



NEW PERSPECTIVE RENEWED COMMITMENT

SBM HOLDINGS LTD
ANNUAL REPORT 2021



Cautionary statements

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

The future outcomes that relate to forward-looking statements may be influenced by many factors, including, but not limited to, interest rate and currency value fluctuations, local and global industry 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 Holdings Ltd, 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 Holdings Ltd does not undertake to update any forward-looking statement that may be made, from time to time, by the organisation or on its behalf.

Dear Shareholder,

The Directors of SBM Holdings Ltd are pleased to present the Annual Report for the year ended 31 December 2021.

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 that impact the performance of the organisation in a fair and transparent manner.

The Board approved and authorised the publication of the SBM Holdings Ltd Annual Report 2021 on 29 April 2022.



Sattar Hajee Abdoula
Group Chairman
SBM Holdings Ltd

KEY HIGHLIGHTS

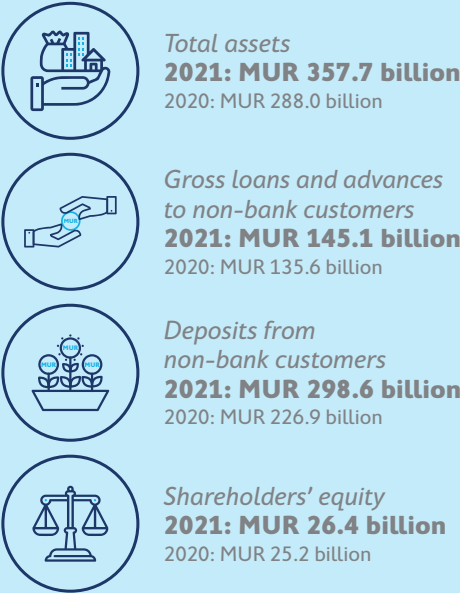
Our organisation at a glance

The SBM Group (referred to as 'the Group' or 'SBM' across this report) is a leading and diversified banking and financial services operator which is headquartered in Mauritius. SBM Holdings Ltd is the ultimate holding company of SBM Group.

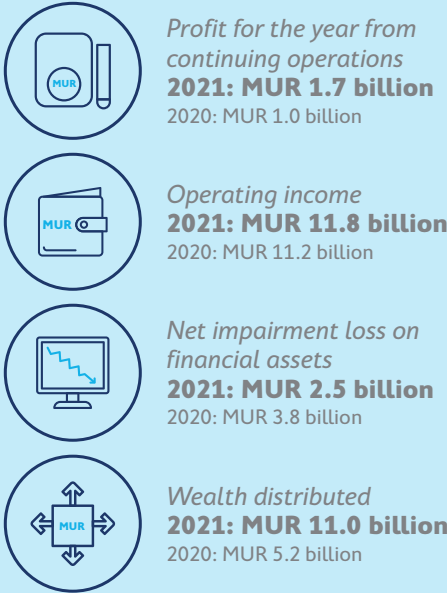
Upholding our resilience and brand image

During the last financial year, we pursued our business growth, while maintaining our financial soundness amidst a particularly challenging context. Capitalising on our sound business model, we unleashed bold, proactive and robust measures that helped us to cope with and manage the testing market conditions, especially in the wake of the ramifications of the COVID-19 pandemic. In the face of adversity, SBM Group remains a solid and trustworthy institution, alongside promoting the welfare of its stakeholders and embedding its reputation as a caring and socially responsible organisation.

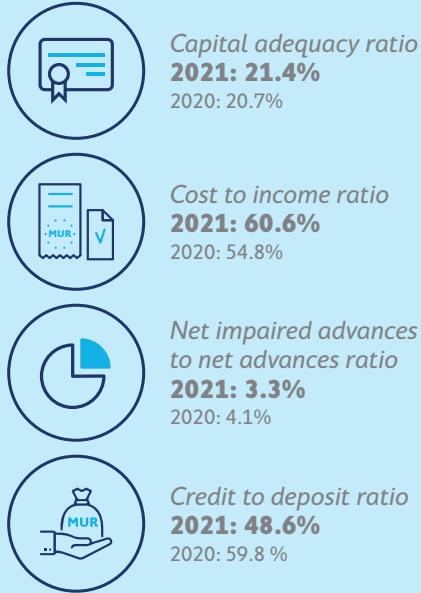
Underpinned by a solid and diversified balance sheet...



...SBM Group has bolstered its profitability and wealth distribution...



...alongside upholding resilient financial ratios in support of future growth



Learn more about our financial performance in the Financial Review section

Coping with the pandemic

Confronting the pandemic, SBM acted in a prompt, well-informed and judicious manner to preserve sound sanitary conditions, uphold the continuity of its operations and maintain quality service to its customers. With the remarkable engagement of our employees, we accompanied our numerous stakeholders and remained by their side. We maintained collaboration with the authorities of our presence countries and assisted them in mitigating the social and economic impacts of the pandemic.

Overall, key actions taken across the different entities of the Group are described as follows, with interventions being shaped by their own specificities as well as local guidelines and regulations.

Protecting the health, safety and well-being of employees and customers, alongside upholding the continuity and soundness of our activities

- Adoption of solid business continuity management strategies and pandemic response plans to maintain service delivery in line with the evolving sanitary context, supported by a robust governance set-up and appropriate monitoring of our actions; streamlining and automation of processes and operations to ensure uninterrupted services
- Implementing sound sanitary protocols and hygienic practices, while adapting set-up of branches, undertaking regular cleansing and full sanitisation of branches and office premises, carrying out COVID-19 screening tests and vaccination programmes for staff, providing face masks to staff, adopting social distancing measures, ensuring access to hand hygiene facilities as well as delivering doctor consultation to our employees through telephone
- Pursuance of Work From Home policy, backed by clear guidelines as well as the delivery of enhanced and secure IT infrastructure to ensure good and reliable network connectivity towards fostering maximum efficiency while working remotely; implementing a split/rotation strategy for staff as well as sound remote working arrangements, bearing in mind the specificities and criticality of functions and departments; arranging for alternative working sites for staff by making use of meeting rooms, training rooms and other available spaces to ensure social distancing
- Encouraging customers, through dedicated awareness and communication campaigns, to have recourse to digital channels and platforms for their transactions, while ensuring that solutions offered are convenient enough to meet expectations and delivering assistance for greater adoption; promoting digitally-enabled interactions with customers, suppliers and other external stakeholders to communicate organisational decisions or undertake business transactions, while notably leveraging virtual meetings, video conferences, social media and digital screens

KEY HIGHLIGHTS (CONT'D)

Assisting, accompanying and guiding our individual and corporate customers

- Delivering financial and non-financial assistance to COVID-19-impacted customers, while upholding the highest level of service to our overall client base in spite of the testing context
- Partaking in support measures adopted by Governments and Central Banks to provide breathing space to afflicted individual and corporate customers, alongside accompanying them in their endeavours; offering specific solutions to adapt to the evolving environment and support clients
- Relationship Managers remaining in contact with customers and disseminating regular advice to them; customer care centres and dedicated hotline remaining available to assist customers

Key initiatives by specific entities

SBM Bank (Mauritius) Ltd	<p>In line with Government efforts to boost the construction sector amidst the impact of the pandemic, the bank has, in March 2021, launched its SBM Housing Loan Campaign, offering up to 100% financing at 0% interest rate for the first 3 months, with attractive terms and conditions prevailing thereafter. Coupled with the Home Loan Payment Scheme and Home Ownership Scheme implemented by the Registrar General's department, this campaign has encouraged and enabled thousands of Mauritians to pursue their housing projects and achieve their ambitions.</p> <p>Leveraging its own schemes and while being aligned with the Bank of Mauritius COVID-19 Support Programme which has been extended to 30 June 2022, the bank offered financial support to economic operators, SMEs, households and individuals impacted by the pandemic, with applications assessed on a case-by-case basis. Moratoria were provided on capital repayments, with extension of loan maturity dates.</p>
SBM Bank (India) Limited	<p>In addition to relief assurance provided to customers in alignment with financial packages announced by the fiscal and monetary authorities, the bank further executed its digital strategy and built a nimble and scalable digital-first ecosystem in support of the accelerated delivery of digital and payments products. In doing so, it capitalised on collaborations and partnerships with Fin-Techs and non-banking financial corporations, thereby building a credible collaborative banking network. It expanded its suite of digital products, transforming banking into an always-on experience for its customers. The bank's internet banking platform was revamped to add various additional features while the mobile banking service was further disseminated in parallel with multiple payment and other transacting options built in, to provide customers with ready access as well as the ease and comfort of 24x7 digitally-enabled banking services.</p>
SBM Bank (Kenya) Limited	<p>The bank provided customers with moratorium on their loans to cushion them from the effects of COVID-19. This was guided by the Central Bank of Kenya which also waived fees on money transfer services and relinquished listing of customers who went into default for a period of one year. The bank availed additional liquidity support enabled by the Central Bank to underpin the delivery of financing facilities to customers.</p>

Strengthening our operational and financial soundness

- Promoting an increasingly disciplined and well-engineered deployment of the Group's business development strategies against the backdrop of the uncertain environment, together with prioritising our moves, maintaining resilient operations and ensuring that the growth agenda across markets is not overly disrupted
- Reinforcing the scrutiny of the organisation's financial metrics and ratios amidst the challenging economic landscape, with focus on asset quality, capital adequacy, liquidity and funding; assessing the impact of the economic crisis on our operations and activities and undertaking a close appraisal of the operating context
- Reviewing the risk appetite as well as the risk management and internal control framework, mechanisms and policies for proper oversight, with a view to minimising business risk and impact in an environment of heightened uncertainties and marked by stressed conditions
- Undertaking the close assessment of portfolios and client files for any remedial actions; taking early steps to identify sectors and counterparts where credit was likely to be impacted; promoting a regular follow-up on clients having difficulties to repay their credit facilities
- Putting in place dedicated measures to achieve greater agility and flexibility in respect of internal decision-making and strategic planning processes to underpin effective interventions

Supporting societies and communities

- Providing sustained assistance to vulnerable groups of society, notably those who have been affected by the repercussions of the pandemic on jobs and disposable income



Learn more about our positioning and initiatives in the Sustainability Report on our website



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CHAIRMAN'S LETTER



"Our performance demonstrates that the organisation is on the right track and that strategic initiatives unleashed are gradually bearing fruit."

Navigating in a difficult environment

2021 has been a particularly challenging year for SBM Group as it continued to grapple with the health and economic ramifications of the COVID-19 pandemic on its presence countries, amidst lingering repercussions on market conditions and the business climate. The disposable incomes and revenue streams of individual and corporate clients have, to varying degrees, been pressurised. Besides, the demand for credit has slowed down. Employees of the Group were impacted in their personal and professional lives, as the recourse to Work From Home practices became increasingly prominent in view of persisting health and sanitary risks.

In the wake of this unprecedented context, the Group took decisive moves to preserve the health and safety of its employees and customers, alongside maintaining the continuity of its services across different channels and platforms. It has duly accompanied and guided its client base, offering adapted products and services to suit their evolving needs. Along the way, further emphasis has been laid on the delivery of digital solutions to ensure alignment with new customer behaviours and preferences on the marketplace.

While facing up to turbulent times, it is a matter of pride that SBM Group has preserved its operational and financial resilience, underpinned by various strategic initiatives taken to strengthen the governance and risk management frameworks, improve operational efficiency and spearhead the business growth agenda. We paid close attention to the challenges triggered by the operating landscape, alongside standing ready to do all what it takes to acclimatise our strategic intents in ways that duly fulfil the interests of the organisation.

Along the way, it has been uplifting to witness the exemplary spirit and incessant engagement of all our employees across different layers, fields and entities. They have promptly and successfully adapted to changing working conditions and changing market realities without, at any time, reining in the level and quality of service that the organisation endeavours to deliver to its valued customers. By means of robust support and relief measures, we remained focused on somewhat relieving the financial pressures of customers who have, in one way or the other, been afflicted by the consequences of the pandemic.

Registering an upturn in our financial performance

Against the backdrop of the challenging operating landscape across the markets and jurisdictions in which our entities maneuver, the full-year results of SBM Group are very encouraging. Anchored on the Group's solid and diversified business model, our performance demonstrates that the organisation is on the right track and that strategic initiatives unleashed are gradually bearing fruit. It reiterates that the Group has the drive and credentials to achieve sound and sustained business growth in the periods ahead.

Profit attributable to the equity holders of the parent rose by 70.3% to attain MUR 1,738.9 million for the year ended December 2021. This was largely attributable to a drop in credit loss expense on the back of moves to tackle impaired loans and strengthened risk stewardship. Support also emanated from higher core earnings as the Group pursued its business expansion, with operating income rising by 5.1%.

CHAIRMAN'S LETTER (CONT'D)

While facing up to a low interest environment, net interest income was underpinned by higher investment in short-term securities in view of the subdued economic climate. Gross loans and advances to non-bank customers went up by 7.0% to attain MUR 145.1 billion. Testifying to the Group's goodwill and trustworthiness, deposits from non-bank customers rose by 31.6% to stand at MUR 298.6 billion. Net fee and commission income increased considerably on the back of ongoing market diversification initiatives.

"The Group results were underpinned by the sustained momentum built across business lines and entities."

MUR 32.7 billion as at 31 December 2021, with the overall capital adequacy ratio reaching 21.4%. In spite of being exposed to a testing economic environment across different market segments, the Group has preserved generally manageable asset quality levels.

Earnings per share from continuing operations stood at 67.3 cents for the year ended December 2021, compared to 39.2 cents for the preceding year.

The Group results were underpinned by the sustained momentum built across business lines and entities. While foreign banking entities have capitalised on well-engineered growth-enabling initiatives and enriched customer experiences, SBM Bank (Mauritius) Ltd delivered the most significant contribution to the overall performance in spite of testing operating and market conditions. The contribution of the Non-Banking Financial Cluster to Group profit was appreciable.

In light of the Group's improving profitability and its favourable growth prospects going forward, the Board has announced the resumption of dividend payment to its shareholders, after a careful review of the capital positions and requirements of its banking subsidiaries. For the financial year ended 31 December 2021, the Board approved a dividend of 20 cents per share, subject to regulatory approval, payable in June 2022.

Gearing up for a better and renewed future

Reassuring signs of gradual economic upturn are being witnessed across our presence countries. Yet, the market environment remains particularly volatile and complex amidst the pandemic propagation, persisting inflationary pressures, heightened geopolitical uncertainties, supply chain bottlenecks and vulnerabilities across international financial markets. In Mauritius, GDP growth is anticipated to gather additional steam this year, with the momentum underpinned by progress in vaccination, support measures by the authorities, the healing global landscape, and a relative mending of consumer and investor sentiment.

The economic context, though, remains challenging, with the conflict between Russia and Ukraine deserving close attention in view of the repercussions on market conditions and the business environment.

The Group continued to invest in its future growth, with focus on further strengthening its human and technological capabilities. This can be gauged by the rise in operating expenses during the year under review, thus leading to a cost to income ratio of 60.6%.

In support of its growth ambitions, the Group has remained highly liquid and well capitalised. The capital base of the Group stood at

While being vigilant to the risks and opportunities emanating from the operating environment, SBM Group has set out to further reinforce its capabilities so as to embark on a renewed phase of its growth journey in the periods ahead, as it aims to progressively diversify its revenue streams across markets. Essentially, the Group remains committed to further positioning itself as a reference banking and financial services player, while remaining focused on serving its clients across geographically and culturally diverse jurisdictions.

Towards those ends, the Group has, lately, pivoted its key strategic orientations, which revolve around: (i) Purposeful and sustainable business model; (ii) Simpler and smarter organisation; and (iii) Growth as an international and universal service provider. Moving in this direction, a key focus area is to unlock the power of our brand, people and technology to tap into growth opportunities, alongside fulfilling our customer promise of delivering easy, convenient, differentiated, seamless, easily-accessible and secure solutions.

At the same time, we recognise that our people are our prime assets. In this respect, we will continue to invest to uphold the welfare and interests of our employees across our various presence countries.

Amidst the aforementioned priorities, the Board remains committed to oversee and guide the smooth execution of strategic priorities, while promoting strengthened risk management and operational efficiency.

In the end, SBM Group endeavours to deliver attractive and sustainable shareholder returns, while being guided by the strength of its financial and capital positions as well as by economic and market conditions.

This is encompassed in the overall philosophy of SBM Group to create long-term value and build a better future for its stakeholders, including its shareholders, customers, employees, and societies and communities.

"The Group remains committed to further positioning itself as a reference banking and financial services player."

Concluding remarks

Looking back at the resilient performance and business development of the organisation, allow me to thank all the employees as well as the Management Teams across Mauritius, India, Kenya and Madagascar for their resolve and steadfast commitment during such challenging times. In spite of the numerous pandemic-related constraints, they have, indeed, been instrumental in supporting and accompanying our clients in the best possible way, alongside striving to underpin the sound and sustained advancement of the Group. It is because of their enduring efforts that SBM Group is, now, better positioned than ever for the future.

My wholehearted appreciation goes to Board members of SBM Holdings Ltd and of the Group's subsidiaries. I thank them for their guidance and leadership in steering the Group in the right direction as well as for the collective efforts to further entrench endeavours to meet the aspirations of our multiple stakeholders.

I would like to express my sincere gratitude to our esteemed clients who have remained by our side and maintained their trust and confidence in our ability to help them achieve their goals and ambitions. I wish to reassure them that we are committed in constantly enriching the quality of service that they look for.

CHAIRMAN'S LETTER (CONT'D)

Concluding remarks (cont'd)

To our shareholders, I wish to thank them for staying with us on this journey. As we witness an upturn in our financial performance, we are committed to delivering better investment returns in the periods ahead.

Envisioning the future with ambition and pragmatism, the Board of SBM Holdings Ltd is dedicated to driving the sustained success of SBM Group. We will relentlessly bring the power of ONE SBM to the fore and act as a responsible, trustworthy and dynamic player in the jurisdictions and markets where we operate.



Sattar Hajee Abdoula
Group Chairman

MESSAGE FROM THE LEADERSHIP



"Our performance has taught us a great deal about the Group's resilience in the face of adversity."

MESSAGE FROM THE LEADERSHIP

(CONT'D)

Resiliently managing the myriad shocks engendered by a testing year

While being exposed to the spillover effects of the pandemic, the SBM Group has fared encouragingly well in 2021. The Group adjusted promptly to a highly volatile environment, which, as we all know, engendered noticeable changes in the lives and livelihoods of people globally. Despite the protracted economic slowdown and heightened market uncertainties, we have pursued the execution of our strategic initiatives in a thoughtful manner, supported by a close and systematic scrutiny and appraisal of the risks and challenges associated with an increasingly complex and uncertain landscape.

Our operating entities preserved the robustness of their operations, maintained service delivery levels and embraced their responsibilities to their customers. We worked closely with the monetary and fiscal authorities of our presence countries to apply the most effective programmes aimed at offering a supportive hand to our clients during these difficult times. We are conscious that the pandemic accelerated new ways of working, living, connecting and engaging, alongside highlighting the essential need for putting in place transformative and agile business models and platforms. We delivered wide-ranging facilities to help our employees adopt remote working practices in the wake of sanitary risks.

Throughout an exceptionally tough year, we are delighted that the Group capitalised on its fundamentals and the flexibility of its workforce to uphold its operational and financial soundness. It has not been an easy ride, but we are reassured by the significant steps that the Group has taken to sustain its reputation as a sound and caring business player, while adhering to the core values that reflect its identity. When it mattered the most, the Group has been there to resolutely dialogue with its stakeholders, while always striving to protect their interests.

