortised cost	21,577,245	18,181,126	15,653,515
Mandatory balances with central banks	Amortised cost	11,290,363	10,680,287	9,977,260
Derivative financial instruments	Fair value through P&L	809,379	936,093	879,742
Loans to and placements with banks	Amortised cost	3,130,387	6,942,745	8,582,414
Loans and advances to non-bank customers	Amortised cost	120,239,361	109,475,989	102,108,174
Investment securities	Amortised cost	45,769,375	27,594,363	31,806,327
Investment securities	Fair value through OCI	58,899,447	54,385,410	29,226,792
Investment securities	Fair value through P&L	9,580,368	11,995,117	10,062,971
Equity investment	Fair value through OCI	5,181,355	6,316,046	6,251,067
Equity investment	Fair value through P&L	1,622,852	-	-
Other assets	Amortised cost	2,650,217	2,797,855	1,365,912
Total financial assets		280,750,349	249,305,031	215,914,174
Financial liabilities				
Deposits from banks	Amortised cost	1,403,315	907,521	716,702
Deposits from non-bank customers	Amortised cost	226,862,221	199,397,188	169,384,480
Derivative financial instruments	Fair value through P&L	1,279,984	1,126,364	1,009,171
Other borrowed funds	Amortised cost	15,017,177	13,373,033	11,964,588
Lease liabilities	Amortised cost	804,407	795,345	-
Other liabilities	Amortised cost	6,009,465	7,191,434	6,307,973
Subordinated debts	Amortised cost	10,142,786	9,739,981	9,412,677
Total financial liabilities		261,519,355	232,530,866	198,795,591

40 RISK MANAGEMENT (CONT'D)

a Classification of financial assets and financial liabilities (cont'd)

The following table shows the measurement categories under IFRS 9 for financial assets and financial liabilities (cont'd):

THE COMPANY	New classification under IFRS 9	31 December 2020	*Restated* 31 December 2019	*Restated* 31 December 2018
		MUR' 000	MUR' 000	MUR' 000
Financial assets				
Cash and cash equivalents	Amortised cost	304,473	178,632	32,890
Investment securities	Amortised cost	1,076,799	1,064,041	2,605,942
Investment securities	Fair value through P&L	661,057	598,699	351,187
Investment securities	Fair value through OCI	8,637	7,738	-
Equity investment	Fair value through OCI	3,636,307	4,227,683	4,375,880
Equity investment	Fair value through P&L	1,622,331	-	-
Other assets	Amortised cost	48,900	231,000	153,309
Total financial assets		7,358,504	6,307,793	7,519,208
Financial liabilities				
Derivative financial instruments	Fair value through OCI	41,524	47,645	19,356
Other liabilities	Amortised cost	211,206	112,588	91,474
Subordinated debts	Amortised cost	10,142,786	9,739,981	9,412,677
Total financial liabilities		10,395,516	9,900,214	9,523,507

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40 RISK MANAGEMENT (CONT'D)

a (i) 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 2020		Restated 31 December 2019		Restated 31 December 2018	
	Carrying Value MUR' 000	Fair Value MUR' 000	Carrying Value MUR' 000	Fair Value MUR' 000	Carrying Value MUR' 000	Fair Value MUR' 000
Financial assets						
Cash and cash equivalents	21,577,245	21,577,245	18,181,126	18,181,126	15,653,515	15,653,515
Mandatory balances with central banks	11,290,363	11,290,363	10,680,287	10,680,287	9,977,260	9,977,260
Loans to and placements with banks	3,130,387	3,130,387	6,942,745	6,942,745	8,582,414	8,582,414
Derivative financial instruments	809,379	809,379	936,093	936,093	879,742	879,742
Loans and advances to non-bank customers	120,239,361	120,051,834	109,475,989	109,231,315	102,108,174	102,636,234
Investment securities	121,053,397	123,216,788	100,290,935	100,937,032	77,347,157	81,249,132
Other assets	2,650,217	2,650,217	2,797,855	2,797,855	1,365,912	1,365,912
	280,750,349	282,726,213	249,305,030	249,706,453	215,914,174	220,344,209
Financial liabilities						
Deposits from banks	1,403,315	1,403,315	907,521	907,521	716,702	716,702
Deposits from non-bank customers	226,862,221	226,889,978	199,397,188	199,396,303	169,384,480	169,505,655
Other borrowed funds	15,017,177	15,017,177	13,373,033	13,373,033	11,964,588	11,964,588
Derivative financial instruments	1,279,984	1,279,984	1,126,364	1,126,364	1,009,171	1,009,171
Lease liabilities	804,407	804,407	795,345	795,345	-	-
Other liabilities	6,009,465	6,009,465	7,191,434	7,191,434	6,307,973	6,307,973
Subordinated debts	10,142,786	10,142,786	9,739,981	9,739,981	9,412,677	9,412,677
	261,519,355	261,547,112	232,530,866	232,529,981	198,795,591	198,916,766
THE COMPANY						
Financial assets						
Cash and cash equivalents	304,473	304,473	178,632	178,632	32,890	32,890
Investment securities	7,005,132	7,519,611	5,898,161	6,298,302	7,333,009	7,554,716
Other assets	48,900	48,900	231,000	231,000	153,309	153,309
	7,358,505	7,872,984	6,307,793	6,707,934	7,519,208	7,740,915
Financial liabilities						
Derivative financial instruments	41,524	41,524	47,645	47,645	19,356	19,356
Other liabilities	211,206	211,206	112,588	112,588	91,474	91,474
Subordinated debts	10,142,786	10,142,786	9,739,981	9,739,981	9,412,677	9,412,677
	10,395,516	10,395,516	9,900,214	9,900,214	9,523,507	9,523,507

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40 RISK MANAGEMENT (CONT'D)

a (i) Fair values (cont'd)

Loans and advances to non-bank customers

All the fixed loans and advances maturing after one year have been fair valued based on the current prevailing lending rate.

Investment securities and equity investments

All government bonds and BOM bonds have been fair valued based on the latest weighted yield rate. The equity investments has been fair valued at year end based on the market price ot net assets value of the investees.

Derivative financial instruments

Derivative products valued using a valuation methodology with market observable inputs include forward foreign exchange contracts, interest rate swaps and option contracts across several asset classes, including but not limited to foreign currencies, commodities, indices and equities. The most frequently applied valuation techniques include forward pricing and swap models, using discounted cash flow methodology based on market conventions. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves, market volatilities and other feeds from appointed valuation/calculation agents.

Deposits from non-bank customers

For deposits from non-bank customers, all the term deposits maturing after one year have been fair valued based on the current prevailing savings rate.

Index linked notes

Index linked notes are investment products that combine a fixed income investment with additional potential returns that are tied to the performance of equities. Equity linked notes are usually structured to return the initial investment with a variable interest portion that depends on the performance of the linked equity.

Except for the levels in which the financial assets and financial liabilities are shown in table 40 (a)(iii), the fair values of the other financial assets and financial liabilities are categorised in level 3.

a (ii) Fair value measurement hierarchy

Accounting policy

The Group measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 40a (ii) below. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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40 RISK MANAGEMENT (CONT'D)

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

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.

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 reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	THE GROUP				THE COMPANY			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level3	Total	Level 1	Level 2	Level3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020								
Derivative financial assets	-	809,379	-	809,379	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	9,580,368	-	-	9,580,368	661,057	-	-	661,057
Equity securities	-	1,622,852	-	1,622,852	-	1,622,331	-	1,622,331
Investments at FVTOCI (debt and equity instruments)								
Debt securities	58,644,453	-	254,994	58,899,447	8,637	-	-	8,637
Equity securities	70,959	695,204	4,415,192	5,181,355	-	-	3,636,307	3,636,307
Total assets	68,304,418	3,127,435	4,670,186	76,102,039	669,694	1,622,331	3,636,307	5,928,332
Derivative financial liabilities	-	1,279,984	-	1,279,984	-	41,524	-	41,524
Total liabilities	-	1,279,984	-	1,279,984	-	41,524	-	41,524

40 RISK MANAGEMENT (CONT'D)

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

	THE GROUP				THE COMPANY			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level3	Total	Level 1	Level 2	Level3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019 (as restated)								
Derivative financial assets	-	936,093	-	936,093	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	11,445,809	-	549,308	11,995,117	598,669	-	-	598,699
Equity securities	-	-	-	-	-	-	-	-
Investments at FVTOCI (debt and equity instruments)								
Debt securities	53,761,039	-	624,466	54,385,505	7,738	-	-	7,738
Equity securities	384,887	802,826	5,128,333	6,316,046	-	-	4,227,683	4,227,683
Total assets	65,591,737	1,738,919	6,302,107	73,632,761	606,437	-	4,227,683	4,834,120
Derivative financial liabilities	-	1,126,364	-	1,126,364	-	47,645	-	47,645
Total liabilities	-	1,126,364	-	1,126,364	-	47,645	-	47,645
31 December 2018 (as restated)								
Derivative financial assets	-	879,742	-	879,742	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	8,946,666	1,116,305	-	10,062,971	351,187	-	-	351,187
Investments at FVTOCI (debt and equity instruments)								
Debt securities	21,265,259	7,501,944	459,589	29,226,792	-	-	-	-
Equity securities	609,899	631,655	5,009,513	6,251,067	-	-	4,375,880	4,375,880
Total assets	30,821,825	10,129,646	5,469,102	46,420,572	351,187	-	4,375,880	4,727,067
Derivative financial liabilities	-	1,009,171	-	1,009,171	-	19,356	-	19,356
Total liabilities	-	1,009,171	-	1,009,171	-	19,356	-	19,356

Fair Value through other comprehensive income

Valuation technique	Significant unobservable inputs	Range of input
Discounted projected cash flow	Weighted Average Cost of Capital (WACC)	9.28%
	Favourable changes	Unfavourable changes
0.25% change in WACC **(MUR' 000)**	335,857,747	(335,857,747)

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40 RISK MANAGEMENT (CONT'D)

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

Reconciliation of level 3 assets:

	THE GROUP			THE COMPANY		
	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000
Balance at start of year	6,302,107	5,469,102	5,834,145	4,227,683	4,227,683	4,292,925
Additions	1,027,949	714,183	-	-	-	-
Disposals	(159,896)	-	(683,731)	-	-	-
Exchange difference	-	-	341,939	-	-	-
Movement in fair value	(2,499,974)	118,822	(23,251)	(591,376)	-	(65,242)
Balance at end of year	4,670,186	6,302,107	5,469,102	3,636,307	4,227,683	4,227,683

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 risk 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. The Group has also enhanced its credit risk policy to reinforce its controls on segment B lending.