"We made interesting headway in boosting organisational synergies and collaboration, while strengthening the foundations for sound business growth and diversification."

While looking afresh at how the Group coped with and managed the implications of the pandemic, there have been lessons learnt by all of us, both in our personal and professional lives, as we further nurture our existing principles based on humility, solidarity, courage and compassion. Simultaneously, our performance has taught us a great deal about the Group's resilience in the face of adversity. It has demonstrated that SBM Group is endorsing the right trajectories and focus

areas in its bid to unceasingly strengthen its operations, bolster its governance set-up and spearhead its business growth, with appreciable progress made against set strategies. Indeed, our banking and non-banking financial entities finished the year on a good business momentum, as they seek out to further revisit and reshape their competitive edges.

Spearheading our financial and strategic progress, anchored on sound principles

Reflecting the turnaround of the organisation, the Group's profit after tax attained MUR 1.7 billion in 2021, from MUR 1.0 billion a year before. This gives us confidence that the strategic initiatives put in place are progressively paying off and are putting up a strong foothold to embed a sustainable growth trajectory.

In the wake of our improving results, earnings per share rose from 39.2 cents to 67.3 cents. Importantly, as a major decision

which testifies to our commitment to upholding the interests of our stakeholders, we are pleased to announce that SBM Holdings Ltd has resumed dividend payments to its shareholders.

Supported by the diversified business growth of the organisation and its solid foundations, operating income increased by 5.1% to attain MUR 11.8 billion, with better outcomes registered in respect of both net interest income and non-interest income, including a notable growth in net fee and commission income.

As the Group further embarks on bolstering its human and technological capabilities to sharpen its competitiveness levels, non-interest expenses went up from MUR 6.2 billion to MUR 7.1 billion. This led to a rise in the cost to income ratio from 54.8% in 2020 to 60.6% in 2021, metrics we are mindful will need to be looked at with caution, but which should return to best-in-class levels as our income growth trajectory gets momentum.

While our results were notably driven by lower net impairment loss on financial assets, our revenue generating ability has been underpinned by steady progress in executing our strategies across different markets, as we continue to build a culture of customer service excellence. Against this backdrop, gross loans and advances to non-bank customers expanded by 7.0%, while deposits from non-bank customers increased by 31.6% to attain MUR 298.6 billion, reflecting the trustworthiness of the Group.

While our banking entities made the most important contribution to overall Group results – with SBM Bank (Mauritius) Ltd at the forefront – the performance of the Non-Banking Financial Cluster was appreciable, in the wake of our sustained efforts to broaden our market footprint in the financial services industry.

Amidst sound risk management and the endorsement of a prudent business development agenda, we maintained our capital strength and preserved healthy asset quality metrics in the face of a volatile market landscape, with our non-performing loan ratios declining during the last financial year. In addition, our solid funding and liquidity ratios deliver good support to ongoing and future growth endeavours.

Spotlight on the key strategic trajectories underpinning our performance

In a nutshell, our performance has been guided by committed actions taken to strengthen our operating paradigm and stakeholder engagement, spearheaded by the efforts and dedication of all our employees.

Across SBM Group

We made interesting headway in boosting organisational synergies and collaboration, while strengthening the foundations for sound business growth and diversification. The establishment of the Group Office of Strategy Management – which is made up of seasoned professionals with varying poles of expertise – represents a key milestone in our endeavours, especially regarding Group-wide risk oversight as well as strategy management and execution. In line with our philosophy of endorsing a consultative approach across the organisation, we reviewed the functioning of the Group Executive Forum (GEF) to have all CEOs of holdings and operating entities as members. The GEF is a common platform where the Management team of SBM Group meets on a regular basis to discuss progress on key strategic initiatives and work together to jointly deliver on our promises to our multiple stakeholders. In the same vein, the operationalisation of the Group functional sub-forums was reviewed.

MESSAGE FROM THE LEADERSHIP

(CONT'D)

Spotlight on the key strategic trajectories underpinning our performance (cont'd)

Across operating entities

SBM Bank (Mauritius) Ltd (SBMBM)

SBMBM adjusted to the new normal and maintained operations even during 'lockdown' periods, opening the maximum number of branches to meet the needs of its customers and the general public, while making allowance for the well-being of staff members. The year saw an increased digitalisation of services, as illustrated by the launch of the SBM Pocket mobile application, which offers the possibility to customers to carry out several transactions, including applying for loans and credit cards right from their smartphones. In line with the bank's digital strategy and as part of its aim to provide a seamless online experience to its Private Wealth clients, it launched, in July 2021, a dedicated online Private Wealth Client Portal, a state-of-the-art platform under discretionary and advisory mandates. Of note also, the bank pursued its country-wide branch renovation plans to offer a standardised and cohesive setting which is conducive to a more seamless and a smoother banking experience.

At the same time, the bank has reviewed its management and corporate governance frameworks, in addition to strengthening key positions within the Senior Management team with the recruitment of seasoned C-Suite Executives, many of whom coming with past international exposures in the fields of banking and finance.

The 'Bank of the Year Mauritius 2021' Award, as well as other accolades received during FY 2021, bear testimony to the bank's resilience and drive to continuously innovate.

SBM Non-Banking Financial Cluster (SBM NBFC)

SBM NBFC has demonstrated its resilience thanks to a sound business model, dedicated employees and a client-focused approach. It has maintained its commitment towards supporting employees, businesses and individuals. Whilst only essential services were allowed to operate during the sanitary curfew period, SBM NBFC has seamlessly adopted new and innovative methods to work effectively and collaboratively with the help of technology. SBM NBFC has continued to provide financing, investment and insurance solutions to its clients and has supported businesses in difficulty through restructuring plans. In a low interest rate environment, it has offered alternative investment solutions to its clients in line with their financial needs.

SBM NBFC's financial performance has been driven by growth endeavours by its major business lines, notably in the asset management and trading segments. Efforts have been upped to increase client mandates and subscription in CIS Funds as investors seek adapted investments opportunities amidst the current economic and interest rate context. The trading arm has benefitted from opportunities arising out of the high market volatility in the foreign equity markets coupled with the strategy to reinforce the team to extend trading hours with a view to covering the major international equity markets. SBM NBFC's commitment to leverage synergies with the Mauritius banking operations and build on the Group's network of clients has proved to be fruitful for the insurance agency business. The factoring unit has been focused on consolidating the existing client base and supporting clients whose revenue streams have been negatively affected by restructuring their facilities and, at the same time, closely monitoring their payments cycle.

SBM Bank (India) Limited (SBMBI)

SBMBI approached 2021 with a lot of anticipation and raring to make up for lost time and opportunities in the preceding year, owing to the economic slowdown witnessed domestically and internationally on account of the pandemic. Notwithstanding the daunting times, employees forged an upward path through the year.

As part of its 'Bank as a Service' digital model, newer and smarter internet banking functionalities were introduced, while mobile banking – enabled with additional payments options which allowed real time transfer of money domestically such as Immediate Payment Service (IMPS) and Unified Payments Interface (UPI) payments – was also rolled out. SBMBI focused on leveraging and deepening its digital partnerships in the settlements, cards and remittances space to amplify the reach and efficacy of products and services distribution. The bank launched neo banking initiatives that worked at greatly increasing customer touchpoints and relationships. At the end of the year, SBMBI has signed up a wide range of FinTech companies within its bank as a platform model, allowing for a broader variety of products and services with reduced infrastructure and development costs. Such partnerships and initiatives helped to grow the customer base manifold, while building increasing levels of granularity and diversification and, in turn, reducing concentration risks in the books of SBMBI. Enhancing the digital proposition allowed SBMBI to further enhance customer experience and convenience amidst the increasing importance of contactless banking within an increasingly young and digitally savvy country.

Starting with 7 branches at the beginning of the year, SBMBI added another branch to its network, in the city of Ahmedabad, Gujarat, which is one of the epicentres of trade and business in the country. The business teams also adopted routes such as onward-lending and platform-lending, which are digital modes of asset creation, to circumvent the challenges brought forth by the pandemic in terms of limited travel, client meetings, site inspections and security vetting. The uptick in the CASA base, both in absolute terms and in terms of proportion to the total deposits base, evinces the targeted efforts deployed by the bank in building up a sustainable deposits base and lowering the cost of funds. A ramp up in transaction and digital banking also supported higher non-interest income, outside of loan processing fees and trading income.

SBM Bank (Kenya) Limited (SBMBK)

Faced with unprecedented challenges characterising the operating context, SBMBK upheld the safety protocols and virtual work environment it instituted at the beginning of the pandemic and reiterated its commitment to provide all the necessary financial support to its customers who have been impacted.

To this end, several business development initiatives were rolled out by the bank resulting in an enriched palette of products and services as well as an improvement in customer experience. As the consumer increasingly changes the way in which it engages with the bank, SBMBK has welcomed an increase in demand for its mobile and internet banking solutions, as compared to physical branch visits. In response, the bank has embarked on initiatives to upgrade its mobile and internet banking platforms, to provide increased capacity and transactional features to meet the evolving expectations of the consumers. The branch network was also reviewed such that branches near each other were reassessed, which resulted in the merging of some branches. By the end of the year, the branch network was rationalised from 46 to 41. Nonetheless, service levels were upheld through multiple channels. To further enhance the quality of services provided, the bank conducted customer journey mappings, established periodic Service Focus Groups to identify gaps in service delivery and propose remedial solutions, and set up a Customer Experience Council to come up with strategies to drive best-in-class customer experiences. Moreover, the look and feel of business premises were revamped to effectively communicate the brand heritage of the bank. SBMBK pursued the operationalisation of squads, which are dedicated to improving operational excellence, strengthening risk management and compliance as well as reviewing the employee value proposition, among others.

MESSAGE FROM THE LEADERSHIP

(CONT'D)

Spotlight on the key strategic trajectories underpinning our performance (cont'd)

Across operating entities

Banque SBM Madagascar SA (BSBMM)

The year 2021 has been a challenging one as the bank got into uncharted territories with the pandemic dictating novel ways to living and doing business. Madagascar has been hit hard by the pandemic, with certain sectors of the economy more affected than others, such as leisure and hospitality, tourism and the mining industries. BSBMM has been able to navigate through these difficult times, thanks to the agility and adaptability of its people. The solidarity shown by employees to ensure business continuity and a high standard of service to customers and other stakeholders during these tough periods is noteworthy.

The bank focused on trade finance activities, which helped to achieve significant revenue growth, impacting positively on the bottom line, hence improving contribution to the SBM Group. BSBMM also maintained the pursuit of its strategy by consolidating existing relationships with long-standing clients, exploring new business opportunities and working towards building a sustainable revenue stream. Moreover, the bank is streamlining and optimising its credit process in order to enhance response time and customer experience, while aligning with the Group's best practices for credit risk and benchmarking to trends in the local market.

Looking ahead: putting our main strategic paths under a clear radar

Building on recent key realisations, SBM Group is looking forward to gradually positioning itself as a reference and integrated banking and financial services player, both domestically and in the vicinity of its presence countries. This will be underpinned by a continuous sharpening of its internal capabilities across entities and jurisdictions.

Importantly, SBM Holdings Ltd (SBMH) could be viewed as an asset manager with a banking and financial services investment focus. While fulfilling owning banking assets across four diverse jurisdictions, the Group has the ambition to consolidate its financial services offerings in the short and medium terms. It believes that its private equity approach should, in due course, help to (i) support and grow its subsidiaries to their full potential; (ii) deliver customised strategic assistance to its operating entities; and (iii) generate meaningful value for its stakeholders. Moving in this direction, SBMH has kickstarted the process of further reinforcing its human and financial capital, with further strategic endeavours planned to be initiated during 2022.

Essentially, we seek to embark Group entities on a more resilient and diversified growth path, after making allowance for country and market-level realities. With a view to diversifying our revenue base to meet the interests of our shareholders and other stakeholders, we will prudently and considerately pursue our regional market diversification, mindful that such a move commands that we proceed in a calculated manner.

Along the way, we remain intent on articulating and executing an ambitious Corporate Sustainability Programme, to be deployed across the jurisdictions in which we operate. Conscious of our responsibilities towards people, economies and societies, our aim is to contribute to a fairer, cleaner, greener and more prosperous and purposeful world. We will ensure that our entities are equipped with the requisite strategic guidance and physical resources to accomplish the sustainability aspirations that are embedded in our philosophy.

Towards those ends, SBM Group will be guided by the following core strategic pillars:

- Purposeful and sustainable business model
- Simpler and smarter organisation
- Growth as an international and universal service provider

As a major focus area, we will capitalise on our brand image and credentials to sharpen our business focus and create tangible value for the benefit of our customers, while putting them at the heart of everything that we do and assisting them to tide over testing times. Bearing in mind the perpetual changes in societal dynamics and customer preferences, we will deliver increasingly differentiated, contextually pertinent and convenient solutions. We will connect clients to opportunities that facilitate access to finance and support realisation of their goals.

To underpin our business agenda, a primordial objective is to further bolster operational efficiency levels, as we deploy agile working practices as well as world-class technology on the back of strengthened digital capabilities, stable and effective IT systems and platforms as well as empowered partnerships and ecosystems. We will also achieve further process improvements through automation and simplification.

Another key ambition is to create positive experiences for all our employees, backed by an empowering landscape that embraces innovation, inclusiveness and high-level performances. We are committed to upholding the interests of our employees, while promoting continuous learning and talent development.

Appreciation and way forward

Bearing in mind the exigent operating landscape in which we navigate, we would like to wholesomely thank all the employees as well as the Management Teams across the operating entities for their enduring resilience, resolve and good spirit in helping the Group deliver sound financial results. We have faced up to challenging times in view of the economic, health and personal ramifications of the pandemic, but we are proud that we, collectively, made the right moves to safeguard the interests and image of the organisation.

We want to recognise the support and guidance of the Board of Directors of SBM Holdings Ltd and those of the different entities of the Group in the wake of our initiatives to manage and lead the Group during periods of high turbulences and significant uncertainty levels. We look forward to receiving their continued stewardship to spearhead the Group to greater heights, while tapping into appealing growth opportunities.

We are conscious that our sustained evolution as a smart, vibrant, forward-looking, responsible and sustainable organisation implies staying true to our purpose and enthusiastically living our values, in whatever we do. We can vouch that this will be a long-lasting journey! Yet, we are up to the challenge, confident that we can rely on our human capital, collaborators, shareholders and customer base.

To end here, let us reaffirm that we are determined to shape up a future of shared prosperity for the Group and its stakeholders, but we are wary that this implies making difficult choices and endorsing a disciplined modus operandi. We will make sure that such postures remain entrenched in our DNA, while we contribute to the advancement of the economies and societies that we heartwarmingly serve to the best of our abilities.



Dr Roshan Boodhoo
Deputy Group Chief Executive Officer
SBM Holdings Ltd



Raoul Gufflet
Chief Executive Officer
SBM (Bank) Holdings Ltd

ABOUT THIS REPORT

Key philosophy

This annual report provides a holistic, balanced and transparent depiction and appraisal of the financial and non-financial performance and positioning of SBM Group. Drawing on the principles of integrated reporting as set out by the International Integrated Reporting Council, its primary purpose is to explain how SBM creates sustainable value for the benefit of its stakeholders, while managing risks and opportunities faced.

Materiality and contents

This report covers our business model, strategic focus areas, governance and risk management set-up as well as our specific initiatives and achievements.

Information displayed is guided by matters deemed as material to the Group. We define material matters as those that are significant to achieve the Group's vision, mission, goals and strategies and are pertinent to its core values. Materiality is influenced by our operating environment, market development drivers as well as the various internal and external challenges which have or are likely to have a bearing on our activities.

Scope and boundary

Scope: Operations and positioning of SBM Group and its various banking and non-banking financial entities

Period covered: From 01 January 2021 to 31 December 2021. Material events after this date and up to the approval of this report on 29 April 2022 are also catered for in this report

Navigation toolkit



Read more in this Report



Further details on our website



Learn more in the Sustainability Report on our website

Engaging with our stakeholders

Building strong and trustworthy relationships with our stakeholders enables us to deliver on our strategy in line with our values and to operate in a sustainable way. In this respect and as shown on our website and other platforms, SBM produces a full suite of reports for regular communication and engagement with its stakeholders, in tune with their diverse needs.

Capitalising on our forms of capital...



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.



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 to serve our clients and stakeholders with zero compromise on security and in a spirit of ease of doing business.



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. SBM also ensures a healthy, safe, equal, and sustainable environment for its people.



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.



Social and relationship capital

Social and relationship capital refers to the relationships we have built with our customers, capital providers, regulators and other stakeholders over time. It is reflected by how SBM puts customers first, treats its employees with integrity, adheres to the highest ethical standards and acts as a socially responsible organisation.



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.

...to serve our stakeholders



Shareholders, debt holders, and investor community

Striving to generate sound and sustainable financial returns



Customers

Delivering relevant financial solutions and advice to our customers



Employees

Shaping a competent and engaged workforce that is ready to meet our customer needs



Societies and communities

Promoting an inclusive and socially advanced nation



Suppliers and strategic partners

Leveraging networks and ecosystems to achieve our ambitions



Governments and regulators

Doing the right business, the right way

ABOUT THIS REPORT (CONT'D)

Principles and assurance

SBM has an assurance model that ensures that we provide information that is credible and reliable, ensuring the integrity of the 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 the Annual Report has been reviewed by the Senior Management Team of SBM and, in line with related mandates, specific reports were also reviewed and recommended to the Board of Directors of SBM Holdings Ltd by the Corporate Governance & Conduct Review, Audit, Risk Management and Strategy Committees. The Board of Directors of SBM Holdings Ltd has reviewed and validated the Annual Report before its publication.



Talk to Us

We welcome and value our stakeholders' feedback. Please share your views on the Annual Report on investor.relations@sbmgroup.mu

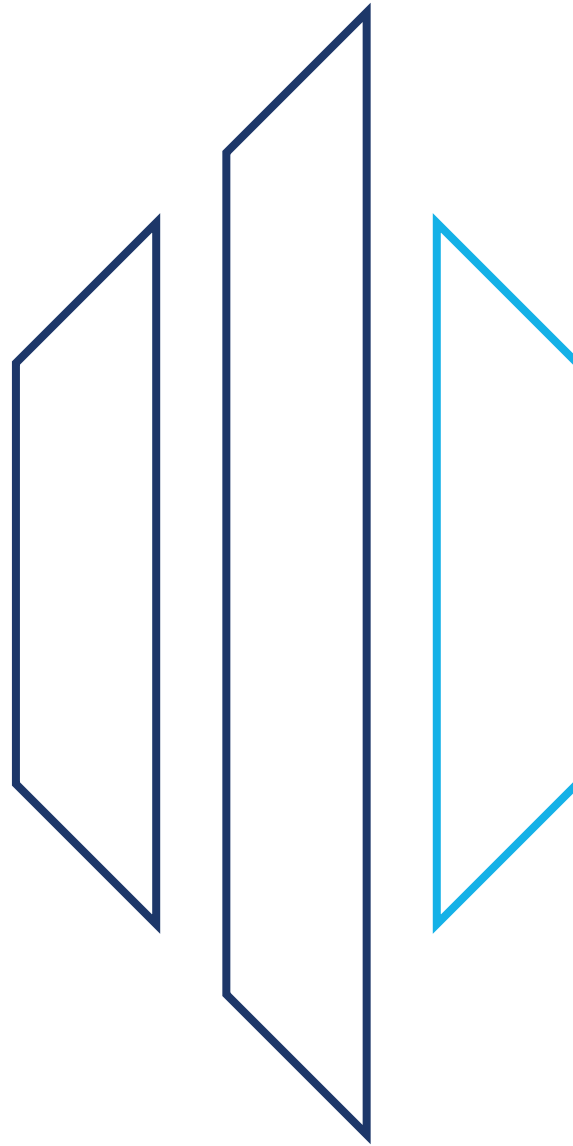
CORPORATE PROFILE

IT IS
NOT ABOUT
SPREADING
OUR WINGS
DIFFERENTLY;
IT IS ABOUT
FLYING THROUGH
THE FAMILIAR IN
NEW WAYS



Fascinating fact

Butterfly wings are actually transparent, and butterflies don't have just two wings, they have four – made up of two hindwings and two forewings.