(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		
		Restated	*Restated*			
	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000
Fund-based exposures:						
Cash and cash equivalents	18,244,110	15,268,102	12,191,837	304,473	178,632	32,890
Mandatory balances with Central Banks	11,290,363	10,680,287	9,977,260	-	-	-
Loans to and placements with banks	3,150,745	6,968,226	8,619,380	-	-	-
Derivative financial instruments	809,379	936,093	879,742	-	-	-
Loans and advances to non-bank customers	135,982,935	121,732,978	112,426,043	-	-	-
Investment securities (excluding equity investments)	114,381,061	94,443,100	71,614,171	1,738,633	1,671,039	7,333,009
Other assets	2,650,217	2,797,855	1,365,912	48,900	231,000	153,309
	286,508,810	252,826,641	217,074,345	2,092,006	2,080,671	7,519,208
Non-fund based exposures:						
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	17,784,305	10,954,435	11,383,478	-	-	-
Credit commitments	15,342,722	13,675,505	9,071,296	-	-	-
	33,126,827	24,629,940	20,454,774	-	-	-

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40 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

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

	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000
Grades:			
1 to 3 - High Grade	29,605,582	43,942,917	43,961,314
4 to 6 - Standard	43,604,083	46,220,106	35,196,815
7 to 10 (including unrated) - Sub standard	73,785,457	31,136,274	34,593,279
	146,995,122	121,299,297	113,751,408

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.

Overview of modified loans

From a risk management point of view, once an asset is modified, the Group continues to monitor the exposure until it is completely and ultimately derecognised.

The table below shows the gross carrying amount of modified financial assets for which loss allowance has changed during the year.

	31 December 2020		31 December 2019	
	Gross carrying amount MUR' 000	ECL MUR' 000	Gross carrying amount MUR' 000	ECL MUR' 000
Modified loans	25,441,261	353,714	12,494,575	326,436

Internal credit risk ratings

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises different categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Group's exposures:

- Payment record and ageing analysis;
- Extent of utilisation of granted limit;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies; and
- For retail exposures internally generated data of customer behaviour or other metrics.

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40 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposure analysed by type of products and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Group's internal credit risk grades to external ratings.

GROUP'S CREDIT RISK GRADES	MOODY'S RATING	DESCRIPTION
1	Aaa	High Grade
2	Aa1	High Grade
3	Aa2 to Aa3	High Grade
4	A1 to A3	Standard
5	Baa1 to Ba1	Standard
6	Ba1	Standard
7	Ba2 to Ba3	Sub-standard
8	B1	Sub-standard
9	B2 to B3	Sub-standard
10	Caa1 to NR	Sub-standard

The Group analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time and uses probability-weighted forecasts to adjust estimates of PDs.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrate otherwise. The Group has monitoring procedures in place to ensure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due. The Group performs periodic back-testing of its ratings to consider whether the drivers of credit-risk that led to default were accurately reflected in the rating in a timely manner.

1. Inputs, assumptions and techniques used in estimating impairment :

Refer to Note 9(c) Credit Impairment

2. Significant increase in credit risk

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occuring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

40 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

2. Significant increase in credit risk (cont'd)

For corporate lending, forward-looking information includes the future prospects of the industries in which the Group's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly to certain industries, as well as internally generated information of customer payment behaviour. The Group allocated its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for the point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate a significant increase in credit risk are reflected in PD models on a timely basis. However the Group still considers separately some qualitative factors to assess if credit risk has increased significantly, such as, creditworthiness of counterparty which has deteriorated as unemployment, bankruptcy or death.

As a back-stop when an asset becomes 30 days past due (rebuttable presumption), the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

3. Modified financial asset

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under this policy, renegotiation is performed on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to renegotiation policy. For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal based on the Group's previous experience on similar renegotiation.

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40 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

3. Modified financial asset (cont'd)

Generally modification of financial assets is a qualitative indicator of a significant increase in credit risk and may constitute evidence that the exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time, as prescribed by BOM guidelines on Credit Impaired Measurement (see below) before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL

Where the restructuring occurs prior to the classification of a loan as impaired, the restructured loan is classified as impaired when, in the aggregate, the period of time the loan is in arrears before and after restructuring is 90 days or more.

Where the restructuring occurs after a loan has been classified as impaired, the restructured loan is continued to be classified as impaired until repayments have been received by the Group, in amount and in such stipulated time, for a continuous period of six months, strictly in accordance with the terms and conditions of the restructured loan.

Where the loan has been restructured more than once, the restructured loan shall continue to be classified as impaired until repayments have been received by the financial institutions in amount and in such stipulated time, for a continuous period of nine months, at a minimum, strictly in accordance with the terms and conditions of the restructured loan.

4. Incorporation of forward-looking information

The Group incorporates forward looking information that is available without undue cost and effort into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on analysis from the Group's Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The following key indicators were considered for year ended 31 December 2020: GDP, interest rates.

Measurement of ECL : The key inputs into the measurement of ECL are the following:

i. probability of default (PD);

ii. loss given default (LGD);

iii. exposure at default (EAD).

These parameters are derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

40 RISK MANAGEMENT (CONT'D)
b Credit risk (cont'd)
(i) Maximum credit exposure (cont'd)
Internal credit risk ratings (cont'd)

5. Measurement of ECL

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for loans with a funded component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

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40 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) 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; and
- Letter of comfort.

The Group holds collateral and other credit enhancement against certain of its credit exposure. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	31 December 2020	*Restated* 31 December 2019	*Restated* 31 December 2018	Principal Type of collateral held
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fund-based exposures:				
Cash and cash equivalents	18,244,110	15,268,102	12,191,837	*Unsecured*
Mandatory balances with central banks	11,290,363	10,680,287	9,977,260	*Unsecured*
Loans to and placements with banks	3,150,745	6,968,226	8,619,380	*Unsecured*
Derivative financial instruments	809,379	936,093	879,742	*Unsecured*
Loans and advances to non-bank customers	135,982,935	121,732,978	112,426,043	*Property, equity instruments, cash deposits and other guarantees*
Investment securities	114,381,061	94,443,100	71,614,171	*Unsecured*
Other assets	2,650,217	2,797,855	1,365,912	*Unsecured*
Non-fund based exposures:				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	17,784,305	10,954,435	11,383,478	*Property, equity instruments, cash deposits and other guarantees*
Credit commitments	15,342,722	13,675,505	9,071,296	*Unsecured*

In addition to the collateral included in the table above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

There was no change in the Group's collateral policy during the year.

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40 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(iii) Ageing of loans and receivables that are past due but not impaired:

	THE GROUP		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Up to 1 month	233,890	183,537	393,924
Over 1 month and up to 3 months	579,223	389,921	600,625
	813,113	573,458	994,549

Under the Group's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due The table below provides an analysis of the gross carrying amount of receivables by past due status:

	31 December2020	
	Gross carrying	Loss allowance
	MUR' 000	MUR' 000
0-30 days (Stage 1)	97,912,695	507,933
31-89 days (Stage 2)	19,348,398	1,493,127
Total	117,261,093	2,001,060

(iv) 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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 9(c))	18,721,842	16,379,054	18,233,075
Specific allowance held in respect of impaired advances (Note 9(c))	13,742,514	9,643,278	8,536,039
Fair value of collaterals of impaired advances	8,176,210	7,461,298	11,018,417

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40 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(v) 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		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Portfolio			
Agriculture	3,227,632	2,319,392	5,603,930
Traders	8,042,135	9,646,283	15,920,016
Real estate	5,704,924	5,150,442	3,168,948
Financial institutions	2,397,744	2,201,073	-
Services	-	2,543,437	2,357,501
Tourism	8,389,473	4,889,755	2,850,973
	27,761,908	26,750,382	29,901,368

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.

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40 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, 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	Non-Maturity Bucket* MUR' 000	Total MUR' 000
31 December 2020								
Financial assets								
Cash and cash equivalents	21,559,196	19,719	-	-	-	-	(1,670)	21,577,245
Mandatory balances with central banks	3,178,071	536,542	252,663	701,226	337,968	6,283,893	-	11,290,363
Loans to and placements with banks	-	46,000	1,260,591	1,008,285	593,109	242,760	(20,358)	3,130,387
Derivative financial instruments	-	-	-	-	-	-	809,379	809,379
Loans and advances to non-bank customers	4,888,018	6,749,608	7,552,598	10,249,836	32,906,239	56,812,399	1,080,663	120,239,361
Investment securities	34,145,958	1,112,125	5,749,689	5,815,198	17,021,764	50,590,975	6,617,688	121,053,397
Other assets	-	-	-	-	-	-	2,650,217	2,650,217
	63,771,243	8,463,994	14,815,541	17,774,545	50,859,080	113,930,027	11,135,919	280,750,349
Financial liabilities								
Deposits from banks	1,004,821	-	398,494	-	-	-	-	1,403,315
Deposits from non-bank customers	30,952,096	15,111,610	8,088,167	18,463,886	9,933,096	144,313,366	-	226,862,221
Other borrowed funds	1,268,589	2,039,641	2,225,506	1,062,055	7,769,690	651,696	-	15,017,177
Derivative financial instruments	-	-	-	-	-	-	1,279,984	1,279,984
Subordinated debts	-	-	2,575,899	-	-	7,566,887	-	10,142,786
Lease liabilities	-	-	-	99,727	-	704,680	-	804,407
Other liabilities	-	-	-	-	-	-	6,009,465	6,009,465
Total financial liabilities	33,225,506	17,151,251	13,288,066	19,625,668	17,702,786	153,236,629	7,289,449	261,519,355
Liquidity Gap	30,545,738	(8,687,257)	1,527,475	(1,851,123)	33,156,294	(39,306,602)	3,846,470	19,230,994

* Non-maturity bucket includes ECL provisions, investment in shares having no maturity, non-performing loans whose maturity date have been exceeded, derivatives, other assets and liabilities with undetermined maturity dates.