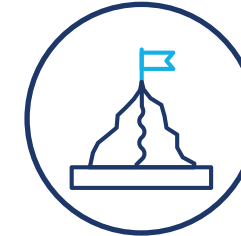
CORPORATE PROFILE

Our purpose and philosophy



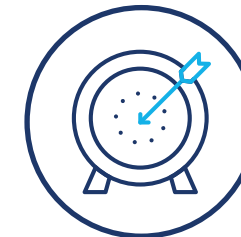
Vision

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

CORPORATE PROFILE (CONT'D)

Who we are

About our organisation

Our identity

Established in 1973, SBM Group is a leading banking and financial services player in Mauritius, while actively contributing to the country's socio-economic development over time.

Beyond, the Group promotes business, trade and investment activities across the Asia-Africa corridor through its dedicated subsidiaries, in conjunction with the direct operations being conducted within its foreign presence countries. Indeed, over the years, the Group has expanded its banking operations in India since 1994, in Madagascar since 1998, and in Kenya since 2017.

Our strategic positioning

While upholding its financial resilience, the Group is committed to promoting the long-term interests of its multiple stakeholders, backed by its flexible and resilient business model. Our achievements have been recognised via numerous awards and accolades.

Our value proposition

SBM Group offers a comprehensive suite of adapted and innovative banking and non-banking financial products and services to accompany its individual, institutional and corporate clients across market segments.

The Group leverages its extensive distribution network, encompassing physical branches and digital channels, to serve its customer base in the most convenient conditions.

Our stock profile



Third largest listing on the Official Market of the Stock Exchange of Mauritius



Market capitalisation of **MUR 13.0 billion** as at 31 December 2021



18,438 shareholders

Key facts and figures

With the dedicated engagement and support of our...



2,870
employees...

...we attend to the wide-ranging needs of...



~2.5 million
customers...

...of whom...



~160,220
Internet banking customers



~112,170
SMS banking customers

...while capitalising on our innovative channels and platforms



99
branches and counters



172
ATMs



4,155
POS

CORPORATE PROFILE (CONT'D)

Our Group structure



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
- SBM Maharaja Fund
- SBM Perpetual Fund Ltd
- SBM Infrastructure General Partner Limited
- SBM Bank (Seychelles) Limited

CORPORATE PROFILE (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 Ramprakash Maunthroo



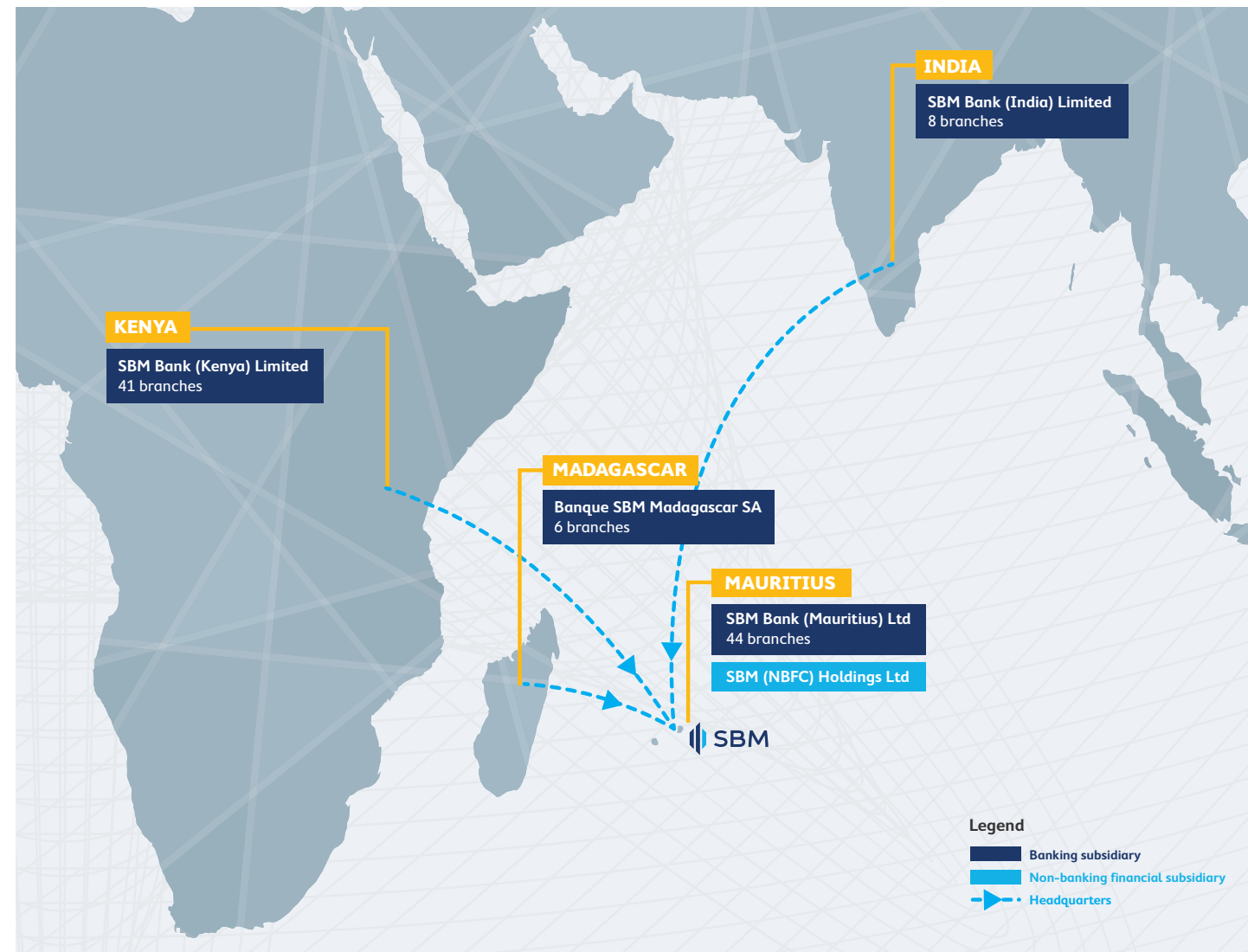
From left to right:

Mr Roodesh Muttylall, Ms Sharon Ramdenee,
Mr Visvanaden Soondram, Dr Subhas Thecka

CORPORATE PROFILE (CONT'D)

Where we operate

While being involved in activities and transactions spanning a wide range of countries across geographies, we are physically present in Mauritius, India, Kenya and Madagascar by means of full-fledged subsidiaries. We make the most of our solid roots across the Africa-Asia corridor to spur our growth agenda.



SBM Bank (Mauritius) Ltd

It is the mainstay and flagship of SBM Group. It is a leading banking operator in Mauritius – with market shares of around 26% and 22% as regard customer loans and local currency deposits respectively – while being also involved in cross-border transactions. The bank attends to the needs of a wide range of customer segments, comprising Retail, Private Banking & Wealth, SME, Corporate, Institution and Government. It provides seamless and innovative experiences to its customers, with the support of its dedicated employees and multichannel capabilities. Over time, the bank has significantly grown its business, with total assets attaining MUR 276.6 billion as at December 2021.

SBM (NBFC) Holdings Ltd

As a leading player in the Mauritian landscape, SBM NBFC - which has been operating for more than 15 years - provides services in Investment Management, Trading and Structuring, Corporate Finance Advisory, Capital Raising, Registry, Fund Administration, Factoring and Insurance Agency. By complementing the range of solutions offered by the banking entities of the Group, SBM NBFC has consolidated SBM's position as a strong and reputable financial services provider. It capitalises on the business acumen of its sales workforce and leverages synergies among the sales teams of Group entities to deepen market penetration and foster business growth.

SBM Bank (India) Limited

After operating as a branch of SBM Bank (Mauritius) Ltd since 1994, it has, on 01 December 2018, commenced operations as the first bank in India to receive a universal banking license from the Reserve Bank of India through the Wholly Owned Subsidiary route. It has built a respected brand, backed by its human expertise and branches in Mumbai, New Delhi, Bengaluru, Chennai, Hyderabad, Ahmedabad, Ramachandrapuram and Palghar. It has three primary business divisions (Corporate, Retail and Treasury) which cater for clients across and outside India. It relies on an omnichannel strategy, with a 'digital-first' business model driving its journey.

SBM Bank (Kenya) Limited

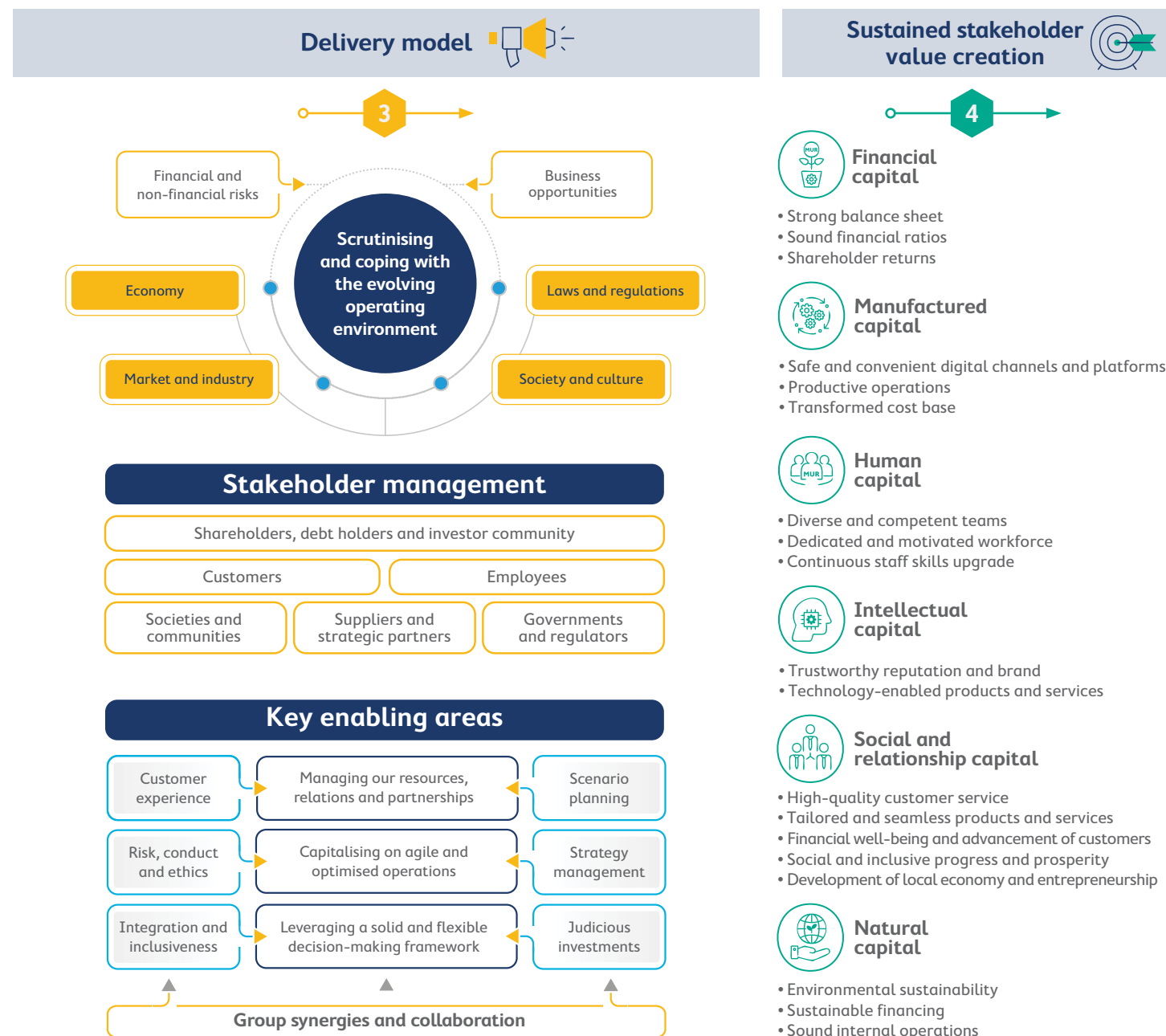
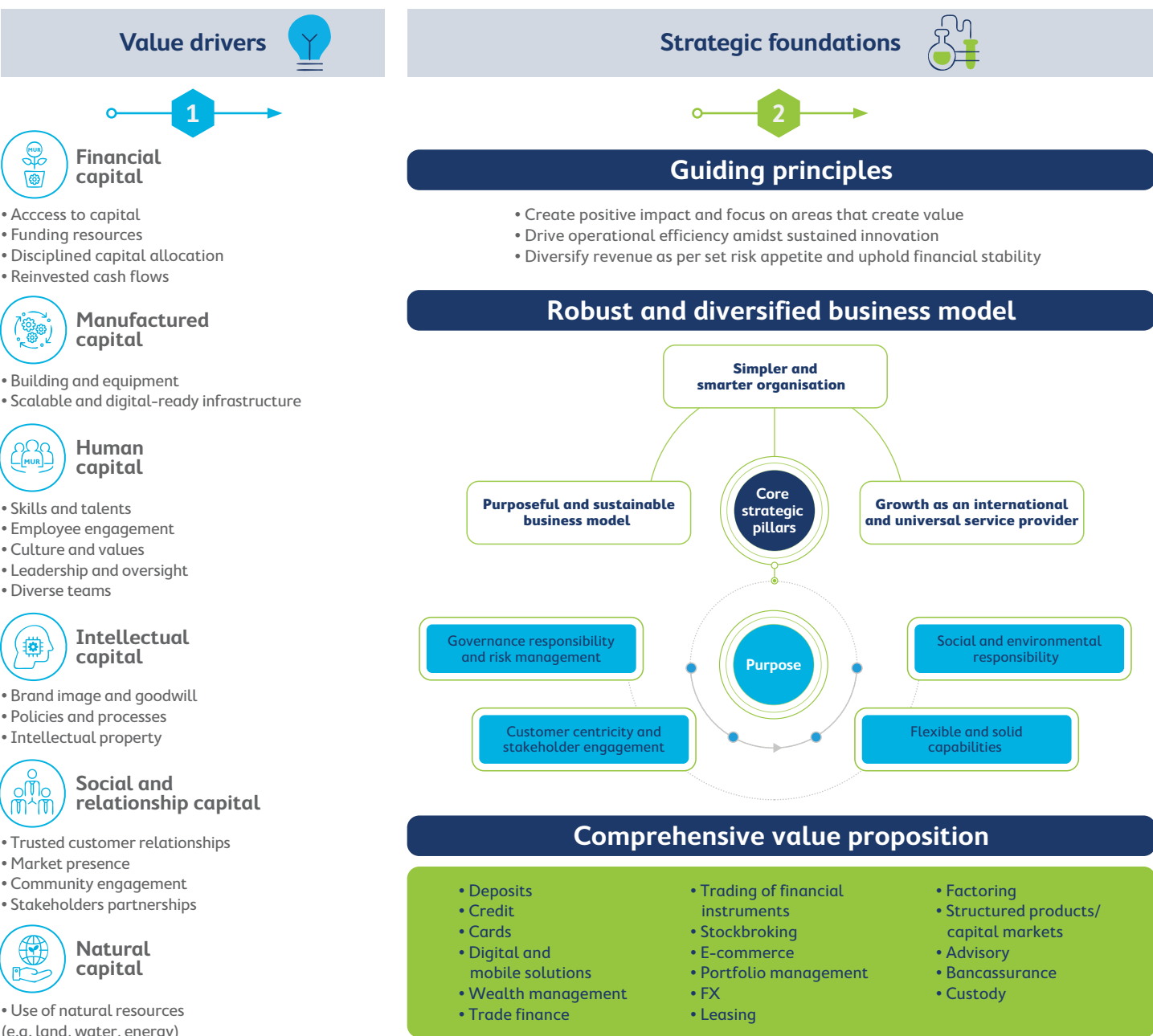
Incorporated in Kenya in May 2017, SBM Bank (Kenya) Limited is well positioned to offer an unprecedented banking experience to its customers. The bank offers a wide range of financial solutions to its valued customers and plays a key role in supporting the economic growth of the country. The bank services its customers through multi-channel capabilities, including a large branch network spread across the country, mobile banking, online banking, simple payment solutions, card business, agency banking services and a contact centre to match the needs and requirements of the segmented client base. Solutions offered are tailor-made for the specific customer segments, which include Consumer Banking, SME and Corporate Banking. Within the Consumer Banking segment, centres of excellence are operated to further address the needs of women, youth, diaspora and High-Net-Worth individuals.

Banque SBM Madagascar SA

Headquartered in Antananarivo, the bank operates branches in Antsahovalala, Andraharo, Tanjombato, Behorika, Talamaty, and Toamasina. The bank services customers with a predominantly wholesale banking focus, while leveraging key strengths of the Group, in particular a wide network of internationally-recognised correspondent banks. Through its continuous endeavours, the bank has developed into a trusted banking partner for several large and medium corporate entities in the local business arena.

CORPORATE PROFILE (CONT'D)

Our value creation model



CORPORATE PROFILE (CONT'D)

Making a difference

Our strengths and enablers

1 Strong and diversified balance sheet

We seek to uphold comfortable capital, funding, liquidity and asset quality positions in support of our business growth and revenue generation across market segments and geographies.

We capitalise on our competitive strengths and physical platforms to identify and tap into appealing growth avenues and revenue streams, supported by human expertise and innovative capabilities.

2 Growth and diversification opportunities

3 Oversight and efficiency

We continuously improve the robustness and scalability of our functioning, governance set-up and risk management framework to bolster the soundness and productivity of our operations, in alignment with applicable norms, codes and regulatory requirements.

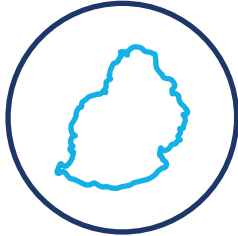
We harness our cultural and behavioural patterns towards promoting the highest standards of conduct. This ensures that we do things the right way, alongside forging trustworthy stakeholder relationships and helping our customers to realise their potential.

4 Culture and values

5 Sustainability and inclusiveness

We act responsibly and conscientiously for the betterment of the world in which we live and work. We remain committed to nurturing caring and healthy societies for the greater good of populations.