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40 RISK MANAGEMENT (CONT'D)

c *Liquidity risk (cont'd)*

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	Non-Maturity Bucket* MUR' 000	Total MUR' 000
31 December 2019 (as restated)								
Financial assets								
Cash and cash equivalents	18,181,480	4,496	-	-	-	-	(4,850)	18,181,126
Mandatory balances with central banks	3,592,349	300,317	197,619	457,473	329,940	5,537,396	265,193	10,680,287
Loans to and placements with banks	1,832,440	395,111	2,728,703	1,249,520	762,453	-	(25,482)	6,942,745
Derivative financial instruments	-	-	-	-	-	-	936,093	936,093
Loans and advances to non-bank customers	5,710,068	6,105,555	5,326,436	10,118,903	28,698,900	50,154,607	3,361,520	109,475,989
Investment securities	30,349,176	4,222,832	3,565,739	6,216,733	12,155,524	37,203,340	6,577,591	100,290,935
Other assets	-	-	-	-	-	-	2,797,855	2,797,855
	59,665,513	11,028,311	11,818,497	18,042,629	41,946,817	92,895,343	13,907,920	249,305,030
Financial liabilities								
Deposits from banks	871,688	23,747	12,086	-	-	-	-	907,521
Deposits from non-bank customers	27,658,415	10,660,621	7,613,939	12,384,050	7,165,911	128,249,279	5,664,973	199,397,188
Other borrowed funds	7,901,991	43,307	1,272,535	146,271	2,398,950	1,609,979	-	13,373,033
Derivative financial instruments	-	-	-	-	-	-	1,126,364	1,126,364
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	-	9,739,981
Lease liabilities						795,345		795,345
Other liabilities	-	-	-	-	-	-	7,191,434	7,191,434
Total financial liabilities	36,432,094	10,727,675	8,927,324	12,530,321	11,945,696	137,984,985	13,982,771	232,530,866
Liquidity Gap	23,233,419	300,636	2,891,173	5,512,308	30,001,121	(45,089,642)	(74,851)	16,774,164

* Non-maturity bucket includes ECL provisions, investment in shares having no maturity, non-performing loans whose maturity date have been exceeded, derivatives, other assets and liabilities with undetermined maturity dates.

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40 RISK MANAGEMENT (CONT'D)

c *Liquidity risk (cont'd)*

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	Non-Maturity Bucket* MUR' 000	Total MUR' 000
31 December 2018 (as restated)								
Financial assets								
Cash and cash equivalents	14,536,882	1,159,932	-	-	-	-	(43,299)	15,653,515
Mandatory balances with central banks	3,323,940	349,823	187,544	454,851	430,880	5,230,222	-	9,977,260
Loans to and placements with banks	421,405	2,479,307	2,495,283	553,723	2,669,663	-	(36,967)	8,582,414
Derivative financial instruments	-	-	-	-	-	-	879,742	879,742
Loans and advances to non-bank customers	5,668,063	8,194,649	4,400,516	9,768,676	23,517,096	46,027,502	4,531,672	102,108,174
Investment securities	24,062,494	3,281,361	2,624,198	11,085,242	11,727,931	17,839,048	6,726,883	77,347,157
Other assets	-	-	-	-	-	-	1,365,912	1,365,912
	48,012,784	15,465,072	9,707,541	21,862,492	38,345,570	69,096,772	13,423,943	215,914,174
Financial liabilities								
Deposits from banks	697,414	19,288	-	-	-	-	-	716,702
Deposits from non-bank customers	26,726,407	9,681,266	5,900,702	10,819,633	8,005,193	108,251,279	-	169,384,480
Other borrowed funds	3,809,441	1,264,267	3,628,680	163,906	2,582,886	515,408	-	11,964,588
Derivative financial instruments	-	-	-	-	-	-	1,009,171	1,009,171
Subordinated debts	-	-	-	-	2,236,443	7,176,234	-	9,412,677
Other liabilities	-	-	-	-	-	-	6,307,973	6,307,973
Total financial liabilities	31,233,262	10,964,821	9,529,382	10,983,539	12,824,522	115,942,921	7,317,144	198,795,591
Liquidity Gap	16,779,522	4,500,251	178,159	10,878,953	25,521,048	(46,846,149)	6,106,799	17,118,583

* Non-maturity bucket includes ECL provisions, investment in shares having no maturity, non-performing loans whose maturity date have been exceeded, derivatives, other assets and liabilities with undetermined maturity dates.

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40 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	Non-Maturity Bucket* MUR' 000	Total MUR' 000
31 December 2020								
Financial assets								
Cash and cash equivalents	304,473	-	-	-	-	-	-	304,473
Investment securities	661,058	-	179,306	-	157,908	749,000	5,257,860	7,005,132
Other assets	-	-	-	-	-	-	48,900	48,900
	965,531	-	179,306	-	157,908	749,000	5,306,760	7,358,505
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	41,524	41,524
Subordinated debts	-	-	2,575,899	-	-	7,566,887	-	10,142,786
Other liabilities	-	-	-	-	-	-	211,206	211,206
	-	-	2,575,899	-	-	7,566,887	252,730	10,395,516
Liquidity Gap	965,531	-	(2,396,593)	-	157,908	(6,817,887)	5,054,030	(3,037,011)

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	Non-Maturity Bucket* MUR' 000	Total MUR' 000
31 December 2019 (as restated)								
Financial assets								
Cash and cash equivalents	178,632	-	-	-	-	-	-	178,632
Investment securities	239,844	-	26,674	-	353,500	452,321	4,825,822	5,898,161
Other assets	-	-	-	-	-	-	231,000	231,000
	418,476	-	26,674	-	353,500	452,321	5,056,822	6,307,793
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	47,645	47,645
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	-	9,739,981
Other liabilities	-	-	-	-	-	-	112,588	112,588
	-	-	28,764	-	2,380,835	7,330,382	160,233	9,900,214
Liquidity Gap	418,476	-	(2,090)	-	(2,027,335)	(6,878,061)	4,896,589	(3,592,421)

* Non-maturity bucket includes ECL provisions, investment in shares having no maturity, non-performing loans whose maturity date have been exceeded, derivatives, other assets and liabilities with undetermined maturity dates.

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40 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	Non-Maturity Bucket* MUR' 000	Total MUR' 000
31 December 2018 (as restated)								
Financial assets								
Cash and cash equivalents	32,890	-	-	-	-	-	-	32,890
Investment securities	181,334	-	52,754	698,500	1,080,000	1,092,738	4,227,683	7,333,008
Other assets	-	-	-	-	-	-	153,309	153,309
	214,224	-	52,754	698,500	1,080,000	1,092,738	4,380,992	7,519,208
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	19,356	19,356
Subordinated debts	-	-	-	-	2,236,443	7,176,234	-	9,412,677
Other liabilities	-	-	-	-	-	-	91,474	91,474
	-	-	-	-	2,236,443	7,176,234	110,830	9,523,507
Liquidity Gap	214,224	-	52,754	698,500	(1,156,443)	(6,083,496)	4,270,162	(2,004,299)

* Non-maturity bucket includes ECL provisions, investment in shares having no maturity, non-performing loans whose maturity date have been exceeded, derivatives, other assets and liabilities with undetermined maturity dates.

40 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	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
Financial liabilities							
Deposits	176,942,836	22,650,827	7,137,145	15,090,185	5,673,965	770,578	228,265,536
Derivative financial instruments	1,279,984	-	-	-	-	-	1,279,984
Other borrowed funds	-	732,331	4,801,404	1,062,055	202,804	8,218,583	15,017,177
Subordinated debts	-	2,575,899	-	-	7,566,887	-	10,142,786
Lease liabilities	-	-	-	99,727	-	704,680	804,407
Other liabilities	6,009,465	-	-	-	-	-	6,009,465
31 December 2020	184,232,285	25,959,057	11,938,549	16,251,967	13,443,656	9,693,841	261,519,355
Financial liabilities							
Deposits	149,121,514	23,787,816	5,921,274	9,885,889	8,922,818	2,665,398	200,304,709
Derivative financial instruments	1,126,364	-	-	-	-	-	1,126,364
Other borrowed funds	85	7,945,298	1,272,450	146,271	2,398,950	1,609,979	13,373,033
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	9,739,981
Lease liabilities	-	-	-	-	-	795,345	795,345
Other liabilities	7,191,434	-	-	-	-	-	7,191,434
31 December 2019 (as restated)	157,439,397	31,733,114	7,222,488	10,032,160	13,702,603	12,401,104	232,530,866
Deposits	130,395,125	16,566,948	5,244,485	9,460,009	8,287,698	146,917	170,101,182
Derivative financial instruments	1,009,171	-	-	-	-	-	1,009,171
Other borrowed funds	-	5,073,708	3,628,680	163,906	2,582,886	515,408	11,964,588
Subordinated debts	-	-	-	-	2,236,443	7,176,234	9,412,677
Other liabilities	6,307,973	-	-	-	-	-	6,307,973
31 December 2018 (as restated)	137,712,269	21,640,656	8,873,165	9,623,915	13,107,027	7,838,559	198,795,591

40 RISK MANAGEMENT (CONT'D)

c *Liquidity risk (cont'd)*

THE COMPANY	On Demand 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
Financial liabilities							
Derivative financial instruments	-	-	-	-	-	41,524	41,524
Subordinated debts	-	2,575,899	-	-	7,566,887	-	10,142,786
Other liabilities	211,206	-	-	-	-	-	211,206
31 December 2020	211,206	2,575,899	-	-	7,566,887	41,524	10,395,516
Financial liabilities							
Derivative financial instruments	47,645	-	-	-	-	-	47,645
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	9,739,981
Other liabilities	112,588	-	-	-	-	-	112,588
31 December 2019 (as restated)	160,233	-	28,764	-	2,380,835	7,330,382	9,900,214
Financial liabilities							
Derivative financial instruments	-	-	-	-	-	19,356	19,356
Subordinated debts	-	-	-	2,236,443	7,176,234	-	9,412,677
Other liabilities	-	-	-	-	-	91,474	91,474
31 December 2018 (as restated)	-	-	-	2,236,443	7,176,234	110,830	9,523,507

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.

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40 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk

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

The table below analyses the Group's 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 31 December 2020	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	Non-interest sensitive MUR' 000	Total
Assets								
Cash and cash equivalents	2,543,035	-	-	-	-	-	19,034,210	21,577,245
Mandatory balances with central banks	-	-	-	-	-	-	11,290,363	11,290,363
Loans to and placements with banks	1,890,154	1,243,992	-	-	-	-	(3,759)	3,130,387
Derivative financial instruments	-	-	-	-	-	-	809,379	809,379
Loans and advances to non-bank customers	97,667,632	7,072,318	6,612,937	6,640,456	4,422,759	4,604,186	(6,780,927)	120,239,361
Investment securities	15,453,258	5,676,749	11,269,902	15,654,077	32,128,390	30,035,697	10,835,324	121,053,397
Other assets	-	-	-	-	-	-	2,650,217	2,650,217
Total assets	117,554,079	13,993,059	17,882,839	22,294,533	36,551,149	34,639,883	37,834,807	280,750,349
Liabilities								
Deposits from banks	-	398,494	-	-	-	-	1,004,821	1,403,315
Deposits from non-bank customers	96,025,962	6,722,207	14,890,715	5,288,749	2,015,407	719	101,918,462	226,862,221
Other borrowed funds	10,974,971	417,841	-	3,462,912	102,866	-	58,587	15,017,177
Derivative financial instruments	-	-	-	-	-	-	1,279,984	1,279,984
Lease liabilities	-	-	-	-	-	-	804,407	804,407
Subordinated debts	1,514,667	2,575,899	-	-	-	6,052,220	-	10,142,786
Other liabilities	-	-	-	-	-	-	6,009,465	6,009,465
Total liabilities	108,515,600	10,114,441	14,890,715	8,751,661	2,118,273	6,052,939	111,075,726	261,519,355
On balance sheet interest rate sensitivity gap	9,038,479	3,878,618	2,992,124	13,542,872	34,432,876	28,586,944	(73,240,919)	19,230,994
Off balance sheet interest rate sensitivity gap	8,793,601	(3,568,124)	(838,111)	(2,510,099)	(951,516)	(921,239)	-	4,512
	17,832,080	310,494	2,154,013	11,032,773	33,481,360	27,665,705	(73,240,919)	19,235,506

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40 RISK MANAGEMENT (CONT'D)
d Market risk (cont'd)

(i) Interest rate risk (cont'd)

THE GROUP 31 December 2019 (as restated)	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	Non-interest sensitive MUR' 000	Total MUR' 000
Assets								
Cash and cash equivalents	2,158,613	-	-	-	-	-	16,022,513	18,181,126
Mandatory balances with central banks	-	-	-	-	-	-	10,680,287	10,680,287
Loans to and placements with banks	4,575,917	1,651,268	334,335	346,000	-	-	35,225	6,942,745
Derivative financial instruments	-	-	-	-	-	-	936,093	936,093
Loans and advances to non-bank customers	91,066,455	4,414,910	7,969,455	4,609,525	6,068,393	3,347,879	(8,000,628)	109,475,989
Investment securities	20,505,890	5,066,964	8,838,982	5,580,124	31,538,981	21,328,297	7,431,697	100,290,935
Other assets	-	-	-	-	-	-	2,797,855	2,797,855
Total assets	118,306,875	11,133,142	17,142,772	10,535,649	37,607,374	24,676,176	29,903,042	249,305,030
Liabilities								
Deposits from banks	59,317	11,830	-	-	-	-	836,374	907,521
Deposits from non-bank customers	104,842,582	6,199,031	9,734,316	3,799,708	2,571,496	14,906	72,235,149	199,397,188
Other borrowed funds	8,359,654	1,650,689	-	-	1,098,810	-	2,263,880	13,373,033
Derivative financial instruments	-	-	-	-	-	-	1,126,364	1,126,364
Subordinated debts	1,500,000	2,380,835	-	-	-	5,830,382	28,764	9,739,981
Lease liabilities	-	-	-	-	-	-	795,345	795,345
Other liabilities	-	-	-	-	-	-	7,191,434	7,191,434
Total liabilities	114,761,553	10,242,385	9,734,316	3,799,708	3,670,306	5,845,288	84,477,310	232,530,866
On balance sheet interest rate sensitivity gap	3,545,322	890,757	7,408,456	6,735,941	33,937,068	18,830,888	(54,574,268)	16,774,164
Off balance sheet interest rate sensitivity gap	11,685,641	1,841,883	3,852,369	(1,187,222)	(3,001,308)	(2,169,370)	-	11,021,993
	15,230,963	2,732,640	11,260,825	5,548,719	30,935,760	16,661,518	(54,574,268)	27,796,157

40 RISK MANAGEMENT (CONT'D)

d *Market risk (cont'd)*

(i) *Interest rate risk (cont'd)*

THE GROUP 31 December 2018 (as restated)	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	Non-interest sensitive MUR' 000	Total
Assets								
Cash and cash equivalents	3,561,137	-	-	-	-	-	12,092,378	15,653,515
Mandatory balances with central banks	-	40,000	-	-	-	-	9,937,260	9,977,260
Loans to and placements with banks	5,712,065	2,697,971	82,560	-	-	-	89,818	8,582,414
Derivative financial instruments	-	-	-	-	-	-	879,742	879,742
Loans and advances to non-bank customers	82,880,313	4,535,007	2,228,944	5,135,766	5,292,272	7,020,775	(4,984,903)	102,108,174
Investment securities	14,798,692	7,398,165	14,099,461	6,701,127	16,006,898	11,575,502	6,767,312	77,347,157
Other assets	-	-	-	-	-	-	1,365,912	1,365,912
Total assets	106,952,207	14,671,143	16,410,965	11,836,893	21,299,170	18,596,277	26,147,519	215,914,174
Liabilities								
Deposits from banks	62,791	-	-	-	-	-	653,911	716,702
Deposits from non-bank customers	83,108,627	4,913,600	8,626,656	6,335,444	166,850	1,612	66,231,691	169,384,480
Other borrowed funds	4,780,234	4,330,762	-	2,817,025	-	-	36,567	11,964,588
Derivative financial instruments	-	-	-	-	-	-	1,009,171	1,009,171
Subordinated debts	1,522,229	2,236,443	-	-	-	5,623,165	30,840	9,412,677
Other liabilities	-	-	-	-	-	-	6,307,973	6,307,973
Total liabilities	89,473,881	11,480,805	8,626,656	9,152,469	166,850	5,624,777	74,270,153	198,795,591
On balance sheet interest rate sensitivity gap	17,478,326	3,190,338	7,784,309	2,684,424	21,132,320	12,971,500	(48,122,634)	17,118,583
Off balance sheet interest rate sensitivity gap	12,457,497	(1,420,568)	927,465	(1,297,880)	(893,463)	(2,880,652)	-	6,892,399
	29,935,823	1,769,770	8,711,774	1,386,544	20,238,857	10,090,848	(48,122,634)	24,010,982

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40 RISK MANAGEMENT (CONT'D)

d *Market risk (cont'd)*

(i) *Interest rate risk (cont'd)*

THE COMPANY 31 December 2020	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	Non-interest sensitive MUR' 000	Total
Assets								
Cash and cash equivalents	-	-	-	-	-	-	304,473	304,473
Investment securities	-	138,500	-	150,000	204,908	552,000	5,959,724	7,005,132
Other assets	-	-	-	-	-	-	48,900	48,900
Total assets	-	138,500	-	150,000	204,908	552,000	6,313,097	7,358,505
Liabilities								
Derivative financial instruments	-	-	-	-	-	-	41,524	41,524
Subordinated debts	1,514,667	2,575,899	-	-	-	6,052,220	-	10,142,786
Other liabilities	-	-	-	-	-	-	211,206	211,206
Total liabilities	1,514,667	2,575,899	-	-	-	6,052,220	252,730	10,395,516
On balance sheet interest rate sensitivity gap	(1,514,667)	(2,437,399)	-	150,000	204,908	(5,500,220)	6,060,367	(3,037,011)
	(1,514,667)	(2,437,399)	-	150,000	204,908	(5,500,220)	6,060,367	(3,037,011)
31 December 2019 (as restated)								
Assets								
Cash and cash equivalents	-	-	-	-	-	-	178,632	178,632
Investment securities	240,000	15,000	-	203,500	182,321	420,000	4,837,340	5,898,161
Other assets	-	-	-	-	-	-	231,000	231,000
Total assets	240,000	15,000	-	203,500	182,321	420,000	5,246,972	6,307,793
Liabilities								
Derivative financial instruments	-	-	-	-	-	-	47,645	47,645
Subordinated debts	1,500,000	2,380,835	-	-	-	5,830,382	28,764	9,739,981
Other liabilities	-	-	-	-	-	-	112,588	112,588
Total liabilities	1,500,000	2,380,835	-	-	-	5,830,382	188,997	9,900,214
On balance sheet interest rate sensitivity gap	(1,260,000)	(2,365,835)	-	203,500	182,321	(5,410,382)	5,057,975	(3,592,421)
	(1,260,000)	(2,365,835)	-	203,500	182,321	(5,410,382)	5,057,975	(3,592,421)