Our awards and accolades



SBM Bank (Mauritius) Ltd

- Bank of the Year Mauritius 2021 - The Banker Magazine
- Most Innovative Retail Bank Mauritius 2021 - Global Business Outlook Magazine
- Straight-Through Processing Excellence Award - Citigroup



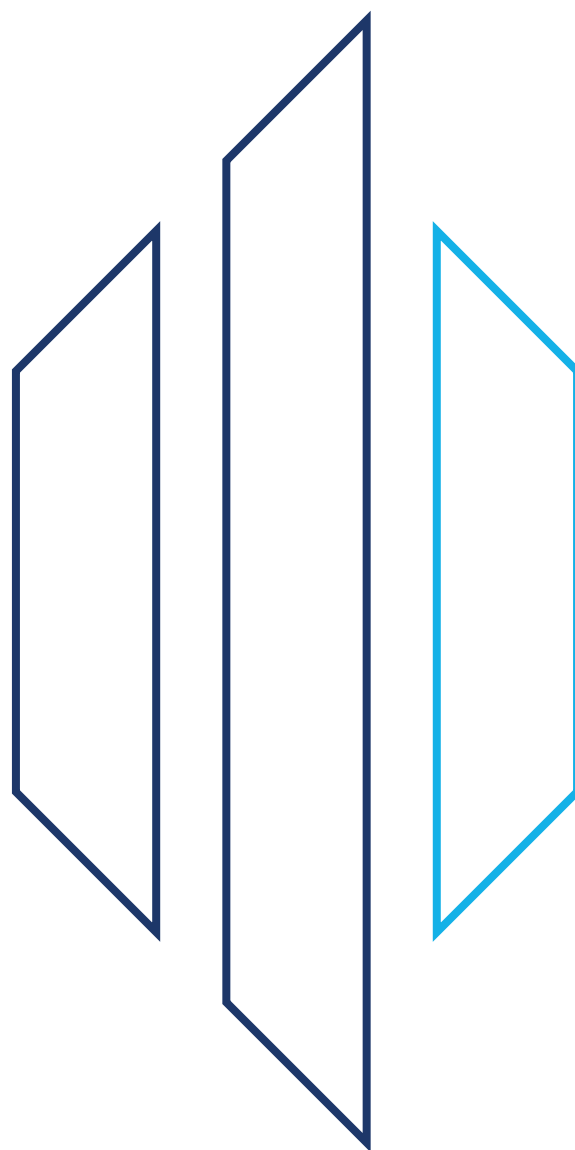
SBM Bank (Kenya) Limited

- Best Bank in Women Banking Kenya 2021 - World Economic Magazine
- Citi Bank 2020 Performance Excellence Award - Citi Treasury & Trade Solutions



SBM Holdings Ltd - ranked **48th**
SBM Bank (Mauritius) Ltd - ranked **59th**

...among Top 200 African banks by The Africa Report



**DELIVERING
ON OUR STRATEGY**

THE POWER
TO ADAPT
TO ANY SITUATION
LIES IN LOOKING
AT THINGS
FROM DIFFERENT
ANGLES



Fascinating fact

A **bee** has five eyes in total.
The two large eyes on either side of its head are made up of lots of tiny lenses
that each piece together a wider image of what the bee can see.

DELIVERING ON OUR STRATEGY

Our operating environment

Our approach

We systematically and effectively monitor and dissect the environment in which we operate across its different spheres. This enables us to closely identify, critically assess and diligently act upon the observed and foreseen risks and opportunities that impact our earnings sustainability and our ability to create long-term value for our stakeholders. In this way, we are able to underpin our business growth in the best possible way, while ensuring that we provide a continuously adapted and enriched value proposition to our customers, in line with their aspirations. We also seek to enhance our operational and financial resilience in view of challenges emanating from the external landscape.

While the banking and financial services sectors in which the Group entities operate have been exposed to multiple developments of relevance to their operations and business activities, the underlying trends and dynamics which have warranted the close attention of the organisation are delineated as follows.

The economic landscape

While the emergence and ramifications of the pandemic has led to a persistent sanitary and economic crisis of major dimensions, there are indications that the world economy is maintaining its general course to recovery. As per the IMF, global GDP growth improved to reach 6.1% in 2021 and is expected to moderate to 3.6% in 2022. There are indications that the momentum has weakened in recent months amidst (i) the pandemic propagation, especially in view of the spread of variants; (ii) higher and more broad-based inflationary pressures than anticipated; (iii) protracted supply chain bottlenecks; and (iv) acute vulnerabilities across international financial markets. In addition, whereas the full extent thereof remains to be properly ascertained, the unfolding ramifications of the conflict between Russia and Ukraine are, in several ways, triggering economic strains and uncertainties on a global scale, with repercussions on consumer prices, financial conditions and business confidence.

2021 growth estimate	Key observations	2022 growth forecast
Mauritius		
Around 4%	<ul style="list-style-type: none">• In 2021, the Mauritian economy displayed commendable resilience when confronted by the unprecedented shocks triggered by the pandemic on its real, financial, fiscal and external sectors.• Whereas it faced up to the sanitary measures put in place by the authorities to weather the impact of the pandemic, the economy has been gradually recovering last year. Growth is estimated to have been driven by a relative upturn in a wide range of sectors which contracted in 2020, helped also by rising investment levels.• Although inflationary pressures would have a bearing on economic activities, the country's recovery momentum is likely to gather additional steam in 2022. Real GDP growth would stand at around 6% in 2022. In addition to benefitting from a still low statistical base, economic growth would be underpinned by a further improvement in household and business sentiment, which would prompt a continuing recovery in sectorial activities and investment patterns. Essentially, the prognosis is anchored on the expectation that (i) the global economic upturn, which is being somewhat disrupted, will maintain its general course in the face of ongoing risks and challenges; and (ii) the pandemic is effectively tackled across borders. In addition, the forecast factors in generally supportive monetary and fiscal policies throughout the year, while catering for arrangements to be made by the authorities in order to foster the smooth unwinding of pandemic-related relief measures and to help manage their likely impacts.• Real GDP growth would be driven by an anticipated meaningful rebound in tourist arrivals, given the low base and on assuming a relatively manageable and improving health and sanitary environment as well as the country's borders remaining open across the full year. That said, the performance of the tourism industry in 2022 is still foreseen to be sub-optimal when compared to pre-pandemic trends. Another key boost to GDP growth is the construction sector which, notwithstanding increased operating costs and the unclear economic and sanitary landscape, is foreseen to post a noteworthy growth rate, in light of ongoing and earmarked projects at both public and private sector levels.	Around 6%

DELIVERING ON OUR STRATEGY

(CONT'D)

Our operating environment (cont'd)

The economic landscape (cont'd)

2021 growth estimate	Key observations	2022 growth forecast
Mauritius (cont'd)		
Around 4%	<p>Amidst promising order books as per the operators, key segments within the export oriented manufacturing industry should post appreciable expansion trajectories, mainly due to strengthening of external demand, while currency dynamics could also help. The business and financial services as well as the ICT industries would strengthen their growth momentum, backed by a more conducive business landscape and growing nationwide economic activities.</p> <ul style="list-style-type: none"> Whilst the anticipated firming-up of economic activities is encouraging, a cautious dissection of the growth outlook for 2022 is called for as there is notable uncertainty around the prognosis. There is limited visibility about how the operating landscape, both in Mauritius and globally, will shape up and evolve in the periods ahead. A major 'known unknown' pertains to the mutation, intensity and duration of the pandemic. Of note also, the crisis between Russia and Ukraine requires close monitoring and appraisal given the likely impacts on the evolution of consumer prices, the demand for our exports of goods and services, etc. While the pandemic impacted market activities, the banking and financial system maintained its overall stability and financial soundness. Latest official figures for end-December 2021 show that (i) the aggregate capital adequacy ratio stood at 19.5%, which is well above the minimum regulatory threshold; and (ii) the ratio of gross non-performing loans to total loans attained 4.9%. Besides, the overall demand for credit has been gradually recovering lately. 	Around 6%

2021 growth estimate	Key observations	2022 growth forecast
India		
8.9%	<p>While the COVID-19 outbreak and the associated stringent lockdowns made the Indian economy contract for the first time in more than 40 years, a gradual recovery has been witnessed last year, with activity picking up and broadening across sectors, helped by a favourable statistical base, a relative ebbing of infections, an easing of mobility restrictions and a sharp pick-up in the pace of vaccination. Particularly, a surge in manufacturing and construction has been witnessed, with investment re-ignited. Such conditions led to an improvement in unemployment rates.</p> <ul style="list-style-type: none"> As per the IMF, GDP growth is heal to further improve in the near term, notably due to support measures by the fiscal and monetary authorities, accelerated progress in terms of vaccination and the global recovery, notwithstanding key challenges faced. The broad-based reforms by the Government focusing on infrastructure development, labour market flexibility, asset monetisation, taxation reform as well as the strengthening of the telecom and banking and financial industries provide an upside to the growth outlook as they are expected to boost investor confidence and consumption demand, enhance capacity expansion and facilitate crowding-in of private investment. Sectors such as agriculture, manufacturing, construction, financial services, real estate and professional services would post appreciable growth rates, whereas contact-intensive industries still face up to strains. That said, uncertainty about the growth outlook is non-negligible amidst the pandemic and global vulnerabilities, especially in the wake of heightened inflationary pressures. The banking and financial system showed considerable resilience in face of the protracted effects of the pandemic, with good outcomes posted in terms of capital adequacy and profitability levels. Apart from strengthening its regulatory and supervisory framework, the Reserve Bank of India took various steps to ease liquidity constraints and uphold market confidence. It maintained stringent oversight over the operations and performances of banks. 	8.2%

DELIVERING ON OUR STRATEGY

(CONT'D)

Our operating environment (cont'd)

The economic landscape (cont'd)

2021 growth estimate	Key observations	2022 growth forecast
Kenya		
7.2%	<ul style="list-style-type: none">The economy has rebounded in 2021 – after the previous year’s contraction triggered by the COVID-19 pandemic – mainly supported by the gradual easing of containment measures put in place to curb the propagation of the virus, increased Government spending on key projects and improving business confidence.Whilst downside risks have remained non-negligible amidst a testing global landscape, economic growth is anticipated to remain appreciable in 2022 on the back of an increased pace of vaccination, a normalisation of domestic economic activities and a relative upturn in global demand, with favourable impacts on <i>inter alia</i> the manufacturing and services industries. As per the IMF, “<i>Kenya’s medium-term economic outlook remains positive, supported by the authorities’ continued firm commitment to their economic program amidst a complex environment.</i>” Fundamentally, the Economic Stimulus Programme and Economic Recovery Strategy are foreseen, by observers, to boost productive activities and underpin conditions for macroeconomic stability.Prior to the pandemic, the banking sector was already stable with strong growth, underpinned by market-based consolidation and industry reforms. In the wake of the challenging economic environment, the banking industry remained resilient, with manageable liquidity and sound capital adequacy ratios. This situation was enabled by prompt support measures put in place by the Central Bank, which promoted sound market conditions.	5.7%
Madagascar		
3.5%	<ul style="list-style-type: none">After being impacted by the pandemic on the back of domestic containment measures, travel disruptions and hampered global trade, the Malagasy economy is gradually registering an upturn. Whereas the operating environment remains challenging and uncertain, real GDP growth is estimated at around 3.5% in 2021.	5.1%

3.5%

- For 2022, economic growth is expected to gain pace, supported by higher tourist arrivals, especially in the wake of the re-opening of borders and global recovery, a rebound in investment and a further rise in exports. The outlook is, nonetheless, subject to downside risks, including any resurgence of new infections and potential climate-related shocks.
- Whilst it has been hit by subdued market conditions in the wake of the pandemic, the banking sector stood up well, with profitability levels gradually picking up. The industry has been supported by the Central Bank, which injected liquidity into the system and set forward towards preserving sound foreign exchange conditions.

5.1%

Notes

- i. Growth figures for Mauritius are based on SBM staff estimates
- ii. Growth figures for foreign countries of presence are sourced from IMF based on latest data available

Key influences on our operating set-up and our associated responses

Transformation of society, evolution of customer needs and country-level imperatives

- Responding to the growing demand for increasingly convenient, accessible, personalised as well as rapidly-delivered solutions, alongside fostering the systematic adaptation of business lines and entities to evolving customer needs, notably via seamless omni-channel solutions
- Remodeling our operations and value proposition in tune with observed demographics trends as well as the changing socio-economic and age profiles of our customer base
- Accompanying and guiding customers afflicted by the sanitary and economic crisis, while working cooperatively with the fiscal and monetary authorities to support sound and sustained economic recovery in the face of the uncertain and unsteady operating context
- Promoting social advancement and inclusiveness by means of our financial solutions and dedicated sustainability initiatives, alongside underpinning the well-being of people
- Reshaping our internal operations and offering responsible and long-term client solutions towards meeting environmental needs and the United Nations Sustainable Development Goals, alongside tapping into business opportunities linked to sustainability initiatives

Competitive trends and industry dynamics

- Adapting to a new environment whereby our competitors across markets are systematically enriching their financial solutions and spearheading their business diversification thrusts
- Dealing with competitive pressures associated with new industry entrants, including Fin-Tech and Big-tech disruptors and other players across the financial services industry
- Focusing on the right promotional and communication channels, in line with the ubiquitous nature of social media and the changing profiles of the customer base, alongside moving in a fast and pragmatic way to preserve the Group’s reputation and brand image

DELIVERING ON OUR STRATEGY

(CONT'D)

Our operating environment (cont'd)

The economic landscape (cont'd)

Competitive trends and industry dynamics (cont'd)

- Embracing innovation as well as emerging technological platforms and systems to drive operational efficiencies, reshape interactions with stakeholders and provide superior client experiences in a landscape marked by a rising rate of digital adoption
- Tackling the growing volume, intensity and sophistication of cyber-attacks, backed by the endorsement of appropriate risk management frameworks, policies and processes

Increasingly demanding requirements in terms of compliance and regulations

- Coping with the ever more exigent nature of local and international norms, codes and standards of operation insofar as they impact strategic orientations and business decisions
- Thriving in a legal and regulatory environment which is triggering a growing range of requirements and policies that have an impact on our business model, internal operations, value proposition, support to the real sector, capital and liquidity management

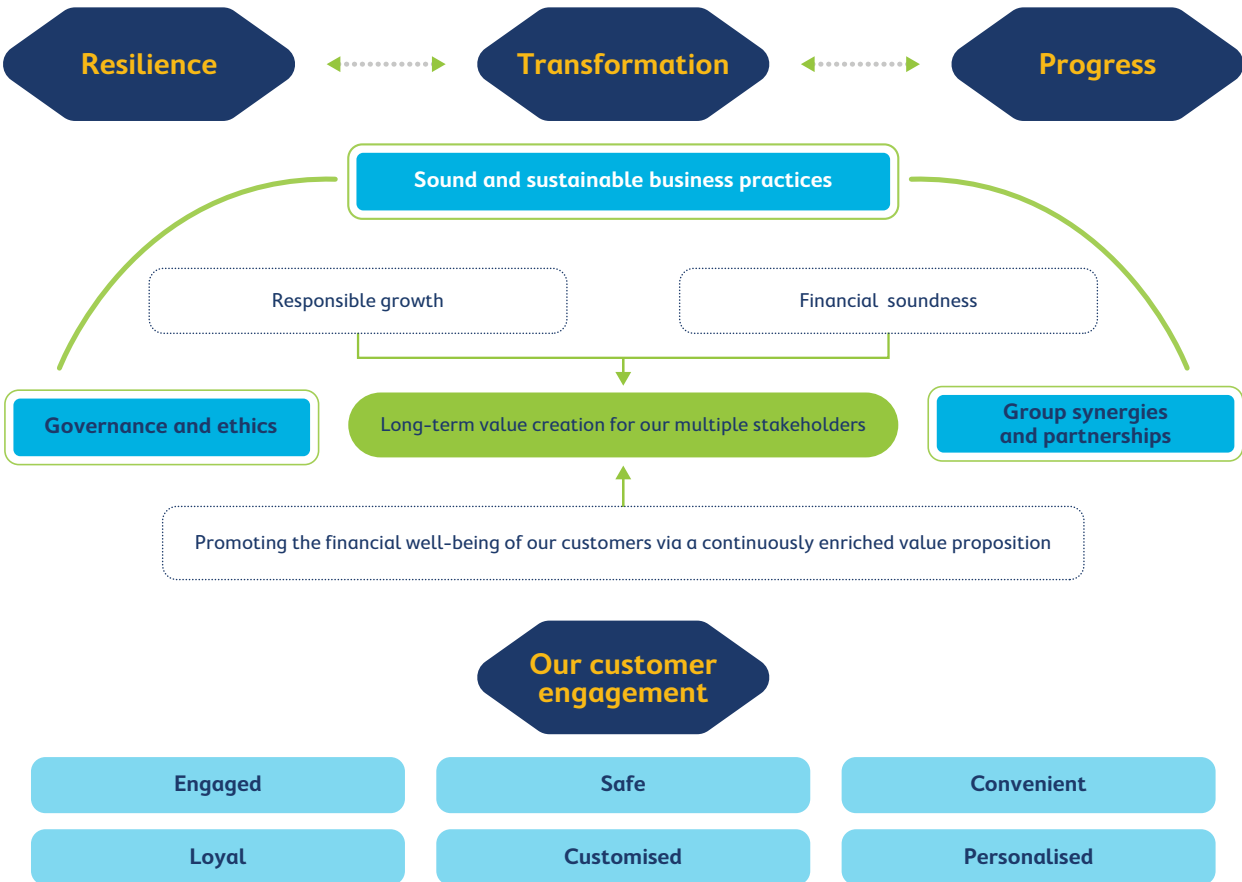
Evolving operational realities and employee requirements

- Strengthening internal productivity and operational efficiency levels in a fast-changing landscape which lays increasing emphasis on cost rationalisation and resource optimisation, a leaner and more agile operating model, forging of partnerships and synergies with key partners within the ecosystem, review of organisational structures, advanced analytics, among others
- Boosting employees' engagement and productivity amidst a highly competitive industry
- Recruiting people with diverse, adaptable, innovative, agile and digitally-enabled skills, expertise and leadership abilities in order to remain relevant in a changing banking and financial services landscape, alongside growing and retaining top talents across areas
- Creating an appropriate environment that facilitates the dissemination and adoption of flexible working arrangements and remote working practices, while reflecting on the organisation's business imperatives and the demands of the economic and sanitary environment
- Pursuing the agenda to foster the safety and well-being of employees, in response to pressures emanating from a challenging sanitary context and growing business volumes

Key strategic directions

Our philosophy

Our strategic directions are nested on solid foundations and a clear view of what we seek to achieve and where we want to go. We are geared to promote a smart, agile, innovative and forward-looking organisation. By this means, we remain intent on creating and nurturing meaningful and sustainable value for our shareholders and numerous stakeholders.



DELIVERING ON OUR STRATEGY

(CONT'D)

Key strategic directions (cont'd)

Our trajectory and focus areas

Building on sustained progress achieved...

As it makes appreciable headway in further reviewing and restructuring its operations while making allowance for the risks and exigencies associated with the fast-changing operating landscape, the Group has set out to anchor its business model on more ambitious, yet still prudent, foundations. It is dedicated to further strengthening its growth momentum across markets and jurisdictions as well as reinforcing its stakeholder engagement and its commitment to meeting sustainability principles.

...SBM Group has thoughtfully reviewed and strengthened its strategic pathways...

Lately, further to thorough discussions held and the validation of the Board of Directors of SBM Holdings Ltd, the Group has refined and clearly formulated its key short and medium term strategic pathways, as shown thereafter, with several accompanying strategic thrusts being also envisioned and worked upon as per each pillar to further widen and diversify business activities across entities. The purpose thereof is to lay the ground for a multi-pronged, balanced and lasting growth path as well as bolster the resilience and brand image of the organisation in the years ahead, while tackling any complex matters confronting the organisation. Eventually, this should help to position SBM Group as a reference and integrated banking and financial services player locally and, also, across the Asia-Africa corridor.