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40 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

31 December 2018 (as restated)	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	Non-interest sensitive MUR' 000	Total
Assets								
Cash and cash equivalents	-	-	-	-	-	-	32,890	32,890
Investment securities	181,611	38,500	698,500	15,000	1,215,000	445,000	4,739,398	7,333,009
Other assets	-	-	-	-	-	-	153,309	153,309
Total assets	181,611	38,500	698,500	15,000	1,215,000	445,000	4,925,597	7,519,208
Liabilities								
Derivative financial instruments	-	-	-	-	-	-	19,356	19,356
Subordinated debts	1,522,229	2,236,443	-	-	-	5,623,165	30,840	9,412,677
Other liabilities	-	-	-	-	-	-	91,474	91,474
Total liabilities	1,522,229	2,236,443	-	-	-	5,623,165	141,670	9,523,507
On balance sheet interest rate sensitivity gap	(1,340,618)	(2,197,943)	698,500	15,000	1,215,000	(5,178,165)	4,783,927	(2,004,299)
	(1,340,618)	(2,197,943)	698,500	15,000	1,215,000	(5,178,165)	4,783,927	(2,004,299)

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

	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000
Increase in profit	341,700	249,404	589,558

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40 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

Interest rate sensitivity

The following table demonstrates the sensitivity of a 2% change in interest rates in the different countries:

	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000
Mauritius	520,801	(340,216)	(514,568)
India	68,681	(154,673)	(53,750)
Madagascar	(2,080)	(2,414)	(4,646)
Kenya	(173,454)	80,371	(92,596)
Others	(72,251)	59,929	49,030
	341,697	(357,003)	(616,530)

(ii) Fair value hedges

At 31 December 2020:	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
Micro fair value hedges	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000
Fixed rate corporate loans	6,213,147	-	215,796	-
Fixed rate debt instrument	2,398,849	-	21,439	-
Fixed rate non-bank deposits	-	135,996	-	-

At 31 December 2019:	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
Micro fair value hedges	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000
Fixed rate corporate loans	8,179,583	-	145,936	-
Fixed rate debt instrument	2,220,898	-	51,242	-
Fixed rate non-bank deposits	-	153,751	-	122

At 31 December 2018:	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
Micro fair value hedges	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000
Fixed rate corporate loans	4,670,782	-	115,028	-
Fixed rate debt instrument	3,163,303	-	6,271	-
Fixed rate non-bank deposits	-	143,919	-	2,030

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40 RISK MANAGEMENT (CONT'D)

d *Market risk (cont'd)*

(ii) *Fair value hedges (cont'd)*

The following table provides information about the hedging instruments included in the derivative financial instruments line items of the Group's statement of financial position:

Micro fair value hedges	31 December 2020			31 December 2019		
	Notional Amount	Carrying Amount		Notional Amount	Carrying Amount	
		Assets	Liabilities		Assets	Liabilities
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest rate swaps	7,084,396	393	235,903	12,577,020	367	280,993

The below table sets out the outcome of the Group's hedging strategy, set out in Notes 8 and 9, in particular, to changes in the fair value of the hedged items and hedging instruments in the current year and the comparative year, used as the basis for recognising ineffectiveness:

		31 December 2020			31 December 2019		
		Gain/(loss) attributable to the hedged risk			Gain/(loss) attributable to the hedged risk		
Hedged items	Hedging instruments	Hedged items	Hedging instruments	Hedge ineffectiveness	Hedged items	Hedging instruments	Hedge ineffectiveness
Micro fair value hedge relationships hedging assets							
Fixed rate corporate loans	Interest rate swaps	215,796	(214,464)	1,332	145,936	(263,848)	(117,912)
Fixed rate debt instrument	Interest rate swaps	21,439	(21,439)	-	51,242	(17,145)	34,098
Micro fair value hedge relationships hedging liabilities							
Fixed rate non-bank deposits	Interest rate swaps	-	393	393	(122)	367	244
Total micro fair value hedge relationship		237,235	(235,510)	1,725	197,056	(280,626)	(83,570)

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40 RISK MANAGEMENT (CONT'D)

d *Market risk (cont'd)*

(ii) *Fair value hedges (cont'd)*

The maturity profile of the hedging instruments used in micro fair value hedge relationships is as follows:

At 31 December 2020:	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	135,996	3,811,151	2,277,768	859,481	7,084,396

At 31 December 2019:	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	549,111	-	9,869,879	2,158,030	12,577,020

At 31 December 2018:	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	-	-	-	2,650,748	2,650,748

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40 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk

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

THE GROUP	MUR	USD	GBP	EUR	INR	KES	OTHER	TOTAL
31 December 2020	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS								
Cash and cash equivalents	12,634,383	3,798,574	362,261	398,703	2,427,738	925,573	1,030,013	21,577,245
Mandatory balances with Central Banks	8,628,978	807,233	83,389	211,255	411,067	841,797	306,644	11,290,363
Loans to and placements with banks	270,345	2,616,008	-	244,034	-	-	-	3,130,387
Derivative financial instruments	279,262	389,614	1,571	10,327	118,868	-	9,737	809,379
Loans and advances to non-bank customers	60,271,170	24,875,118	1,083,035	15,883,046	11,898,970	5,721,187	506,835	120,239,361
Investment securities	61,535,323	38,721,218	-	493,439	4,631,678	14,844,150	827,589	121,053,397
Other assets	539,546	806,769	1,572	598,464	130,163	555,140	18,563	2,650,217
Total monetary financial assets	144,159,007	72,014,534	1,531,828	17,839,268	19,618,484	22,887,847	2,699,381	280,750,349
LIABILITIES								
Deposits from banks	244,708	484,545	2,013	92,660	546,473	5,465	27,451	1,403,315
Deposits from non-bank customers	106,889,917	71,801,463	2,850,787	13,547,684	12,387,937	16,651,909	2,732,524	226,862,221
Other borrowed funds	-	10,008,035	-	1,048,793	118,240	3,842,109	-	15,017,177
Derivative financial instruments	202,942	928,603	1,075	41,797	85,559	-	20,008	1,279,984
Subordinated debts	4,575,167	5,567,619	-	-	-	-	-	10,142,786
Lease liabilities	804,407	-	-	-	-	-	-	804,407
Other liabilities	1,435,214	93,110	(1,098,171)	4,162,608	516,516	1,219,878	(319,690)	6,009,465
Total monetary financial liabilities	114,152,355	88,883,375	1,755,704	18,893,542	13,654,725	21,719,361	2,460,293	261,519,355
On balance sheet position	30,006,652	(16,868,841)	(223,876)	(1,054,274)	5,963,759	1,168,486	239,088	19,230,994
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	30,006,652	(16,281,966)	(223,876)	(1,054,274)	5,376,884	1,168,486	239,088	19,230,994

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40 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

THE GROUP	MUR	USD	GBP	EUR	INR	KES	OTHER	TOTAL
31 December 2019 (as restated)	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS								
Cash and cash equivalents	7,123,704	6,998,246	605,988	1,397,285	204,115	982,331	869,457	18,181,126
Mandatory balances with Central Banks	8,231,853	972,536	94,288	26,276	215,539	910,454	229,341	10,680,287
Loans to and placements with banks	2,431,333	1,637,371	-	1,237,890	1,636,151	-	-	6,942,745
Derivative financial instruments	347,822	452,420	3	10,312	108,729	-	16,807	936,093
Loans and advances to non-bank customers	60,162,176	27,064,201	802,901	12,203,995	4,655,125	3,884,398	703,193	109,475,989
Investment securities	55,663,578	24,225,476	-	1,040,942	3,161,825	15,525,268	673,846	100,290,935
Other assets	957,062	159,478	607	39,289	50,531	813,115	777,773	2,797,855
Total monetary financial assets	134,917,528	61,509,728	1,503,787	15,955,989	10,032,015	22,115,566	3,270,417	249,305,030
LIABILITIES								
Deposits from banks	437,123	294,898	7,176	47,341	114,482	4,163	2,338	907,521
Deposits from non-bank customers	102,865,291	61,831,066	2,184,904	11,176,989	3,746,439	15,481,465	2,111,034	199,397,188
Other borrowed funds	-	6,084,400	3,254	4,052,113	-	3,232,817	449	13,373,033
Derivative financial instruments	76,816	871,392	2	65,874	93,067		19,213	1,126,364
Subordinated debts	4,582,051	5,157,930	-	-	-	-	-	9,739,981
Lease liabilities	795,345	-	-	-	-	-	-	795,345
Other liabilities	1,678,923	3,760,306	(561,503)	1,123,475	1,746	1,327,272	(138,785)	7,191,434
Total monetary financial liabilities	110,435,549	77,999,992	1,633,833	16,465,792	3,955,734	20,045,717	1,994,249	232,530,866
On balance sheet position	24,481,979	(16,490,264)	(130,046)	(509,803)	6,076,281	2,069,849	1,276,168	16,774,164
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	24,481,979	(15,903,389)	(130,046)	(509,803)	5,489,406	2,069,849	1,276,168	16,774,164

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40 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

THE GROUP	MUR	USD	GBP	EUR	INR	KES	OTHER	TOTAL
31 December 2018 (as restated)	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
ASSETS								
Cash and cash equivalents	4,099,617	6,416,239	479,846	805,454	820,147	2,223,739	808,473	15,653,515
Mandatory balances with Central Banks	7,803,233	823,330	92,565	47,674	180,242	853,936	176,280	9,977,260
Loans to and placements with banks	5,195,708	2,128,235	-	1,174,062	-	-	84,409	8,582,414
Derivative financial instruments	219,506	605,286	4,630	2,588	21,358	-	26,374	879,742
Loans and advances to non-bank customers	59,261,154	24,050,589	828,678	9,975,722	3,207,614	4,110,699	673,718	102,108,174
Investment securities	54,453,412	18,068,902	-	398,186	2,599,960	14,587,705	(12,761,008)	77,347,157
Other assets	921,309	10,718	(181)	34,471	173,517	198,361	27,717	1,365,912
Total monetary financial assets	131,953,939	52,103,299	1,405,538	12,438,157	7,002,838	21,974,440	(10,964,037)	215,914,174
LIABILITIES								
Deposits from banks	700,289	-	-	-	14,574	-	1,839	716,702
Deposits from non-bank customers	89,027,387	46,587,864	2,842,161	8,911,815	3,244,643	16,953,706	1,816,904	169,384,480
Other borrowed funds	1,355	6,157,731	284,044	1,637,762	249,571	2,817,025	817,100	11,964,588
Derivative financial instruments	274,268	199,452	8	-	523,958	-	11,485	1,009,171
Subordinated debts	4,582,749	4,829,928	-	-	-	-	-	9,412,677
Other liabilities	1,522,583	2,560,363	50,352	399,893	241,224	1,140,750	392,808	6,307,973
Total monetary financial liabilities	96,108,631	60,335,338	3,176,565	10,949,470	4,273,970	20,911,481	3,040,136	198,795,591
On balance sheet position	35,845,308	(8,232,039)	(1,771,027)	1,488,687	2,728,868	1,062,959	(14,004,173)	17,118,583
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	35,845,308	(7,645,164)	(1,771,027)	1,488,687	2,141,993	1,062,959	(14,004,173)	17,118,583

The Company is exposed to currency risk only in USD in relation to cash and cash equivalents and investment securities (financial assets) amounting to MUR 916.3 million (2019 : MUR 616.2 million and 2018: MUR 181.3) and subordinated debts (financial liabilities) amounting to MUR 5,760.8 million (2019: MUR 5,157.9 million and 2018: MUR 4,829.3 million).

Currency risk sensitivity

The following table demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, and the impact on the Group's profit and Equity.

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FOR THE YEAR ENDED 31 DECEMBER 2020

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40 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

	Impact on Group's profit after tax and Equity					
	USD	**GBP**	**EUR**	**INR**	**KES**	**OTHER**
31 December 2020	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
5%	(843,442)	(11,194)	(52,714)	298,188	58,424	11,954
-5%	843,442	11,194	52,714	(298,188)	(58,424)	(11,954)
31 December 2019 (as restated)						
5%	1,224,099	(824,513)	(6,502)	(25,490)	303,814	103,492
-5%	(1,224,099)	824,513	6,502	25,490	(303,814)	(103,492)
31 December 2018 (as restated)						
5%	1,792,265	(411,602)	(88,551)	74,434	136,443	53,148
-5%	(1,792,265)	411,602	88,551	(74,434)	(136,443)	(53,148)

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:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	**MUR' 000**	**MUR' 000**
Minimum for the year	581	850	1,095
Maximum for the year	9,793	19,588	22,309
Year end	2,232	3,271	6,186

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40 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iv) Equity price sensitivity analysis

The Group is exposed to equity price risks arising from equity investments. 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 *statements of profit or loss*. Changes in prices of held-for-trading investments are reflected in the *statements 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 statements 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 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Statements of comprehensive income	259,068	315,802	312,553	181,815	211,384	218,794
	259,068	315,802	312,553	181,815	211,384	218,794

e Accounting policy

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability and equity instruments are disclosed in Note 4 to the financial statements (summary of significant accounting policies).

41 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 i.e the Group Chief Executive Officer 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.

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41 SEGMENT INFORMATION - THE GROUP (CONT'D)

Accounting policy (cont'd)

(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:

31 December 2020	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income from external customers	11,077,176	104,269	22,672	52,286	-	11,256,403
Non-interest income from external customers	3,641,940	39,011	4,852	396,929	-	4,082,732
Revenue from external customers	14,719,116	143,280	27,524	449,215	-	15,339,135
Interest income/(expense) from internal customers	81,294	-	-	-	(81,294)	-
Non-interest income/(expense) from internal customers	80	398,178	-	260,000	(658,258)	-
Revenue/(expense) from other segments of the entity	81,374	398,178	-	260,000	(739,552)	-
Total gross revenue/(expense)	14,800,490	541,458	27,524	709,215	(739,552)	15,339,135
Interest and fee and commission expense to external customers	(3,670,532)	(2,521)	-	(444,521)	-	(4,117,574)
Interest (expense)/income to internal customers	(301)	(30,516)	-	(50,728)	81,545	-
	(3,670,833)	(33,037)	-	(495,249)	81,545	(4,117,574)
Operating income/(expense)	11,129,657	508,421	27,524	213,966	(658,007)	11,221,561
Depreciation and amortisation	(1,035,564)	(11,075)	(557)	(2,020)	-	(1,049,216)
Other non-interest expense	(4,384,275)	(168,465)	(3,311)	(591,899)	46,237	(5,101,713)
Credit loss expense on financial assets and memorandum items	(3,743,848)	(13,338)	-	(216)	-	(3,757,402)
Operating profit/(loss)	1,965,970	315,543	23,656	(380,169)	(611,770)	1,313,230
Share of profit of associate	-	-	-	-	-	-
Profit/(loss) before income tax	1,965,970	315,543	23,656	(380,168)	(611,770)	1,313,230
Tax (expense)/credit	(291,634)	(4,941)	(3,887)	336	-	(300,126)
Profit/(loss) for the year	1,674,336	310,602	19,769	(379,833)	(611,770)	1,013,104
Segment assets	307,642,895	3,981,468	169,995	36,889,453	(60,261,717)	288,422,094
Segment liabilities	253,740,549	1,432,582	3,853	10,403,064	(2,354,282)	263,225,766
Additions to tangible and intangible assets	383,278	11,323	-	-	-	394,601

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41 SEGMENT INFORMATION - THE GROUP (CONT'D)

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

31 December 2019 (as restated)	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
Interest income from external customers	10,800,473	82,812	-	77,863	-	10,961,148
Non-interest income from external customers	2,659,848	224,223	3,621	155,951	-	3,043,643
Revenue from external customers	13,460,321	307,035	3,621	233,814	-	14,004,791
Interest income/(expense) from internal customers	38,251	-	-	-	(38,251)	-
Non-interest income/(expense) from internal customers	1,327,881	121,277	-	1,412,849	(2,862,007)	-
Revenue/(expense) from other segments of the entity	1,366,132	121,277	-	1,412,849	(2,900,258)	-
Total gross revenue/(expense)	14,826,453	428,312	3,621	1,646,663	(2,900,258)	14,004,791
Interest and fee and commission (expense)/income to external customers	(3,882,224)	5,857	-	(486,523)	-	(4,362,890)
Interest (expense)/income to internal customers	(8,011)	(30,240)	-	-	38,251	-
	(3,890,235)	(24,383)	-	(486,523)	38,251	(4,362,890)
Operating income/(expense)	10,936,218	403,929	3,621	1,160,140	(2,862,007)	9,641,901
Depreciation and amortisation	(1,076,807)	(10,476)	(396)	(2,425)	-	(1,090,104)
Other non-interest expense	(4,441,128)	(152,519)	(2,763)	(421,546)	(4,419)	(5,022,375)
Credit loss (expense)/credit on financial assets and memorandum items	(2,917,193)	-	(284)	1,085	183	(2,916,209)
Operating profit/(loss)	2,501,090	240,934	178	737,254	(2,866,243)	613,213
Share of profit of associate	-	-	-	139,237	-	139,237
Profit/(loss) before income tax	2,501,090	240,934	178	876,491	(2,866,243)	752,450
Tax expense	(694,805)	(21,797)	(169)	(357)	(1)	(717,129)
Profit/(loss) for the year	1,806,285	219,137	9	876,134	(2,866,244)	35,321
Segment assets	276,134,138	4,159,936	650,743	37,486,471	(60,035,388)	258,395,900
Segment liabilities	224,306,386	1,590,353	213	9,903,341	(1,952,513)	233,847,780
Additions to tangible and intangible assets	383,278	11,323	-	-	-	394,601

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41 SEGMENT INFORMATION - THE GROUP (CONT'D)

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

31 December 2018 (as restated)	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
Interest income from external customers	9,188,387	90,613	-	-	-	9,279,000
Non-interest income/(expense) from external customers	1,975,036	5,592,952	225	(3,673,700)	-	3,894,513
Revenue/(expense) from external customers	11,163,423	5,683,565	225	(3,673,700)	-	13,173,513
Interest income/(expense) from internal customers	-	10,436	-	-	(10,436)	-
Non-interest income/(expense) from internal customers	1,100,500	156,436	-	3,717,942	(4,974,878)	-
Revenue/(expense) from other segments of the entity	1,100,500	166,872	-	3,717,942	(4,985,314)	-
Total gross revenue/(expense)	12,263,923	5,850,437	225	44,242	(4,985,314)	13,173,513
Interest and fee and commission expense to external customers	(2,947,559)	(307,567)	-	-	-	(3,255,126)
Interest (expense)/income to internal customers	(10,436)	-	-	-	10,436	-
	(2,957,995)	(307,567)	-	-	10,436	(3,255,126)
Operating income/(expense)	9,305,928	5,542,870	225	44,242	(4,974,878)	9,918,387
Depreciation and amortisation	(823,428)	(3,691)	(68)	(10)	-	(827,197)
Other non-interest expense	(3,083,635)	(484,869)	(295)	(16,796)	(319,122)	(3,904,717)
Credit loss expense on financial assets and memorandum items	(3,557,452)	-	(1,898)	-	-	(3,559,350)
Operating profit/(loss)	1,841,413	5,054,310	(2,036)	27,436	(5,294,000)	1,627,123
Share of profit of associate	-	-	-	100,240	-	100,240
Profit/(loss) before income tax	1,841,413	5,054,310	(2,036)	127,676	(5,293,998)	1,727,363
Tax expense	(335,717)	(30,986)	-	(4,101)	(9,150)	(379,954)
Profit/(loss) for the year	1,505,696	5,023,324	(2,036)	123,575	(5,303,149)	1,347,409
Segment assets	218,342,574	63,509,546	290	32,066	(57,879,198)	224,005,277
Segment liabilities	191,772,161	9,682,921	437	7,097	(1,639,130)	199,823,497
Additions to tangible and intangible assets	518,840	2,939	-	-	-	521,779