...underpinned by solid enablers and clear directions for its different operating entities

To achieve its business development goals, the Group will continuously reinforce its human, physical and technological capabilities in view of gearing up for operational efficiency and customer service excellence. Towards those ends, it will further pursue its digital transformation and will bolster its risk management and cost optimisation endeavours. Judicious capital management is also key to spurring our growth agenda. Along the way, emphasis will be laid on boosting intra-Group synergies.

In alignment with the vision of the Group, the operating entities determine their own strategic thrusts, targets and key performance indicators after making allowance for their aspirations, resources and capabilities, risk appetite as well as market-related and country-specific realities and specificities.

Spearheading a smart way ahead for SBM Group amidst opportunities and challenges

Our long-term aspirations

Sustain resilience, progress and goodwill of Group entities

Accompany our stakeholders in good and bad times

Support sound socio-economic progress of our countries of operation

Our strategic directions and pillars

- Purposeful and sustainable business model
- Simpler and smarter organisation
- Growth as an international and universal service provider

Our value drivers

- Culture and values
- Stakeholder engagements
- Customer experience
- Operational excellence
- Robust governance setup
- Financial resilience

Our key enablers for sound and sustained growth

- Group functioning and operation
 - Customer experience
 - Technology and innovation
 - Governance, risk and compliance
- Strategic human resource and talent management
- Strategic communication and marketing
- Branding and culture

DELIVERING ON OUR STRATEGY

(CONT'D)

Our strategy execution journey

SBM Group: key strategic initiatives during the period under review

General remarks

Coping with the unprecedented challenges emanating from the operating landscape across countries and industries, the Group made further progress against its strategic objectives and preserved its financial soundness, helped by its dependable business model. Initiatives put in place have borne promising results. They contributed in gradually turning around the organisation and buttressing its growth foundations towards ensuring that it emerges stronger from current challenges and thrives in the periods ahead. Notably, the Group took calculated and informed decisions to further restructure, streamline and simplify its operating model. Headway has been made in reinforcing the governance set-up, risk management framework and the quality of human capital. Moreover, the Group engaged with stakeholders, societies and communities in line with its sustainability agenda.

While the major Group-wide initiatives are depicted below, the specific achievements registered by the different operating entities during the period under review are depicted in the sections thereafter.

Specific realisations

Amidst the health and economic crisis that unfolded and high uncertainty levels in jurisdictions where its entities operate, SBM Group has pursued and diversified its business growth, strengthened its customer centricity and enriched its value proposition, in line with dedicated measures being taken to further push ahead with its digital transformation. Along the way, the Group has duly accompanied and guided its customers in the face of the testing economic climate. We upheld a prudent and conservative approach to strengthen our balance sheet position in the face of the demanding context, with emphasis laid on promoting sound capital, funding, liquidity and asset quality metrics.

Operationally, several key milestones have been reached across various dimensions as the Group took bold actions to put the organisation on a stronger footing. With the support of our employees and the guidance of our Board of Directors, we continued to thoughtfully revisit and reshape our inherent functioning and operating mechanisms to achieve greater efficiency levels and to better support our strategic ambitions. Key moves were adopted to bring greater accountability and efficiencies in the way the organisation operates and interacts with stakeholders. As a major accomplishment, the Group Office of Strategy Management (GOSM) was established at the level of SBM Holdings Ltd and SBM (Bank) Holdings Ltd. The GOSM aims to support the effective, harmonised and aligned execution of the Group strategies for the advancement of the organisation and it benefits the latter by instilling greater clarity, cohesiveness, uniformity and expertise in how it conducts its operations and manages stakeholder interactions, alongside delivering a proper sense of direction for project implementation and resource allocation. The members of the GOSM are mandated to serve Group-wide entities in alignment with their requirements. On this note, the GOSM has set forward to establish systematic and well-calibrated interactions and synergies with senior management across functions and entities. The ensuing aim is to secure and harness partnerships for the ultimate benefit of the Group. Within the GOSM, the Group bolstered its leadership team significantly, with existing leaders taking on larger and newer responsibilities, while new talent having the breadth and experience to match its aspirations were brought in last year. High-profile seasoned professionals recruited and operating under the aegis of the GOSM include the Deputy Group Chief Executive Officer at the level of SBM Holdings Ltd as well as the Chief Executive Officer, Group Chief Risk and Compliance Officer and

Group Head Research, Strategic Planning and Execution and Lead Economist at the level of SBM (Bank) Holdings Ltd. Importantly, the GOSM is supported by an Executive Office, which comprises of functional teams. With the creation of the GOSM, Group management forums such as the Group Executive Forum and functional sub-forums have been reviewed in order to pave the way for proper oversight and to foster the gradual endorsement of Group policies across the operating entities.

We further implemented initiatives – notably in terms of processes and policies – aimed at creating an integrated framework and structure that allows for enhanced and more fruitful partnership models amongst the different entities of the Group, while improving support to customers under the SBM brand. Efforts are ongoing to reflect on how best the Group can be internally positioned to deliver and execute more efficiently and effectively on its embraced strategic orientations, alongside creating enhanced value to stakeholders as well as further broadening and diversifying revenue generation opportunities. In other respect, SBM Group is conscious that its human resources are a critical success factor for the implementation of its strategic thrusts. Key initiatives around employee engagement and talent management have been rolled out across the Group, with a view to building capacity for sustained performance. Of note also, the continuous strengthening of risk management frameworks, policies and processes has remained high on our agenda insofar as it is core to achieving healthy business growth. Several policies have been reviewed and approved at the Group level and rolled out for adoption at operating subsidiary level e.g. Group Credit Risk policy, Group AML/CFT policy and Group Whistleblowing policy amongst others. Both the Group Risk Management Forum and the Group Compliance Forum were reviewed to achieve more effective oversight.



Learn more about our Group-wide governance and risk management frameworks and initiatives in the Corporate Governance Report and the Risk Management Report

DELIVERING ON OUR STRATEGY

(CONT'D)

Our strategy execution journey (cont'd)

Our corporate sustainability agenda

Guiding principles

At SBM, we recognise that the success of our organisation across the countries in which we operate depends on the economic, social and environmental consequences of our actions and operations. We believe that, as a responsible corporate citizen, it is our duty to endorse sustainable actions to maintain a sound financial and operational performance, while creating value for our stakeholders. Over the years, our endeavour to craft a sustainable business has led us to build a strong and diversified institution, supported by the adoption of good corporate governance practices. We have championed a greener environment and committed to a long-term corporate sustainability agenda.



Key focus areas

As a key trust, the Group strongly believes in making judicious use of natural resources to protect and preserve the environment, alongside adopting sustainable initiatives to help reduce its ecological footprint. Across its operations, the Group regularly identifies and implements environmentally-conscious measures to foster the optimum use of resources, especially water, energy and paper usage. We embed sustainability principles in the way we conduct our business and our customer interactions. We endorse sustainability through several corporate actions and market development moves, alongside promoting the delivery of products and services that underpin financial inclusion and environmental sustainability. Promoting the advancement and interests of women is also a major objective of the Group. Along the way, we set out to create a conducive environment whereby our employees are treated with integrity and respect and can deliver to the best of their abilities.

Engaging with our stakeholders

Partnering with stakeholders who share our values and have an interest in our business and in forging a sustainable future is of utmost importance for us in view of our ambition to make a difference both as a corporate citizen and as a social partner. Our active and well-calibrated stakeholder engagement allows us to build positive and long-lasting relationships that help us deliver on our strategic and sustainable development goals. Keeping our stakeholders at the heart of everything we do, we relentlessly try to understand their needs and expectations. Our engagement is based on fair access to information, transparency, consistency, accountability, inclusiveness and professionalism.



Learn more on how we engage with our stakeholders in the Sustainability Report on our website

DELIVERING ON OUR STRATEGY

(CONT'D)

Our strategy execution journey (cont'd)

Our corporate sustainability agenda (cont'd)

Zooming on major moves deployed by the Group during the period under review

Via its Corporate Social Responsibility (CSR) programme, the Group has sustained moves deployed across its presence countries, with the aim of supporting social and economic empowerment as well as promoting the advancement of societies. In line with the Sustainable Development Goals set by the United Nations, the Group has, through various interventions, contributed to the development of communities by providing people with relevant opportunities to learn, grow and aspire for a better future. Of note, in Mauritius, the CSR initiatives are centralised at the level of the SBM Foundation while same is channelled through respective Management across the different countries of presence.

Overview and positioning of the SBM Foundation

The SBM Foundation drives the Corporate Social Responsibility (CSR) function within SBM Group. Since its creation in 2016, it coordinates the CSR initiatives of the various entities of the Group under a single umbrella. Our CSR strategy revolves around supporting high-impact social development and sustainable projects in our presence countries, with our actions being targeted at the needy and vulnerable groups of society. Focus is laid on education and empowerment, promotion of employability and the combatting of social ills with a view to alleviating poverty. The SBM Foundation makes use of the CSR funds allocated to it by the different entities of SBM Group located in Mauritius.

During the period under review, the SBM Foundation has provided funding and assistance to various social partners and NGOs across projects, supported by the engagement of our employees by means of voluntary charity work of their choice. Key themes pursued comprise:

- Learning through play: sports, music and culture
- Women empowerment and child care
- Education for disabled persons
- Education for out-of-school youth



Learn more on our corporate social activities in the Sustainability Report on our website

The Group promoted and financed green projects shaping up the socio-economic landscape, notably those relating to clean energy as well as climate change mitigation and adaptation. Our commitment towards the environment is, notably, formalised through a group-wide Environmental and Social Risk Policy, which provides clarity and transparency in our operations and market activities. The Group further disseminated the SBM Eco Loan in Mauritius, with the latter offering a series of financing solutions that enable individuals, SMEs and corporates to invest in equipment and technology that underpin their commitment to protecting the environment. This solution is aligned with our ambition to contribute to the country's transition towards a greener environment and a better future for the upcoming generations, in the wake of challenges associated with climate change.

The Group pursued several measures in the context of its 'Wemove' platform, previously known as the 'Women on the Move' initiative, which aims at creating the right environment for an exchange of experiences and ideas in view of propelling our female colleagues in their professional development. In 2020, a Council was created, consisting of Board members and teams across all subsidiaries of SBM Group. The Council has, since then, set up a series of women-led initiatives whose objective is to build strong relationships internally as well as within the society and business communities. This platform is a pledge of the whole organisation to move together, as one team, for the inclusion, promotion and diversity of female talents within the Group and in the societies in which we operate.

Group entities have purposely focused on playing a key and active role as an essential services provider during the health and economic crisis linked to the pandemic, while making efficient use of resources for a meaningful and sustainable impact.

Progress across entities during the period under review

SBM Bank (Mauritius) Ltd

Strategic initiatives

While embedding its position as a leading player in the domestic banking industry, SBM Bank (Mauritius) Ltd has thoughtfully pursued its business growth across segments, in spite of facing up to pandemic-related disruptions. It has upheld the depth and quality of its involvement vis-à-vis individual and corporate customers and remained committed to ensuring that customers enjoy a seamless banking experience, anywhere and anytime. Emphasis has been laid on enhancing the customer journey as well as offering a value proposition that stands out on the marketplace and is aligned with international trends. At the same time, it is worth noting that the bank has accompanied its clients with the implementation of several well-adapted financial solutions to support those who have been severely impacted by the challenging economic environment. Overall, the distinctive achievements registered by the bank have won it The Banker Magazine's 'Bank of The Year Mauritius 2021' Award.

DELIVERING ON OUR STRATEGY

(CONT'D)

Our strategy execution journey (cont'd)

Progress across entities during the period under review (cont'd)

SBM Bank (Mauritius) Ltd (cont'd)

Strategic initiatives (cont'd)

As a major accomplishment, the bank successfully renovated 15 of its branches during the past year, with focus on latest available technologies and digital tools. The aim is to cater for the needs of the customer base as well as to offer a widening array of solutions to conveniently and rapidly respond to their expectations. The ATM park at both renovated branches and offsite locations was expanded and refurbished with an improved look and feel, while delivering an array of additional intelligent features, including online cash deposits functions. The SBM Private Banking and Wealth Management division has continued to broaden its value proposition and enhance its service quality, alongside significantly reducing turnaround time when on-boarding new clients. It had launched a state-of-the-art private lounge, which is synonymous of service excellence. In line with the digital strategy and as part of the endeavour to provide seamless customer experiences, it created a new, modern and dedicated website, encompassing classy and user-friendly interface and features, including a detailed view of its value proposition – encompassing high-end products, digital services and appealing structured solutions – scheduling of appointments with Relationship Managers and Private Bankers, and connection to dedicated portals. With an increase in the demand for wealth management solutions such as discretionary and advisory mandates, the bank has implemented a Wealth and Portfolio Management Solution so as to efficiently cater for portfolio management services. The software is a front-to-back and state-of-the-art modular system, which caters for multiple facets of the wealth management business, including client on-boarding, risk profiling, model portfolios and investment limits, trade order management, settlements and fee management amongst others.

Reflecting its aim to promote financial inclusion and the country's socio-economic development, the bank bolstered its assistance to SMEs in view of their growth endeavours, while offering advisory, transactional and lending services. It embarked on a journey to enhance customer proximity and in-branch customer experience by decentralising its SME services across the network of branches in Mauritius and Rodrigues, with dedicated SME desks in all its branches. SME Relationship Managers and Analysts across branches assist in boosting awareness of the bank's offerings and in more effectively catering for clients' financial needs, alongside reaching out more easily to potential clients. At another level, product offerings were enriched for different customer segments, especially on the mortgage front. Of note also, the bank has further promoted its SBM Eco Loan product with the objective to support adoption of sustainable practices and operations by individuals and corporates.

In line with its digitalisation strategy, the bank launched the SBM Pocket, which is a mobile application that enables customers to easily, quickly and safely perform several banking transactions using their smartphones, while also conducting the operations in a fast and efficient manner. Customers can access the application anytime, anywhere, which provides the bank with a competitive edge on the market. The application provides easy and facilitated access to key information on retail products and services. It includes tools which help users to apply for new accounts, credit cards and loans at their convenience. It features a loan calculator to simulate the repayment schedules of the different types of loans offered by the bank as well as a handy locator that displays the nearest SBM ATMs and branches in Mauritius

and Rodrigues. It provides an up-to-date list of partner merchants offering discounts to SBM cardholders as well as information on indicative daily exchange rates for major currencies. An updated version of the SBM Mobile Banking App has been rolled out, with the platform containing additional security layers that allow customers to carry out their banking transactions in an even more comfortable environment. The bank is the first player to introduce the Smart (Android) POS technology in Mauritius, which, as compared to traditional POS terminals, contains enhanced security features, enables faster processing of transactions, is more visually appealing, and allows for better technical assistance and sales experiences to merchants. Moreover, active promotional and commercial campaigns were carried out, notably on the social media, in order to promote the bank's digital and mobile banking products, solutions and applications. An ambitious Contactless Card acquisition and usage campaign was launched for existing/new cardholders.



Amigos painting competition prize giving ceremony



Branch renovation at Montagne Longue

The bank further disseminated the SBM Amigos Mobile App which is targeted at Gen Z children. Leveraging best-in-class technology platforms, the solution is designed to provide young customers and their parents with simplified, user-friendly and easily-accessible banking transactions and facilities, including online customer on-boarding, product-specific discounts with selected merchants, special card offers, etc. SBM Amigos aims to encourage parents to open a savings account for their children as from a very young age, with marketing campaigns run to create awareness on the product's exciting features. The bank introduced the SBM Amigos Money Box initiative, whereby a beautifully-crafted porcelain Amigos Money Box, in the form of the Amigos mascot, was gifted to eligible account holders. A drawing and painting competition was launched to encourage children and teens aged between 5 and 17 years to showcase their creativity on the 'Caring for our Environment' theme.

DELIVERING ON OUR STRATEGY

(CONT'D)

Our strategy execution journey (cont'd)

Progress across entities during the period under review (cont'd)

SBM Bank (Mauritius) Ltd (cont'd)

Capacity building and growth enablers

In support of its initiatives, the bank bolstered its operational efficiency and customer service quality. Key actions taken include (i) identification of Service Champions for each branch, with dedicated training delivered to them; (ii) improved service levels delivered by the Contact Centre; (iii) leveraging of more pertinent methodology and modus operandi to take stock of, compile and assess customer feedback and satisfaction with a view to bringing in relevant improvements to the process; (iv) enhancement of the complaints management process, backed by the identification of prompt remedial actions to assess how grievances are handled and to enhance the customer experience; (v) development of in-house approach to evaluate customer satisfaction and Net Promoter Score for the retail segment; and (vi) the further streamlining and simplification of customer on-boarding and loan deployment processes. The bank also put in place a Customer Experience Forum whose objective is to help foster a seamless customer journey and integrate a service quality culture into operations. It is a platform aimed at triggering discussions on customer service quality levels provided by key lines of business and the Contact Centre, whereby customer complaints are analysed, other findings are taken stock of and appropriate remedial actions are proposed so as to improve process flows.

The bank further improved its risk management framework, backed by the review and strengthening of internal policies, procedures and standards, the ongoing refinement of its risk appetite, the setting up of the Credit Monitoring team as well as the conduct of Risk Awareness sessions across sales staff and of Credit Workshops aimed at sensitising employees on the need to adhere to applicable policies and procedures. The bank made noticeable strides in gearing up its human capital in support of its growth ambitions. A major development relates to the recruitment of a Chief Executive Officer with over 15 years of experience in the banking, risk management and investment fields in Mauritius and abroad. Besides, the bank has, notably, appointed the following: (i) Chief Credit Officer responsible for the Credit Underwriting, Credit Services and Credit Recovery teams; (ii) Head of Strategy and Business Development; (iii) Head of Legal; and (iv) Head of Compliance. Of note also, the bank has launched SBM Talent Finder, a programme whose objective is to build the talent pipeline for the organisation in line with its objective to develop a diverse, talented and highly-skilled workforce. Hence, the bank has set out to recruit young graduates who have the opportunity to benefit from a 12-month tailor-made programme which includes in-house and external training across its various divisions.

Looking ahead

The bank is committed to consolidating and growing its business volumes in key segments and to tap into emerging areas, with emphasis on a cautious management of operating costs. The Management team has devised a three-year plan that will focus on (i) consolidating the bank's position in existing markets; (ii) tapping into new business opportunities and markets; (iii) improving service quality to enhance customer journey; (iv) digitalisation of channels; (v) capacity building; and (v) enhancing risk management culture. Specifically, the bank is committed to expand and diversify its

domestic footprint across markets (i.e. individual customers as well as SMEs and large corporates) as well as to boost its foreign-sourced business in a prudent and well-engineered manner, while making allowance for the set risk appetite. In the process, it will remain mindful of the evolving operating environment and the associated risks and challenges. Along the way, the bank will keep up the momentum in the field of innovation through digitalisation to stand out on the market and provide banking facilities to customers at their fingertips, alongside embracing latest technologies. The bank's digital strategy is focused on specific dimensions, namely providing the best omnichannel experience in key customer journeys while standing as the first choice for customers as well as embracing new business models within an enriched ecosystem. Overall, the bank's strategic endeavours will be backed by the harnessing of an in-house agile, high-efficiency and simplified operating model as well as the bolstering of strategy execution capabilities.

SBM Non-Banking Financial Cluster

Strategic initiatives and key enablers

While cementing its prominent positioning in the domestic financial services industry, the SBM Non-Banking Financial Cluster (SBM NBFC) continued to provide financing, investment and insurance solutions to its clients and has supported businesses in difficulty through restructuring plans. In a low interest rate environment, it has offered alternative investment solutions to its clients in line with their financial needs, while rationalising its offerings. Reflecting its sustained growth across segments, it witnessed a notable rise in assets under management. In support of its strategies, SBM NBFC has become the first financial institution on the market to launch two client portals for Asset Management and Trading services, with the aim of holistically enhancing client experiences as it moves further towards embracing a customer-centric model. These portals reflect the drive to strengthen the positioning of SBM NBFC in the Mauritius landscape. Moreover, SBM NBFC has reviewed its risk management policies and strengthened the Operations team to bolster operational efficiency levels.