41 SEGMENT INFORMATION - THE GROUP (CONT'D)

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

	BANKING		
		Restated	*Restated*
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Revenue from external customers arising from the following products and services:			
Loans and advances to non-bank customers	373,181	395,101	256,569
Loans to and placements with banks	254,535	494,492	478,630
Exchange income	708,977	628,068	905,059
Card income	293,826	387,850	332,573
Trade finance services	509,655	756,581	886,526
Deposit and other products/services	235,440	174,528	105,914
	2,375,614	2,836,620	2,965,271

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

	BANKING		
	Mauritius	Other countries	Total
	MUR' 000	MUR' 000	MUR' 000
31 December 2020			
Revenue from external customers	7,364,856	7,354,260	14,719,116
Tangible and intangible assets	4,983,214	1,278,199	6,261,414
31 December 2019 *(as restated)*			
Revenue from external customers	7,825,550	5,634,771	13,460,321
Tangible and intangible assets	5,372,893	1,360,438	6,733,331
31 December 2018 *(as restated)*			
Revenue from external customers	7,749,578	3,413,845	11,163,424
Tangible and intangible assets	5,421,828	898,815	6,320,643

42 DISCONTINUED OPERATIONS

The Board has approved the exit of SBM Bank (Seychelles) Ltd ("SBMBS") in the Seychelles. The approval from the Central Bank of Seychelles has been received on 30 July 2020, SBMBS has surrendered its banking licence on 18 December 2020. At 31 December 2020, the results of SBMBS were reported as a one line item under "Discontinued Operations" in the Statements of Profit or Loss. The results of the foreign subsidiary for the year ended 31 December 2020 are presented below:

42 DISCONTINUED OPERATIONS (CONT'D)

	Audited year ended 31 December 2020	Audited year ended 31 December 2019	Audited year ended 31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Interest income using the effective interest income method	5,141	3,226	-
Interest expense using the effective interest income method	(311)	(1,250)	-
Net interest income	4,830	1,976	-
Fee and commission income	87	16	-
Fee and commission expense	(2)	-	-
Net fee and commission income	85	16	-
Other income			
Net trading income	52,084	437	-
Non-interest income	52,169	453	-
Operating income	56,999	2,429	-
Personnel expenses	(8,655)	(6,633)	-
Depreciation of property, equipment	(1,597)	(811)	-
Depreciation of right-of-use assets	(2,277)	(2,847)	-
Amortisation of intangible assets	(243)	(910)	-
Other expenses	(36,307)	(8,609)	(1,398)
Non-interest expense	(49,079)	(19,810)	(1,398)
Profit/(loss) before credit loss expense on financial assets and memorandum items	7,920	(17,381)	(1,398)
Credit loss expense on financial assets and memorandum items	470	(584)	-
Profit/(loss) before income tax	8,390	(17,965)	(1,398)
Tax expense	(484)	-	-
Profit/(loss) for the year from discontinuing operations	7,906	(17,965)	(1,398)

The net cash flows incurred by SBMBS are as follows:

	Audited year ended 31 December 2020	Audited year ended 31 December 2019
	MUR' 000	MUR' 000
Operating activities	60,252	(204,423)
Investing activities	30,175	(29,009)
	90,427	(233,432)

43 SUBSEQUENT EVENT NOTE

On 04 February 2021, investment held by the Company in SBM Maharajah Bond Fund was disposed at a value of USD 11.1 million. The investment has been recognised at net realisable value as at 31 December 2020 in the books of Company.

LES GENS SONT COMME DES PLANTES DANS LE VENT : ILS SE COURBENT ET SE RELÈVENT.

PEOPLE ARE LIKE PLANTS IN THE WIND: THEY BOW DOWN AND RISE UP AGAIN.

- Malagasy proverb -

ADDITIONAL INFORMATION

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DIRECTORS OF SBM HOLDINGS LTD AND ITS SUBSIDIARIES

HOLDING ENTITY		
SBM Holdings Ltd		
Mr Sattar Hajee Abdoula *(Chairman)* Mr Jean Paul Emmanuel Arouff Ms Shakilla Bibi Jhungeer	Mr Varun Krishn Munoosingh Mr Roodesh Muttylall Ms Sharon Ramdenee	Mr Visvanaden Soondram Mr Subhas Thecka

BANK HOLDING ENTITY		
SBM (Bank) Holdings Ltd		
Mr Nayen Koomar Ballah, *G.O.S.K* *(Chairman)*	Mr Jean Paul Emmanuel Arouff Ms Shakilla Bibi Jhungeer	Mr Roodesh Muttylall Mr Visvanaden Soondram

BANK OPERATING ENTITIES		
SBM Bank (Mauritius) Ltd	**SBM Bank (Kenya) Limited**	**SBM Bank (India) Limited**
Mr Visvanaden Soondram *(Deputy Chairperson)* Mr Jean Paul Emmanuel Arouff Mr Coomarah Chengan Mrs Imalambaal Kichenin Mr Eric Michel Georges Leal Mr Roodesh Muttylall Mr Rajcoomar Rampertab Mr Muhammad Azeem Salehmohamed Ms Oumila Sibartie Mr Luis Jorge Stock *(Officer in Charge)* Mr Ranapartab Tacouri	Mr Sattar Hajee Abdoula *(Chairman)* Mr Nayen Koomar Ballah, *G.O.S.K* Dr James Boyd McFie Mr Moezz Mir *(CEO)* Mrs Flora Mutahi Mr Jotham Mutoka Mr Sharad Sadashiv Rao	Mr Sattar Hajee Abdoula Mr Andrew Bainbridge Mr Shyam Sundar Barik Mr Sanjay Kumar Bhattacharyya Mr Umesh Jain Mr Ameet Patel Mr Sidharth Rath *(MD & CEO)* Mrs Sudha Ravi
Banque SBM Madagascar SA	**SBM Overseas One Ltd**	**SBM Overseas Two Ltd**
Mr Sattar Hajee Abdoula *(Chairman)* Mr Leckram Dawonauth Mr Roodesh Muttylall Mr Maurice Jean Marc Ulcoq	Mr Kabirsingh Baboolall Mr Sivakrisna Goinden	Mr Kabirsingh Baboolall Mr Sivakrisna Goinden
SBM Overseas Three Ltd	**SBM Overseas Four Ltd**	**SBM Overseas Five Ltd**
Mr Kabirsingh Baboolall Mr Sivakrisna Goinden	Mr Kabirsingh Baboolall Mr Sivakrisna Goinden	Mr Kabirsingh Baboolall Mr Sivakrisna Goinden
SBM Overseas Six Ltd	**SBM Africa Holdings Ltd**	
Mr Kabirsingh Baboolall Mr Sivakrisna Goinden	Mr Sattar Hajee Abdoula Mr Nayen Koomar Ballah, *G.O.S.K*	

NON-BANK HOLDING ENTITY		
SBM (NBFC) Holdings Ltd		
Mr Sattar Hajee Abdoula *(Chairman)* Mr Pierre D'Unienville	Mr Thierry Hugnin Ms Shakilla Bibi Jhungeer	Mr Roshan Ramoly Mr Shailendrasingh Sreekeessoon
SBM Capital Markets Ltd	**SBM Mauritius Asset Managers Ltd**	**SBM Fund Services Ltd**
Mr Sattar Hajee Abdoula *(Chairman)* Mr Pierre D'Unienville Mr Roshan Ramoly Mr Shailendrasingh Sreekeessoon Mr Eric Venpin	Mr Pierre D'Unienville *(Chairman)* Mrs Reedhee Bhuttoo Mr John Wallace Mc Ilraith Mr Roshan Ramoly Mr Shailendrasingh Sreekeessoon Mr Eric Venpin	Mrs Ragini Gowrisunkur *(Chairperson)* Mrs Reedhee Bhuttoo Mr Shailendrasingh Sreekeessoon
SBM Insurance Agency Ltd	**SBM Factors Ltd**	**SBM Leasing Co. Ltd**
Mr Roshan Ramoly *(Chairman)* Mr Ragnish Gujjalu Mr Shailendrasingh Sreekeessoon	Mr Sattar Hajee Abdoula *(Chairman)* Mr Norman Fong Sing Mr Ragnish Gujjalu Mr Shailendrasingh Sreekeessoon	Mr Sattar Hajee Abdoula *(Chairman)* Mr Shailendrasingh Sreekeessoon
SBM eBusiness Ltd		
Mr Sattar Hajee Abdoula *(Chairman)* Mr Shailendrasingh Sreekeessoon		

ENTITIES MANAGED BY SBM MAURITIUS ASSET MANAGERS LTD		
SBM India Fund	**SBM Maharaja Fund**	**SBM Africa Equity Fund Ltd**
Mr Assad Abdullatif *(Chairman)* Mr Shaan Kundomal Mr Shailendrasingh Sreekeessoon	Mr Assad Abdullatif *(Chairman)* Mr Amal Autar Mr Shaan Kundomal Mr Shailendrasingh Sreekeessoon	Mr Shailendrasingh Sreekeessoon
SBM Alternative Investments Ltd	**SBM International Funds Ltd***	**SBM Infrastructure General Partner Limited***
Mr Shailendrasingh Sreekeessoon *(Chairman)* Mrs Reedhee Bhuttoo	Mr Shailendrasingh Sreekeessoon	Mr Sattar Hajee Abdoula Mr Namasivayen Poonoosamy Mr Shailendrasingh Sreekeessoon