Looking ahead

Moving forward, SBM NBFC is geared to further expand and diversify its market positioning across established and emerging segments, aided by recruitment in vital areas and a growing talent base. An important enabler is to create greater synergies with other Group entities, while tapping into growth avenues within the organisation's presence countries. Of note also, a strategy and structure review exercise has been initiated with the support of consultants, with key objectives being the enrichment of customer service, improvement of operational efficiency levels and data analytics, enhancement of Group synergies, reinforcement of competency framework as well as better sales and marketing.

Overall, SBM NBFC remains focused on growing its footprint and is intent on further capitalising on the business development momentum witnessed last year, with the main objective being to maintain a healthy growth across its different lines of business, thereby creating value for all its stakeholders.

DELIVERING ON OUR STRATEGY

(CONT'D)

Our strategy execution journey (cont'd)

Progress across entities during the period under review (cont'd)

SBM Bank (India) Limited

Strategic initiatives

During the period under review and while adhering to guidelines set by the Central Bank, SBM Bank (India) Limited pursued its business development and omnichannel strategy across targeted customer segments, while rolling out digitally-led and value-added products and entering into collaborations with clients and business partners, including Fin-Techs, to generate diversified modes of asset and deposit creation. In the same vein, it launched multiple neo banking initiatives that work towards increasing granularity in the deposits base of the bank. It expanded its branch network by adding a branch in Ahmedabad, which is a strategically important city and a trade hub, while being also a seat for small industries and enabling supply chain linkages across various other cities in the country. It has deepened its Private Wealth Management services by ensuring that Relationship Managers are trained to attract new customers with enhanced and tailored solutions, including, but not limited to, forex services, investments in Alternative Investment Funds, Portfolio Investment Schemes, deposits that facilitate investments in global stocks, among others. The bank has leveraged partnerships with various Fin-Tech entities with a view to widening and accelerating the distribution of products and services, including prepaid and credit cards, Micro ATMs, Multi-channel banking as well as Aadhar (India's Unique Identification Number) enabled payment services and Immediate Payment Services. Amidst its aim to continuously improve customer experiences, it has established a 24x7 Call Centre, strengthened its Customer Service team and bolstered the tracking of customer complaints.

Capacity building and growth enablers

Holistically, the bank's digitally-focused and liability-led strategy is supported by investments made in manpower, technology and prudent risk management and governance capabilities. Specifically, key initiatives taken to improve operational efficiency levels and promote cost optimisation include the following: (i) activity-based reorganisation of retail operations; (ii) streamlining of internal processes, operating procedures and relevant policies, especially in relation to client-on-boarding, credit monitoring and settlement, credit bureau reporting and activation of card operations; (iii) reinforced oversight in view of the process for approval of budgeted and unbudgeted expenditures by business lines and support functions; and (iv) bolstered information technology platforms, systems and features. On the latter front, enhancements were achieved with respect to back-office and work-flow activities, money market operations, straight-through processing of funds, funds transfer, liquidity monitoring, management of nostro accounts, trade finance transactions, repository and movement of documents, compliance support and resolution for relevant market activities, regulatory reporting, the monitoring, review and reporting of priority sector targets as per mandates set by the Reserve Bank of India and classification of non-performing assets. Of note also, the bank introduced Digital Checklists, which ensure that important precautions are taken for document scrutiny to be undertaken in a correct manner. An early warning system was implemented, thus ensuring generation of a wide range of alerts in the wake of any suspicious movements being noted on large corporate transactions. A centralised disbursement team was put in place to take care of all capital market and corporate transactions in an integrated manner. At another level, the bank has continued to reinforce its risk management framework and processes, while adhering to the Three Lines of Defence risk management



Revamping of mobile banking



Ahmedabad branch inauguration

model for disciplined strategy execution and oversight. It has ensured that all operating procedures, transactions and products and services exist and function within a framework with strict controls and necessary adherence to the various tenets of governance and eligibility set forth by the regulatory authorities, the Board of Directors as well as the internal Compliance, Risk, Legal and Governance teams.

In another respect, the bank rolled out various employee engagement initiatives. The bank continued to avail the services of professionals from the banking and technology fields, while also leveraging the skills and expertise of its employees, thus bringing together the best of innovation, compliance and processes, with the aim to develop a new-age banking experience. To support its brand image and boost customer acquisition, the bank conducted marketing and commercial campaigns, with emphasis on: (i) improved social media penetration across LinkedIn, YouTube, Facebook, Twitter and Instagram; (ii) conduct of customer surveys to gauge satisfaction with respect to products and services; and (iii) adoption of promotional initiatives to highlight partnerships, collaboration and new product launches, tailored to the respective targeted segments.

Looking ahead

While positioning itself as the preferred bank for discerning customers who value efficiency, excellence and quality of service, the bank is set to expand its asset base and diversify its revenue streams, alongside striving to become an increasingly recognizable brand on the Indian market. It is devoted to the purpose of building value-centric relationships with its customers by harnessing robust technology-enabled platforms to deliver holistic, innovative and adapted solutions, notably in relation to Private Wealth, Smart Banking – which includes a plethora of digital payments and remittances solutions – Corporate & SME Financing, Global Financial Institutions Coverage as well as Treasury Management. As a key focus area, the bank is intent on increasing the granularisation, sustainability and stickiness in deposits base by enhancing its technological capabilities and further leveraging strategic partnerships, especially in the Fin-Tech space. To support its strategic endeavours, the bank will further strengthen its internal capabilities in terms of people and processes, alongside enhancing credit and fraud risk monitoring and management as well as boosting its distribution and channel network.

DELIVERING ON OUR STRATEGY

(CONT'D)

Our strategy execution journey (cont'd)

Progress across entities during the period under review (cont'd)

SBM Bank (Kenya) Limited

Strategic initiatives and key enablers

During the last financial year, SBM Bank (Kenya) Limited made additional strides to position itself as one of the leading and trusted financial services providers in the country. The bank implemented various business development initiatives, underpinned by an enriched palette of products and services as well as improved customer experience levels. Amongst others, the bank introduced a new savings accounts dubbed 'Platinum Saver Account' to serve customers in the Consumer Banking segment and upgraded its Mobile Banking and Online Banking platforms.

Consolidation efforts were sustained, with a review of the branch network, whereby branches in close proximity to each other were reassessed, as a result of which certain branches were merged. This reduced the branch network from 46 to 41 during the year, while, at the same time, upholding service quality levels, aided by multiple channels, including convenient digital and mobile solutions. Conscious of the intricacies of the operating environment as well as its current positioning on the market, the bank remained committed to foster the SBM brand awareness. It invested in an in-house branding campaign whereby the look and feel of business premises were revamped to effectively communicate the brand heritage of the bank.

Several workshops and digital marketing campaigns were conducted with the aim to cultivate knowledge-sharing and customer proximity, whilst widening partnership opportunities for the bank. With a view to enhancing the quality of services offered by the bank, customer journey mappings have been conducted with respect to key services to quicken response time. The bank established periodic Service Focus Groups with the main objective being to identify gaps in service delivery and come up with appropriate remedial solutions. Furthermore, a customer experience council was set up to review and recommend, in a structured and an informed manner, strategies to drive best-in-class service delivery and customer experience.



Sponsoring the Fashion On The Road (FOTR) Golf Culture Tournament 2021 at the Muthaiga Golf Club. The bank showcasing its new Elite Banking proposition, an exclusive banking service which offers highly personalised services.

In order to support the effective execution of its business growth and customer acquisition initiatives, the bank implemented squads. For instance, the process squad operates with a mandate to drive operational efficiency by reviewing internal processes and making appropriate recommendations for improvement, while the people squad is mandated to review the employee value proposition and make necessary recommendations for enhancements. As another key enabler, the risk management and compliance set-up has been further strengthened, backed by a review of policies and regular interactions with the Group entities, which led to the sharing and adoption of best practices in the domain. The year also provided an opportunity for the bank to undergo a process of organisation structure review towards achieving a 'fit-for-purpose' structure to support a more efficient operating model.

Looking ahead

The bank is driven by its ambition to climb up the ranks towards becoming a top Tier 2 bank over the medium term, with growing profitability levels and increased contribution to the Group's financial performance. This journey will be accompanied by the diversification of the product offerings with a focus on defined market segments. The bank is intent on positioning itself as a niche corporate bank while serving the SME and consumer segments through its ecosystem model. To support its business strategies, the bank will bolster its technological infrastructure and leverage partnership opportunities, with the support of the Group.

Banque SBM Madagascar SA

Strategic initiatives and key enablers

Despite the challenging economic environment, the bank has been able to broaden its customer base. It attracted new customers and better farmed existing ones by encouraging them to increasingly use its products and services, supported by enhanced proximity, notably vis-à-vis clients impacted by the pandemic-induced crisis, competitive fees and charges as well as better service quality. The bank has successfully diversified its revenue stream by growing the share of non-interest income, especially on the back of the accelerated development of trade finance activities. It has successfully worked out ways to reactivate underutilised lines of credit by some major import customers. These endeavours, coupled with better cost control and recovery mechanisms – through, amongst others, a constant review and re-negotiation of the bank's contractual costs and the appointment of an external recovery agent – contributed to an improved bottom-line for the bank. To accompany its strategic initiatives, the bank took several measures to bolster its human resource capabilities. Training programmes, both internal and external, were rolled out to upskill resources in critical areas of business functioning, while the pay scale was reviewed amidst broader efforts geared towards career definition and succession planning. The bank has also set out to strengthen its visibility across media platforms.



Relocating to new premises in Tamatave

DELIVERING ON OUR STRATEGY

(CONT'D)

Our strategy execution journey (cont'd)

Progress across entities during the period under review (cont'd)

Banque SBM Madagascar SA (cont'd)

Looking ahead

Building on the foundations of a 'Culture of excellence', the bank will continue to invest towards the development of a strong, dynamic and performance-oriented team to grow its business, with key objectives being to diversify the revenue streams and to further increase the share of non-interest income. Continuous emphasis will be laid on right-skilling the workforce to achieve a level and quality of service that differentiates SBM on the market. Business-wise, the bank aims to revamp its sales model and tap into synergies with other entities of the Group in order to further augment its product offerings, explore new growth avenues and widen its customer base, while maintaining focus on asset quality. Further progress will also hinge on efforts aimed at improving the customer experience via *inter alia* enhanced use of technology and streamlined processes, aligning to market best practices.

CORPORATE GOVERNANCE REPORT

**STAYING
TRUE** TO OUR
VISION AND
MISSION WHILE
GIVING THE GREEN
LIGHT TO SMART AND
**INNOVATIVE
IDEAS**



Fascinating fact

Leaves need carbon dioxide that humans and animals breathe out, and they return oxygen, which we need to breathe in.

CORPORATE GOVERNANCE REPORT

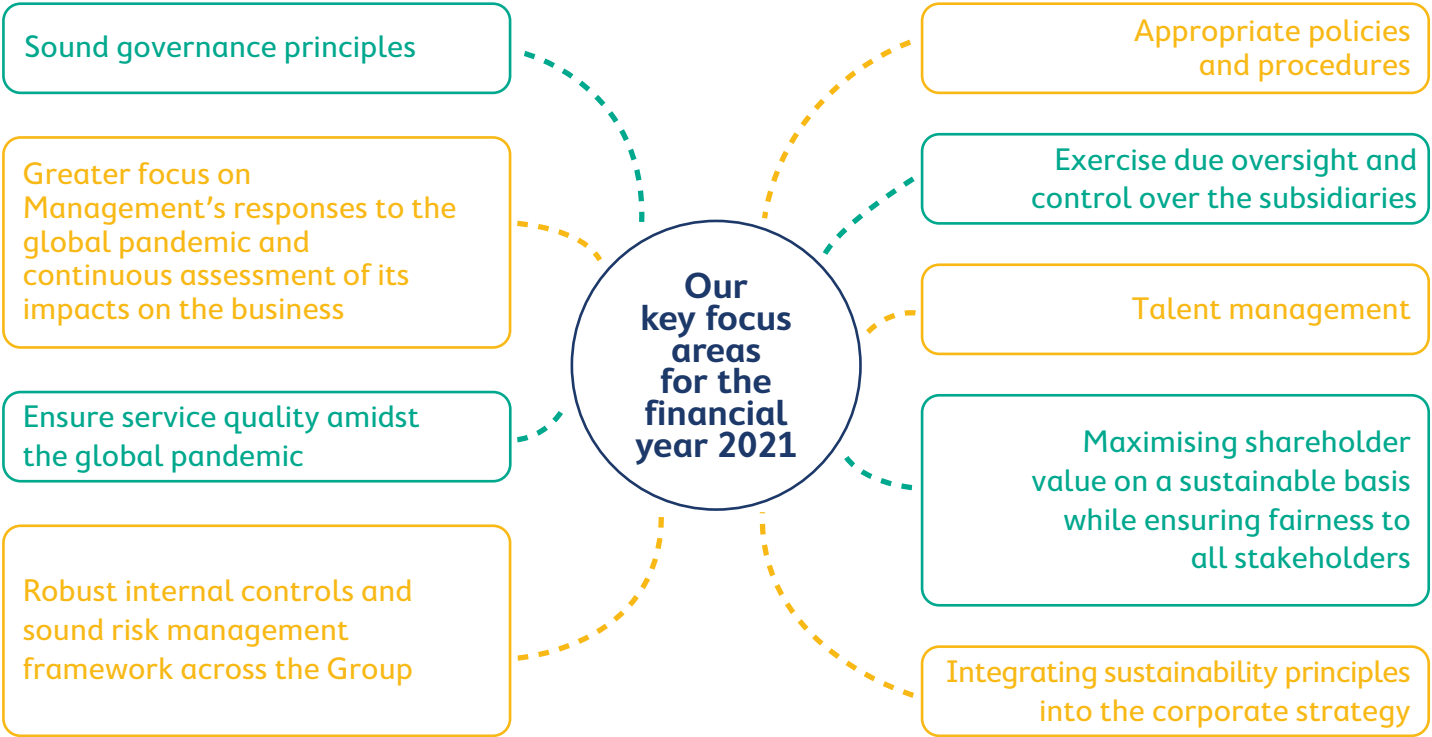
The Board of Directors of SBM Holdings Ltd (the Board) has always recognised that strong and effective corporate governance helps to cultivate a company culture of integrity, leading to positive performance and a sustainable business overall. Despite the tumultuous impacts of the COVID-19 pandemic, the Board and its subsidiary entities continue to ascertain value creation for all its stakeholders through adoption of good governance principles.

Introduction

SBM Holdings Ltd (SBMH or the Company) 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 32A 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.

Our corporate governance philosophy

SBMH believes that good corporate governance emerges from the application of the best and sound management practices and compliance with the applicable rules and regulations coupled with adherence to the highest standards of transparency and business ethics. The Board guides the success of the Company by steering the overall corporate direction, setting policies, choosing Senior Executives and ensuring that major decisions taken are ethical, transparent 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.



CORPORATE GOVERNANCE REPORT (CONT'D)

Principle One - Governance Structure

Corporate governance framework

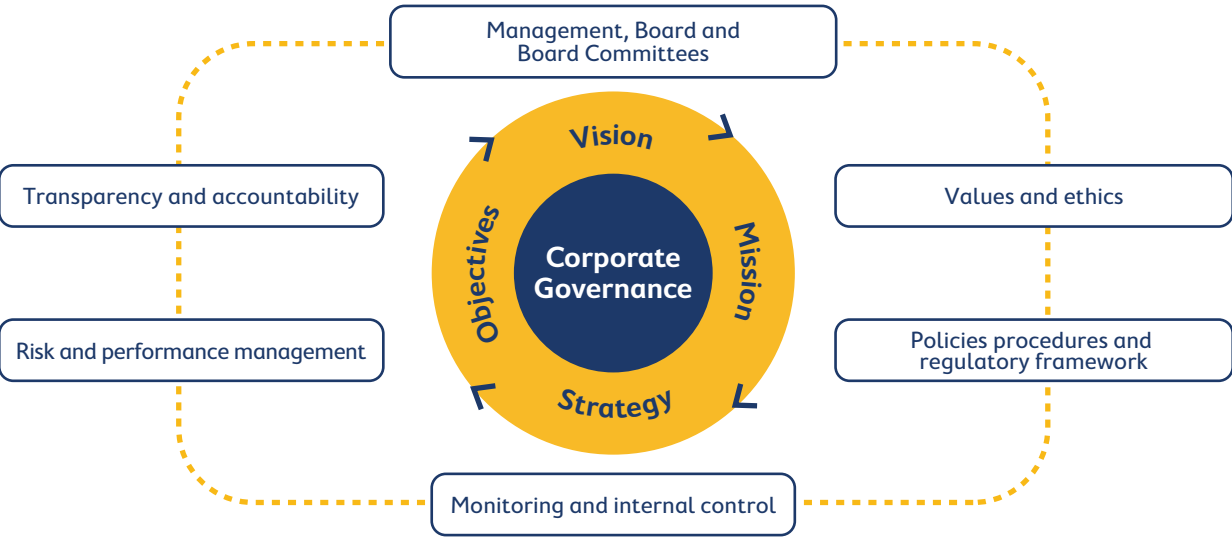
Corporate governance is a system of rules, policies and practices that dictates how a company’s board of directors manages and oversees the operations of a company. Good corporate governance is the foundation attribute to a healthy organisation and sets the tone as to how an organisation operates and behaves both internally and towards the market.

Our approach to corporate governance

The Board is committed to the highest standards of corporate governance, ethics and integrity. The Board is pivotal in influencing and implementing good governance. SBMH’s corporate governance framework underpins the Company’s purpose and the delivery of strategy. Amidst the current uncertain environment, the Board remained focused on its governance, objectives and risks to the Group’s business throughout the year.