ENTITIES MANAGED BY SBM CAPITAL MARKETS LTD		
SBM Structured Solutions PCC	**SBM (Mauritius) Infrastructure Development Company Ltd**	
Mr Shailendrasingh Sreekeessoon Mrs Reedhee Bhuttoo	Mr Jairaj Sonoo, *C.S.K* *(Chairman)* Mrs Reedhee Bhuttoo	Mr Goburdhun Goolabchun, *G.O.S.K* Mr Shailendrasingh Sreekeessoon

NON-FINANCIAL ENTITY	
SBM (NFC) Holdings Ltd	
Mr Soondrassen Murday, *O.S.K* *(Chairman)* Mr Jean Paul Emmanuel Arouff	Mr Pavan Baichoo Ms Sharon Ramdenee

GLOBAL SERVICES	
SBM 3S Ltd	
Mr Sattar Hajee Abdoula *(Chairman)* Mr Kabirsingh Baboolall	Mr Sivakrisna Goinden Ms Shakilla Bibi Jhungeer

Note: *in process of winding up

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GROUP ADDRESSES

HOLDING ENTITY		
SBM Holdings Ltd		
SBM Tower 1, Queen Elizabeth II Avenue Port Louis, Republic of Mauritius	Tel: (230) 202 1111 Fax: (230) 202 1234 Swift: STCBMUMU	Website: www.sbmgroup.mu Email: sbm@sbmgroup.mu

BANK HOLDING ENTITY		
SBM (Bank) Holdings Ltd		
SBM Tower 1, Queen Elizabeth II Avenue Port Louis, Republic of Mauritius	Tel: (230) 202 1111 Fax: (230) 202 1234 Swift: STCBMUMU	Website: www.sbmgroup.mu E-mail: sbm@sbmgroup.mu

BANKING OPERATING ENTITIES		
SBM Bank (Mauritius) Ltd	**SBM Bank (Kenya) Limited**	**SBM Bank (India) Limited**
SBM Tower 1, Queen Elizabeth II Avenue Port Louis, Republic of Mauritius Tel: (230) 202 1111/1000 Fax: (230) 202 1234 Swift: STCBMUMU Website: www.sbmbank.com Email: sbm@sbmgroup.mu	Riverside Mews Building, Riverside Drive, Nairobi, Kenya P.O. Box 34886 - 00100 Tel: +254 709 800 000/ +254 730 175 000 Swift: SBMKKENA Website: www.sbmbank.co.ke Email: atyourservice@sbmbank.co.ke	101, Raheja Centre, 1st Floor Free Press Journal Marg Nariman Point Mumbai - 400 021, India Tel: (91) (22) 4302 8888 Fax: (91) (22) 2284 2966 Swift: STCBINBX Website: www.sbmbank.co.in Email: customercare@sbmbank.co.in
Banque SBM Madagascar SA		
1, Rue Andrianary Ratianarivo Antsahavola, 101 Antananarivo Madagascar Tel: (261) 20 22 666 07 Fax: (261) 20 22 666 08 Swift: BSBMMGMG Website: www.sbmgroup.mu Email: hotlinemada@sbmgroup.mu		

NON-BANK HOLDING ENTITY		
SBM (NBFC) Holdings Ltd Registered Office Address		
SBM Tower, 1, Queen Elizabeth II Avenue Port Louis, Republic of Mauritius	Tel: (230) 202 1111 Fax: (230) 210 3369	Website: www.sbmgroup.mu Email: nbfc.leads@sbmgroup.mu

NON-BANK OPERATING ENTITIES		
SBM Capital Markets Ltd Registered Office Address	**SBM Mauritius Asset Managers Ltd Registered Office Address**	**SBM Fund Services Ltd Registered Office Address**
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SBM Insurance Agency Ltd Registered Office Address	**SBM Factors Ltd Registered Office Address**	**SBM Leasing Co. Ltd Registered Office Address**
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SBM eBusiness Ltd		
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LIST OF ABBREVIATIONS

AFD	-	Agence Française de Développement
AFS	-	Available for Sale
ALCO	-	Asset and Liability Committee
AML	-	Anti-Money Laundering
APB	-	Association Professionnelle des Banques
ARA	-	Average Retirement Age
ATM	-	Automated Teller Machine
BCBS	-	Basel Committee on Banking Supervision
BCM	-	Business Continuity Management
BCP	-	Business Continuity Plan
BIA	-	Business Impact Analysis
BOM	-	Bank of Mauritius
BSBMM	-	Banque SBM Madagascar SA
CAPCO	-	Capital Allocation & Planning Committee
CAR	-	Capital Adequacy Ratio
CASA	-	Current Account Savings Account
CBS	-	Core Banking System
CCB	-	Capital Conservation Buffer
CCPs	-	Central Counterparties
CCS	-	Cross Currency Swaps
CEO	-	Chief Executive Officer
CET 1	-	Common Equity Tier 1
CFT	-	Combating the Financing of Terrorism
CG & CR Committee	-	Corporate Governance & Conduct Review Committee
COE	-	Code of Ethics and Business Conduct
COVID-19	-	Coronavirus Disease 2019
CRM	-	Customer Relationship Management
CSR	-	Corporate Social Responsibility
DC	-	Defined Contribution
Deputy Group CEO	-	Deputy Group Chief Executive Officer
D-SIB	-	Domestic Systemically Important Bank
EAD	-	Exposure at Default
ECL	-	Expected Credit Loss
EIR	-	Effective Interest Rate
EPZ	-	Export Processing Zone
ESG	-	Environmental, Social and Governance
ESR	-	Environmental and Social Risk
FRC	-	Financial Reporting Council
FVTOCI	-	Fair Value through other Comprehensive Income
FVTPL	-	Fair Value through Profit and Loss
FX	-	Foreign Exchange
FY	-	Financial Year
GDP	-	Gross Domestic Product
GEF	-	Group Executive Forum
GEM	-	Groupement des Entreprises de Madagascar
GNPA	-	Gross Non-performing Assets
Group CEO	-	Group Chief Executive Officer
HEC	-	Higher Education Commission
HQLA	-	High Quality Liquid Assets
HR	-	Human Resources
HTM	-	Held to Maturity
IASB	-	International Accounting Standards Board
ICAAP	-	Internal Capital Adequacy Assessment Process
ICT	-	Information and Communications Technology
IFC	-	International Finance Corporation
IFRIC	-	International Financial Reporting Interpretations Committee
IFRS	-	International Financial Reporting Standards
IIRC	-	International Integrated Reporting Council
IMF	-	International Monetary Fund
IND	-	Independent Non-Executive Director
INR	-	Indian Rupee
IR	-	Integrated Reporting
ISDA	-	International Swaps and Derivatives Association
ISKCON	-	International Society for Krishna Consciousness
IT	-	Information Technology
KES	-	Kenyan Shilling
KRR	-	Key Repo Rate
LCR	-	Liquidity Coverage Ratio

LIST OF ABBREVIATIONS (CONT'D)

LGD	-	Loss Given Default
LIBOR	-	London Inter-Bank Offered Rate
LTRO	-	Long Term Repo Operation
MD	-	Managing Director
MDBs	-	Multilateral Development Banks
MEV	-	Macroeconomic Variables
MGA	-	Malagasy Ariary
MITD	-	Mauritius Institute of Training and Development
MLRO	-	Money Laundering Reporting Officer
MTM	-	Mark to Market
MUR	-	Mauritian Rupee
NBFC	-	Non-Banking Financial Cluster
NED	-	Non-Executive Director
NGO	-	Non-Governmental Organisation
NII	-	Net Interest Income
NNPA	-	Net Non-Performing Assets
NPA	-	Non-Performing Asset
NSFR	-	Net Stable Funding Ratio
OTC	-	Over-The-Counter
PAT	-	Profit after Tax
PD	-	Probability of Default
POS	-	Point of Sale
PRM	-	Proactive Risk Management
RBI	-	Reserve Bank of India
REMCO	-	Nomination & Remuneration Committee
RMC	-	Risk Management Committee
ROE	-	Return on Equity
RPT	-	Related Party Transactions
RWAs	-	Risk Weighted Assets
SBM/The Group/ SBM Group	-	SBM Holdings Ltd and its Subsidiaries
SBMBH	-	SBM (Bank) Holdings Ltd
SBMBI	-	SBM Bank (India) Limited
SBMBK	-	SBM Bank (Kenya) Limited
SBMBM	-	SBM Bank (Mauritius) Ltd
SBMBS	-	SBM Bank (Seychelles) Limited
SBMH/ The Company	-	SBM Holdings Ltd
SBM NBFC	-	SBM (NBFC) Holdings Ltd
SEM	-	Stock Exchange of Mauritius
SHOFCO	-	Shining Hope for Communities
SICOM	-	State Insurance Company of Mauritius Ltd
SICR	-	Significant Increase in Credit Risk
SME	-	Small and Medium Enterprises
SPPI	-	Solely Payments of Principal and Interest
SSL	-	Secure Sockets Layer
SUNREF	-	Sustainable Use of Natural Resources and Energy Finance
SWIFT	-	Society for Worldwide Interbank Financial Telecommunication
The Board	-	The Board of Directors of SBM Holdings Ltd
The Code	-	The National Code of Corporate Governance for Mauritius (2016)
UHNW	-	Ultra High Net Worth
UN	-	United Nations
VaR	-	Value at Risk
VP	-	Vice President
WFH	-	Work from Home
2FA	-	Two-Factor Authentication

NOTES

PREVIOUS

HOME

NEXT

HOME

PREVIOUS
HOME
NEXT
HOME

PREVIOUS

HOME

SCAN ME

FOR DIGITAL VERSION

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