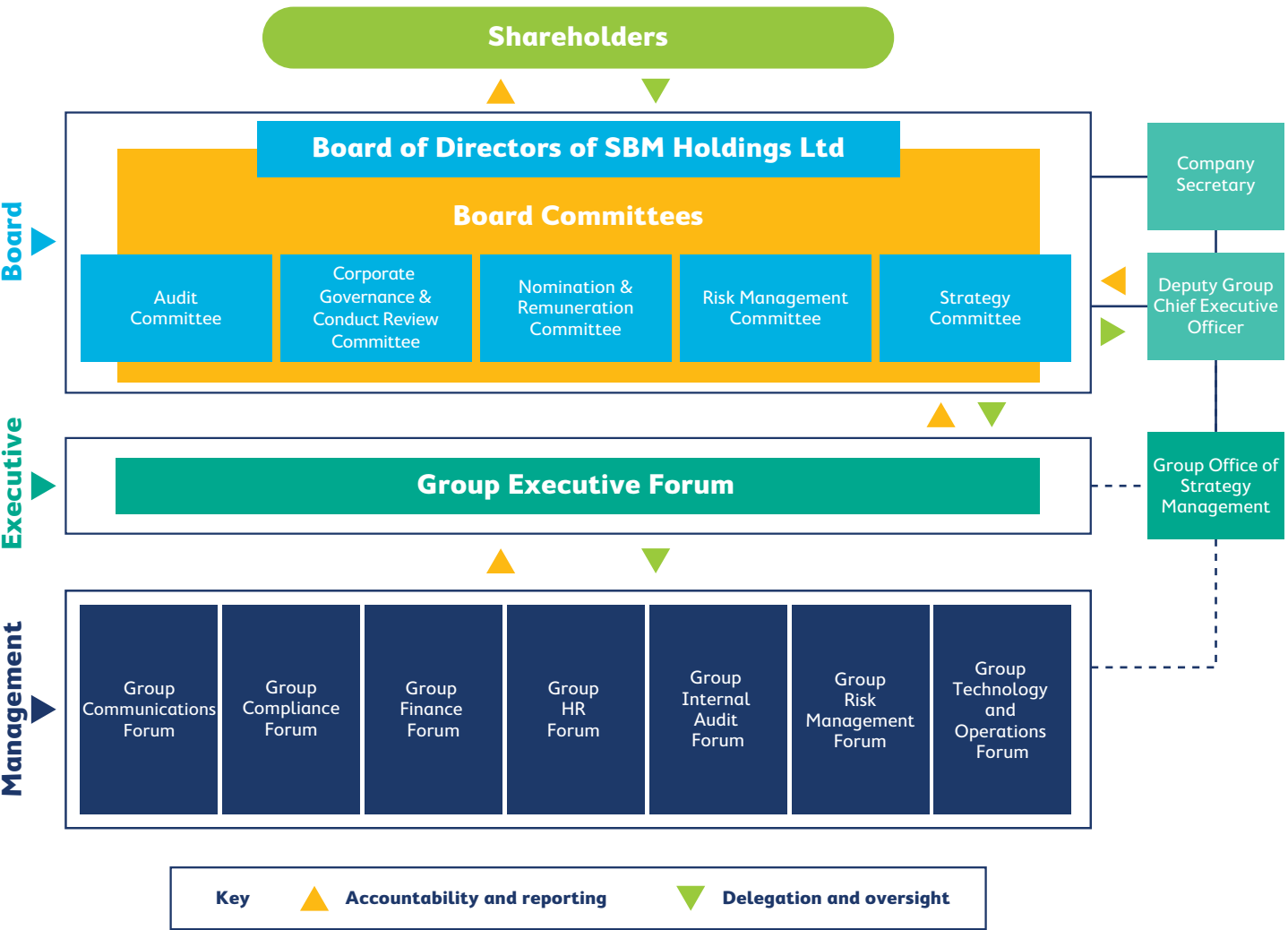
The Group operates within a clearly defined governance framework that promotes fairness, accountability and transparency. The Group’s corporate culture is anchored on: (a) competent leadership, (b) effective internal controls, (c) a strong risk culture, and (d) accountability to shareholders. The internal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

The main governance practices at SBMH are depicted as follows:



Organisational and governance structure

The Board approved the organisational structure of SBMH as follows:



CORPORATE GOVERNANCE REPORT (CONT'D)

Board profile



Mr Sattar Hajee Abdoula
Independent Non-Executive Chairman
Date of appointment: 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 Practising 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 (Chairman), 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.

Committee membership

Risk Management Committee and Strategy Committee (Chairman)



Mr Jean Paul Emmanuel Arouff
Non-Executive Director
Date of appointment: 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

Economic Development Board, Landscape (Mauritius) Ltd, SBM (Bank) Holdings Ltd, SBM Bank (Mauritius) Ltd and SBM (NFC) Holdings Ltd.

Committee membership

Corporate Governance & Conduct Review Committee and Nomination & Remuneration Committee (Chairman)



Ms Shakilla Bibi Jhungeer
Independent Non-Executive Director
Date of appointment: 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 "Wemove", a platform designed to promote women empowerment across all subsidiaries of SBM Group.

Directorship in other entities

Rodrigues Duty Free Paradise Ltd, SBM (Bank) Holdings Ltd, SBM Bank (Kenya) Limited, SBM 3S Ltd, SBM Factors Ltd, SBM Insurance Agency Ltd, SBM Leasing Co. Ltd, SBM (NBFC) Holdings Ltd and State Insurance Company of Mauritius Ltd.

Committee membership

Audit Committee, Corporate Governance & Conduct Review Committee (Chairperson) and Nomination & Remuneration Committee



Mr Roodesh Muttylall
Non-Executive Director
Date of appointment: 30 June 2015

• Masters Degree in Finance, University of Mauritius
• 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 the 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

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

Committee membership

Nomination & Remuneration Committee

CORPORATE GOVERNANCE REPORT (CONT'D)

Board profile (cont'd)



Mr Ramprakash Maunthrooa
Non-Executive Director
Date of appointment: 15 December 2021

- Fellow of the Institute of Chartered Secretaries & Administrators – UK (FCIS)
- Fellow Member of the Chartered Institute of Transport – UK (FCIT)

Background and experience

Mr Maunthrooa is currently serving as Special Adviser at the Prime Minister's Office.

Mr Maunthrooa was Senior Adviser at the Prime Minister's Office from January 2015 to April 2019. He has also been the Managing Director of the Board of Investment (now Economic Development Board) during 2010/2011.

He has previously been a Director on the Boards of Air Mauritius, SBM Holdings Ltd, the Board of Investment, and State Insurance Corporation of Mauritius Ltd.

Mr Maunthrooa has also been the Director-General of the Mauritius Ports Authority and subsequently the Chairperson of the Mauritius Ports Authority for 2000 – 2003.

Directorship in other entities

Airports of Mauritius Co Ltd (Chairman), Airport Terminal Operations Ltd (Chairman) and Mauritius Duty Free Paradise Co Ltd (Chairman).



Ms Sharon Ramdennee
Independent Non-Executive Director
Date of appointment: 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 Ramdennee 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 Ramdennee 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 since 2005.

Directorship in other entities

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

Committee membership

Audit Committee, Corporate Governance & Conduct Review Committee, Risk Management Committee (Chairperson) and Strategy Committee.



Mr Visvanaden Soondram
Non-Executive Director
Date of appointment: 11 March 2020

- Fellow of The Association of Chartered Certified Accountants, UK (FCCA)
- Masters Degree in Finance

Background and experience

Mr Soondram is currently Deputy Financial Secretary at the Ministry of Finance, Economic Planning and Development. He has a fruitful career spanning over more than 25 years within the same Ministry where he has previously served as Accountant, Lead Analyst and Director.

Directorship in other entities

Economic Development Board, SBM (Bank) Holdings Ltd and SBM Bank (Mauritius) Ltd.

Committee membership

Strategy Committee.



Dr Subhas Thecka
Independent Non-Executive Director
Date of appointment: 23 June 2017

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

Background and experience

Dr Thecka is a Senior Lecturer at the Charles Telfair Institute since 2006 where he teaches accounting, banking 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 17 years as Lecturer at tertiary level.

Directorship in other entities

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

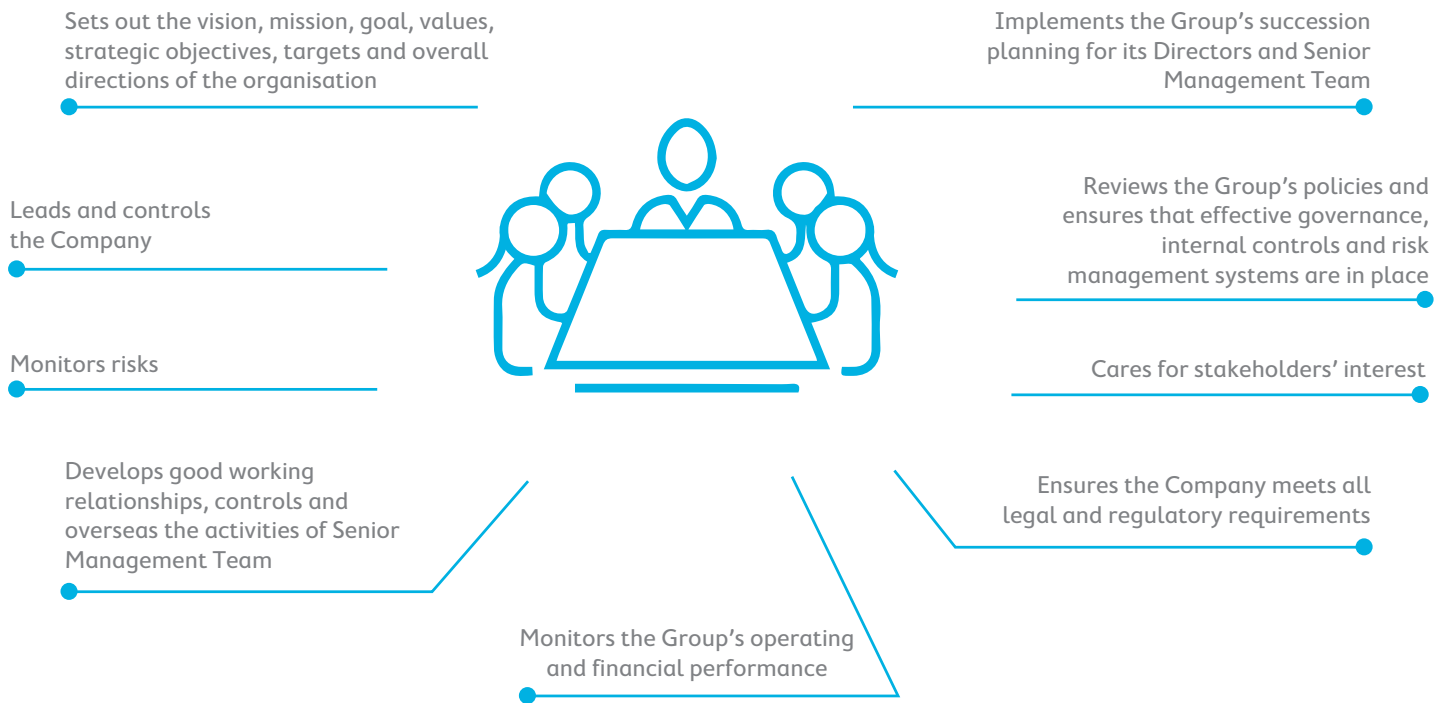
Committee membership

Audit Committee (Chairman) and Risk Management Committee.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Role of the Board of Directors

The Board is the principal decision-making body of the Company. It is responsible for establishing the Company’s purpose, values and strategy, promoting its culture, overseeing its conduct and affairs, and for promoting its success for the benefit of its members and stakeholders within a framework of prudent and effective internal controls. It discharges some of its responsibilities directly and others through its sub-committees. The key roles and responsibilities of the Board are depicted as follows:



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

SBMH operates a best practice corporate governance framework appropriate to the organisation. For the year 2021, the Board confirms that SBMH has continued to meet all its obligations under the Code and, where appropriate, adopted the recommended best practices as stipulated in The National Code of Corporate Governance for Mauritius (2016) (the Code) with the exception of Principle Two and Principle Three. Reasons for non-application are explained later in the Report.

In 2021, SBMH has also joined the National Code of Corporate Governance on the scorecard journey, the aim of which is about contributing towards improving overall corporate governance practices.

Governance during the COVID-19 pandemic

The COVID-19 global pandemic has created an unprecedented challenge for the global economy. Alike 2020, the Board, the Management teams and the employees of all subsidiary entities have successfully adapted to the rapidly changing circumstances and the challenges brought on by the global pandemic. They continued to work tirelessly, albeit remotely, leveraging on technology. The Board and Committees met in person as well as through video conferencing during the year. Amidst the pandemic and the restrictions on travel, there had been active involvement with the Board and Management Teams of all the overseas subsidiary entities. These allowed the Board to keep abreast of the developments and challenges faced by all subsidiary entities.

Board charter

In accordance with good governance practices, the Board has adopted a Charter which sets out the objectives, roles and responsibilities of the Board. The Charter is an extension of the Constitution of SBMH and should be read in conjunction. The Charter is reviewed at regular intervals to keep abreast of the developments in law, regulations and governance practices. Any change proposed is approved by the Board through the Corporate Governance & Conduct Review Committee (CG & CR Committee).



The Charter is available on our website

CORPORATE GOVERNANCE REPORT (CONT'D)

Code of ethics and business conduct

The Board has adopted a Code of ethics and business conduct (COE) with the aim to achieve long term growth and sustainability through effective service and high ethical behaviours. The COE sets out the principles and standards of behaviour that help to achieve a number of organisational goals, both internally and externally. The COE applies to anyone who is employed by or works within the SBM Group including employees (both permanent and temporary), contractors and consultants. The Group also encourages its partners (such as related corporate bodies, joint venture partners or companies in which SBM Group is a strategic investor) to adopt and maintain similar conduct and ethical standards to those outlined in the COE.

The Board is fully committed to abide by the COE and as such regularly monitors and evaluates compliance with same. The COE is reviewed at regular intervals.



The COE is available on our website

Accountability statement

SBMH is headed by an effective Board of Directors which is collectively accountable and responsible for the performance and good running of the Group. The Board, assisted by its Committees and Management Team, ensures that the Group operates within a clearly defined governance framework through appropriate delegation of authority and clear line of responsibilities, while enabling the Board to have adequate control and oversight over the operations of its subsidiary entities.

Key governance positions

Whilst 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, good governance requires a clear and effective division of accountability and responsibility between the Chairman and the Group CEO. Each plays a distinctive role but complementing each other 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 and various subsidiary entities of the Group. He is responsible for leading the Board and focusing it on strategic matters, overseeing the Group's business and setting high governance standards. He ascertains that appropriate decisions are taken to ensure continuity at the Board level.

In order to solidify the current Senior Management Team, the Board created the position of a Deputy Group Chief Executive Officer (Deputy Group CEO) and recruited Dr Roshan Boodhoo in 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.

Key roles and responsibilities

Chairman

- 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 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
- Promotes the highest standards of integrity, probity and corporate governance within the Group
- Ensures that the strategy and policies agreed by the Board are effectively implemented by the Senior Management Team
- Sets the board meeting schedules and agendas, in consultation with 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, 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 and succession planning
- Leads the communication programme with stakeholders including shareholders

Deputy Group Chief Executive Officer

- Drives the development and implementation of a Group HR Strategy to ensure alignment in policies and procedures as well as develop a Group culture
- Monitors periodic dashboard on performance
- Ensures effective internal controls and management information systems are in place
- Ensures compliance with statutory and regulatory frameworks across the Group
- Ensures the highest level of governance and professionalism at all levels of the Group
- Keeps abreast of all material undertakings and activities of the Group and all material external factors affecting the Group and to ensure that processes and systems are in place
- Ensures that expenditures of the Company are within the authorised annual budget of the Company
- Leads with Management, in conjunction with the Board, the development of the Group strategy and budget
- Ensures the implementation of the Group short, medium and long term plans in accordance with its strategy
- Assists Management and the Group risk function in monitoring and managing of the principal risks
- Deputises for the Group CEO during periods of absence, and in relation to specific matters, issues or elements of the Group's operations, ensuring a consistency of approach and decisions
- Performs any other cognate duties as may be assigned by the Board

CORPORATE GOVERNANCE REPORT (CONT'D)

Key roles and responsibilities (cont'd)

Directors

- Promote the success of the Group
- Take decision in the best interest of the Company and its stakeholders
- Monitor the delivery of the Company's strategy set by the Board and constructively challenge and assist in the development of that strategy
- 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

Company Secretary

- Has a central role in enhancing and maintaining a high level of corporate governance across the Company and its Board;
- 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 Directors and the Shareholders 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 Companies Act 2001 (the Act)
- 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
- 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

Leadership team

In order to further strengthen the Senior Management structure, the Group Office of Strategy Management (GOSM) was set up at the levels of SBMH and SBM (Bank) Holdings Ltd (SBMBH) during 2021, comprising the following positions:

- Deputy Group Chief Executive Officer
- Chief Executive Officer of SBMBH
- Group Chief Strategy and Projects Officer
- Group Financial Controller
- Group Head Communications and Sustainability Officer
- Group Chief Risk and Compliance Officer
- Group Head Financial Management
- Group Head Research & Strategic Planning and Execution and Lead Economist
- Group Chief Technology and Innovation Officer (vacant)
- Group HR Consultant (vacant)
- Executive Assistant

The GOSM has been set up in order to bring convergence and congruence within SBMH and SBMBH towards achieving the short and long term growth ambitions of the organisation. The overall aim has been to establish a coherent and adapted operating model that would allow for an alignment of the strategic initiatives being deployed across the organisation and that would help to strengthen synergies among the Group entities, while complying with the BOM guidelines.

SBM Group now has a diverse and experienced Senior Management Team, comprising the GOSM Members and the Chief Executives 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)

Meet the team

Group Office of Strategy Management

1



Dr Roshan Boodhoo
Deputy Group Chief Executive Officer
SBM Holdings Ltd

2



Mr Raoul Claude Nicolas Gufflet
Chief Executive Officer
SBM (Bank) Holdings Ltd

3



Mr Kabir Singh (Kavi) Baboolall
Group Chief Strategy and Projects Officer
SBM Holdings Ltd

4



Mr Sivakrisna (Kovi) Goinden
Group Financial Controller
SBM Holdings Ltd

5



Mr Raja Ram Komal Gujadhur
Acting Group Head Communications and Sustainability Officer
SBM Holdings Ltd

6



Mr Ahmad Mazahir Koussa
Group Chief Risk and Compliance Officer
SBM (Bank) Holdings Ltd

7



Mrs Rita-Devi Persand Gujadhur
Group Head Financial Management
SBM (Bank) Holdings Ltd

8



Mr Jaswant Rao (Nevin) Balloo
Group Head Research & Strategic Planning and Execution and Lead Economist
SBM (Bank) Holdings Ltd

Chief Executive Officers of Subsidiary entities

1



Mr Anoop Kumar Nilamber
SBM Bank (Mauritius) Ltd

2



Mr Shailendrasingh (Shailen) Sreekeesoon
SBM (NBFC) Holdings Ltd

3



Mr Sidharth Rath
SBM Bank (India) Limited

4



Mr Moezz Mir
SBM Bank (Kenya) Limited

5



Mr Youdananda Munian
Officer-in-Charge Banque SBM Madagascar SA

Group Office of Strategy Management

1. Dr Roshan Boodhoo

Deputy Group Chief Executive Officer
SBM Holdings Ltd

Qualifications

- Doctorate in Management (specialisation in Business Administration), Institute of Business Management, India
- Master of Arts in Finance and Investment, The University of Nottingham, UK
- Executive Master of Business Administration (Finance), Institute of Business Management, India
- BSc (Hons) 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

Dr Boodhoo started his career in the finance and corporate credit departments of an international bank in Mauritius. During his career so far, he has occupied several high-profile positions. Prior to joining SBM Group, Dr Boodhoo was the Group Chief Executive Officer (Group CEO) of a financial services company. Under his leadership, the company which he was operating in Mauritius and Luxembourg, embarked on an expansion plan abroad and established operations in International Financial Centres of repute, namely in London, Dubai, Cape Town and Shanghai.

Dr Boodhoo has also served as Director for several entities in the financial and non-financial services sectors including Investment Banks, Life Insurance Companies, IT & Telecommunications firms. From 2016 to 2021, Dr Boodhoo was also a Director representing Africa on the EMEA Board of PrimeGlobal; one of the 5 largest financial associations in the world with a combined turnover in excess of USD 2.5 billion.

During his career, Dr Boodhoo has been a regular speaker and panellist in several international conferences. Dr Boodhoo has also published a number of research papers on finance and investment related topics. As a business-savvy individual, he has earned the reputation of being a fast thinker and a highly-motivated and focused leader who thrives in a fast-paced environment.

2. Mr Raoul Claude Nicolas Gufflet

Chief Executive Officer
SBM (Bank) Holdings Ltd

Qualifications

- Advanced Management Programme – INSEAD, France
- Certified Internal Auditor (CIA) – Institute of Internal Auditors, USA
- Post Graduate Diploma International Finance – Université de Paris XIII, France
- Masters Degree in Economics (specialisation in Finance) – University of Paris (La Sorbonne), France
- BSc Economics – University of Paris (La Sorbonne), France

Background and experience

Mr Gufflet is a seasoned professional, who has spent nearly three decades in the banking and financial sector across multiple jurisdictions.

He started his career as a strategy consultant, having been involved in restructuring and corporate advisory at PwC in France, East Europe and Africa. He has been exposed to several studies which were jointly conducted with the World Bank and the European Bank Reconstruction & Development (EBRD) on financial institutions, both in developed and transitional economies.

Prior to joining SBM Group, he was the Deputy Chief Executive Officer of a renowned bank in Mauritius and served as the Director of several of its entities across Africa and the Indian Ocean. He has led the international development of that bank's franchise on the African continent, as well as the transformation of most of its business lines, bringing them with the best international digital, regulatory and compliance standards.

As a firm believer in sustainability, he is committed to developing a sustainable banking and capital market philosophy, which is a prerequisite for unlocking value in African countries.

Directorships in other entities

Banque SBM Madagascar SA, SBM Bank (Mauritius) Ltd, SBM Bank (India) Limited and SBM Bank (Kenya) Limited

CORPORATE GOVERNANCE REPORT (CONT'D)

Meet the team (cont'd)

Group Office of Strategy Management (cont'd)	
<div><div><div>3. Mr Kabirsingh (Kavi) Baboolall</div><div>Group Chief Strategy and Projects Officer SBM Holdings Ltd</div></div><div><div>Qualifications</div><div><ul style="list-style-type: none">Fellow of The Institute of Chartered Accountants in England and Wales (FCA, ICAEW)Bachelor Degree in Accounting and Finance, University of Warwick, UK</div><div><div>Background and experience</div><div>Mr Baboolall is a finance professional with a career spanning almost 19 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 a top Tier Investment Bank and has run his own company, through which he advised and managed projects for two European investment banks. 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.</div></div></div></div>	<div><div><div>4. Mr Sivakrisna (Kovi) Goinden</div><div>Group Financial Controller SBM Holdings Ltd</div></div><div><div>Qualifications</div><div><ul style="list-style-type: none">Fellow of The Association of Chartered Certified Accountants, UK (FCCA)Post Graduate Diploma in Business Administration, Herriot Watt University, UK</div><div><div>Background and experience</div><div>Mr Goinden has spent more than 14 years in the banking sector, out of a total of 18 years in the finance and accounting sector. He currently oversees the finance and procurement functions of different entities across SBM Group. 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 and merger with SBM Bank (Kenya) Limited. He was also involved in the successful implementation of the Wholly Owned Subsidiary (WOS) project in India in 2018 and the Group restructuring exercise segregating the banking business from the non-banking. He also has experience in other mergers and acquisitions as well as securitisation in his previous employments.</div></div><div><div>Mr Goinden sits as Director on several entities of the SBM Group and also acts a councillor on the SBM Foundation, which is the CSR arm of the Group.</div><div><div>Directorships in other entities</div><div>SME Equity Fund</div></div></div></div></div>

Group Office of Strategy Management (cont'd)	
<div><div><div>5. Mr Raja Ram Komal Gujadhur</div><div>Acting Group Head Communications and Sustainability Officer SBM Holdings Ltd</div></div><div><div>Qualifications</div><div><ul style="list-style-type: none">MBA (General), University of MauritiusBSc (Hons) Social Work, University of Mauritius</div><div><div>Background and experience</div><div>Mr Gujadhur currently serves as the Acting Group Head of Communications and Sustainability Officer at the SBM Holdings Ltd, leading and driving the Strategic Communications, Investor Relations, CSR and Sustainability agenda of the Group. Throughout his career, he has occupied several high-profile positions. Prior to joining SBM, he was the community support manager of an international bank in Mauritius, responsible for CSR monitoring and reporting for Africa, Middle East and India. In addition, Mr Gujadhur was the General Manager of a Charity and also acted as the Officer-in-Charge of the National Body funding NGOs in Mauritius. At SBM, he headed the CSR Department and thereafter the Marketing & Communications Department and played a major role in setting up the unique SBM Scholarship Scheme for bright and needy students and a comprehensive CSR agenda, in designing and implementing SBM's digital marketing strategy and turning SBM's social media plan into a reality. He also initiated the revamping of the SBM website and SBM's rebranding, in line with the Group's reorganisation and new strategy. Mr Gujadhur has also been instrumental in setting up the Investor Relations agenda at SBM.</div></div><div><div>Throughout his rich career spanning over nearly 3 decades in the PR field and the education/development sectors, including more than 15 years in a Senior Management position, Mr Gujadhur has proven himself as a reliable and trusted professional with excellent communications skills and a track record in building strong and long-lasting relationships with various stakeholders.</div></div></div></div>	<div><div><div>6. Mr Ahmad Mazahir Koussa</div><div>Group Chief Risk and Compliance Officer SBM (Bank) Holdings Ltd</div></div><div><div>Qualifications</div><div><ul style="list-style-type: none">Fellow of The Institute of Chartered Accountants in England and Wales (FCA, ICAEW)BA(Econ) Hons in Accounting and Finance, University of Manchester</div><div><div>Background and experience</div><div>Mr Koussa currently assumes the role of the Group Chief Risk and Compliance Officer (Group CRCO). He is responsible for helping to define, set and manage both financial and non-financial risks across the Group and ensuring the risk framework remains effective.</div></div><div><div>Prior to SBM, Mr Koussa served as Vice President of Group Risk Management at First Abu Dhabi Bank in their Corporate and Investment Banking division. Previously, he oversaw the risk management function of the Wealth and Investment segment of Barclays DIFC in the UAE. His former appointments include working at senior management levels in the risk and governance areas of Standard Bank Group (Mauritius/South Africa) and Barclays Capital (England). He started his Chartered Accountancy journey as an auditor with a Big 4 firm in London.</div></div></div></div>

CORPORATE GOVERNANCE REPORT (CONT'D)

Meet the team (cont'd)

Group Office of Strategy Management (cont'd)	
<p>7. Mrs Rita-Devi Persand Gujadhur <i>Group Head Financial Management</i> SBM (Bank) Holdings Ltd</p> <p>Qualifications</p> <ul style="list-style-type: none">• MBA, Herriot Watt University, Edinburgh Business School• Diploma in Business Management, Surrey European Management School, University of Surrey, UK <p>Background and experience</p> <p>Mrs Gujadhur is a seasoned banker with a long career spanning over nearly 35 years at SBM. She started her banking career in 1988 in the Trade Finance Department, where she worked for nine years and acquired a full insight of the trade finance operations. From then on, she has occupied various positions of increasing responsibilities in the bank such as Officer in the International Banking Division, Head of Value-Based Performance Management, Head of Operations Centre & Trade Finance, Head of Strategy & Data Analytics and she is currently the Group Head of Financial Management. Mrs Gujadhur has also been involved in the implementation of major IT projects within the bank and has been an active member in various key forums like Operational Risk Forum, Management Credit Forum, Portfolio Credit Forum, Asset and Liability Management Committee, Capital Allocation & Planning Committee and Group Executive Forum.</p>	<p>8. Mr Jaswant Rao (Nuvin) Balloo <i>Group Head Research & Strategic Planning and Execution and Lead Economist</i> SBM (Bank) Holdings Ltd</p> <p>Qualifications</p> <ul style="list-style-type: none">• Masters of Economics, University of Sydney• BSc Economics, University of Mauritius <p>Background and experience</p> <p>Mr Balloo is currently the Group Head of Research & Strategic Planning and Execution, and Lead Economist under the aegis of the SBM (Bank) Holdings Ltd. He is a seasoned professional with around 15 years of experience in the banking and financial services sectors. After obtaining his Master's in Economics from the University of Sydney, Australia, he worked as an Economic Advisor at KPMG Mauritius, where he participated in influential projects and studies for private and public sector clients operating locally and abroad. He then joined a leading banking and financial services player where he acted as the Deputy Head of the Strategy, Research and Development department as well as the Lead Economist. There, he took part in a wide range of high-profile projects and assignments that closely contributed to the sound and sustained growth of the organisation in Mauritius and across the African continent, alongside helping to strengthen its goodwill vis-à-vis stakeholders.</p>

Chief Executive Officers of Subsidiary entities	
<p>1. Mr Anoop Kumar Nilamber <i>SBM Bank (Mauritius) Ltd</i></p>	<p>Qualifications</p> <ul style="list-style-type: none">• Master's in Banking and Finance, University Panthéon Assas - Paris II, Paris• BSc (Licence) in Economics, University Panthéon Assas - Paris II, Paris <p>Background and experience</p> <p>Mr Nilamber currently leads and manages the current and future strategic and operational goals of SBM Bank (Mauritius) Ltd. He is the former CEO of Airports of Mauritius where he had a decisive role in managing all activities related to the operations of the airport and its subsidiaries and related business and strategic development initiatives. He heads continuous improvements in business processes, leveraging digital transformation, developing new business and sustaining valuable relationships with stakeholders and regulators to ensure the bank's continuous expansion and business growth.</p>
<p>2. Mr Shailendrasingh (Shailen) Sreekeessoon <i>SBM (NBFC) Holdings Ltd</i></p>	<p>Qualifications</p> <ul style="list-style-type: none">• 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 <p>Background and experience</p> <p>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 financial cluster of SBM Group in July 2019. He is a Member of the Board of Directors of the different entities within the Non-Banking Financial Cluster.</p>
<p>3. Mr Sidharth Rath <i>SBM Bank (India) Limited</i></p>	<p>Qualifications</p> <ul style="list-style-type: none">• Post Graduate Diploma in Management, Xavier Institute of Management, Bhubaneswar, Odisha, India• B.Com (Hons) Accountancy & Management, from Berhampur University, Odisha, India <p>Background and experience</p> <p>Mr Rath is a professional who has 30 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 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.</p>

CORPORATE GOVERNANCE REPORT (CONT'D)

Meet the team (cont'd)

Chief Executive Officers of Subsidiary entities (cont'd)	
<div>4. Mr Moezz Mir</div> <div>SBM Bank (Kenya) Limited</div>	<div>Qualifications</div> <ul style="list-style-type: none">Bachelor Degree (Hons.) in Economics, Kingston University, LondonGlobal Executive Development Program (GEDP), Gordon Institute of Business Science, South Africa <div>Background and experience</div> <p>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 41 branches of SBM Bank (Kenya) Limited in his capacity as CEO.</p>
<div>5. Mr Youdananda Munian</div> <div>Officer-in-Charge Banque SBM Madagascar SA</div>	<div>Qualifications</div> <ul style="list-style-type: none">Advanced Diploma in Accounting and Finance, The Institute of Commercial Management, UK <div>Background and experience</div> <p>Mr Munian has a long career in the banking sector, having held several roles within SBM Group prior to his appointment at Banque SBM Madagascar SA where he is also Head of Credit, Money Laundering Report Officer (Level 2), Risk Officer, cross selling champion and coordinator for the desk of Private Banking and International Banking of SBMBM. Given his role, he has been actively involved in the formulation, review and implementation of the Bank's strategy to grow our Malagasy operation.</p>

Principle Two - The Structure of the Board and its Committees

The Board is responsible for the overall governance, management and strategic direction of the organisation.

SBMH has a unitary Board of eight Directors, consisting of four Independent Directors (including the Chairman) and four Non-Executive Directors, in compliance with Section 14.1 of the Constitution of the Company, which requires: “The number of Directors shall not be less than Seven (7) nor more than Eleven (11)”. The Chairman of the Board is elected by the Board.

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.

In the absence of Executive Directors at SBMH level, the GOSM structure established at the level of SBMH and SBMBH is the linkage between the SBMH Board and its Subsidiary entities. The main attributes of the GOSM are as follows:

- Coordinate management processes and decision-making mechanisms at the Group level
- Lead specific initiatives and projects deployed across the Group in a convergent manner
- Assist and provide guidance to business and support units as well as entities to ensure that they have informed technical insights, strategic intelligence and tools to implement corporate strategies, while integrating the latter into their own strategic planning and budgeting mechanisms
- Strive to enhance collaboration, synergies and information sharing between entities of the Group, while strengthening strategic alignment of the Group Shared Services initiatives
- Ensure appropriate oversight and monitor the performance of the Subsidiary entities

The profiles of the Board of Directors are found under Principle One.

The Board had a sufficient number of Directors who do not have any relationship with the organisation and with the majority shareholders. All the Directors reside in Mauritius.

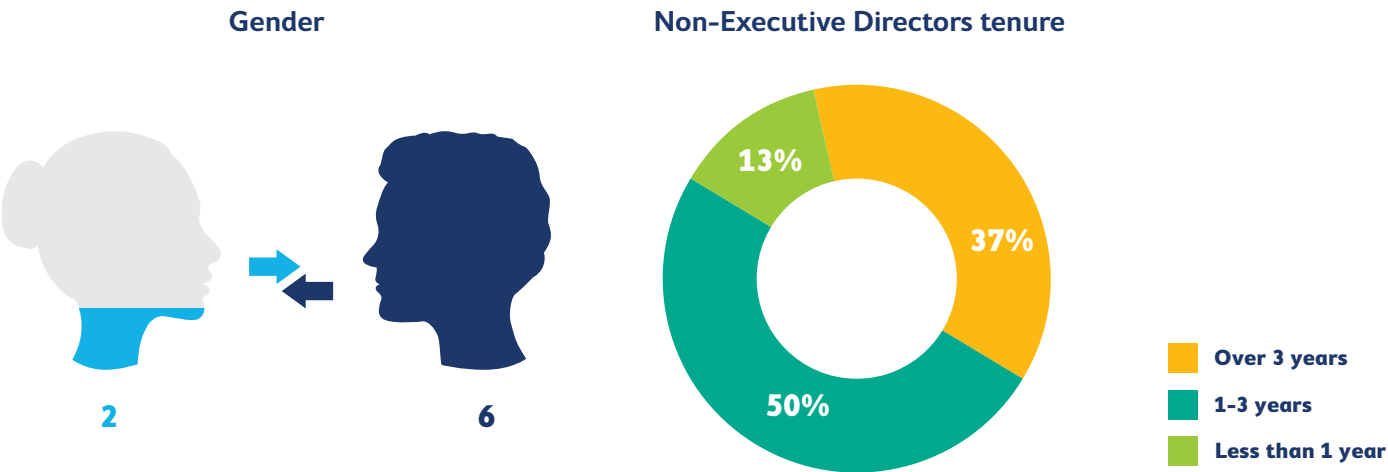
CORPORATE GOVERNANCE REPORT (CONT'D)

Board diversity

Diversity is a key consideration in all layers of a company structure, from Board level to the levels of the workforce and diverse cultural perspective can inspire creativity and drive innovation.

Diversity of Board Members is important to ensure that the Board has the necessary professional background, skills and diversity of thoughts and perspectives to optimise the decision-making process.

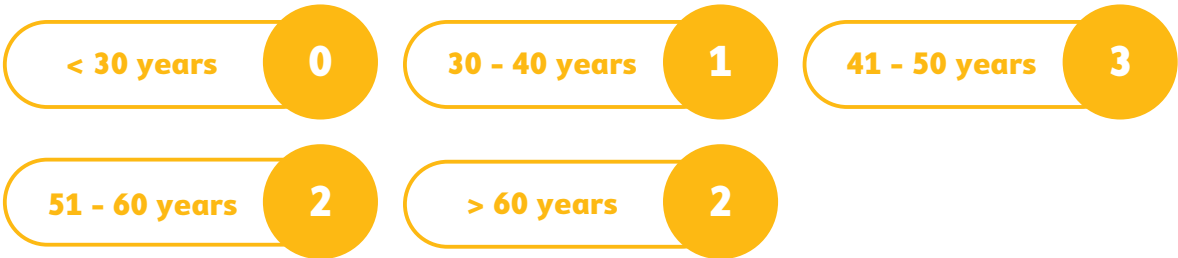
Diversity and inclusion are key considerations in the SBMH Board selection processes. When recommending new directors to the Board, the Nomination & Remuneration Committee (REMCO) has regard to the balance of skills, knowledge and experience required for the Board and its Committees to operate effectively. SBMH also acknowledges the requirement for gender representation on its Board of Directors. The charts below provide an overview of the current structure of the Board of SBMH.



Board skills and experience



Age group



CORPORATE GOVERNANCE REPORT (CONT'D)

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 Board must use its powers and performs its functions in good faith and for a proper purpose, in the best interest of the Company.

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.

Board meetings

Board meetings are an important mechanism by which the Directors discharge their duties as defined by the in-country laws and regulations. In line with good corporate governance, the Company Secretary, in consultation with the Chairman, works out an annual Board calendar at the beginning of each financial year. Once finalised, the calendar is communicated to the Directors and the Senior Management Team.





The Chairman of the Board sets, in consultation with 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 well ahead of the meetings, onto the iPads of the Directors, which are handed over to them at the time they are on-boarded, 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, Senior Management/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 2021, 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.

The SBMH Board held 21 meetings during the financial year ended 31 December 2021. In line with COVID-19 safety guidance, the Board held some meetings remotely during the year with Management Team and colleagues joining online to review performance, discuss progress and agree key priorities for the short and medium term amongst others. The Board intends to hold its scheduled meetings in person wherever possible, as soon as it is safe to do so. The attendance of the Directors is detailed in the table found on the next page.

Board status	Members	Board member since	Meeting attendance
	Mr Sattar Hajee Abdoula (Chairman)	March 2020	20
	Mr Jean Paul Emmanuel Arouff	March 2020	18
	Ms Shakilla Bibi Jhungeer	March 2020	21
	Mr Ramprakash Maunthrooa ¹	December 2021	Nil
	Mr Varun Krishn Munoosingh ²	August 2020	18
	Mr Roodesh Muttylall	June 2015	16
	Ms Sharon Ramdenee	December 2018	20
	Mr Visvanaden Soondram	March 2020	16
	Dr Subhas Thecka	June 2017	21

Notes

1. Mr Ramprakash Maunthrooa was appointed as Board Member effective 15 December 2021.
2. Mr Varun Krishn Munoosingh resigned as Board Member effective 09 December 2021.

Key to Directors



Non-Executive Director



Independent Non-Executive Director

CORPORATE GOVERNANCE REPORT (CONT'D)

Key focus areas for FY 2021

During the year ended 31 December 2021, the Board focused on the matters outlined in the table 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
- 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
- Discussed on the proposal for dividend payment for the financial year ending 31 December 2021
- Reviewed the valuation of equity investments held by the Group
- Reviewed the reports from the Audit Committee and Internal Audit Team
- 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

Governance, legal and risk

- Reviewed and approved the Directors' training needs for FY 2021
- 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 and subsidiary entities forming part of the Group
- 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/Senior Management/relevant staff members and their associates as defined by the internal policies
- Reviewed and approved the Terms of References of the Board Committees/Management Committees
- Approved to carry out an internally facilitated Board Evaluation Exercise for FY 2021
- Approved the logo for the "Wemove by SBM" initiative
- Recommended to the shareholders the nomination of Directors

Technology

- Monitored the implementation of the IT projects undertaken by the Group

Others

- Approved the creation of a Deputy Group Chief Executive Officer position
- Approved the setting up of the Group Office of Strategy Management at the level of SBMH and SBMBH
- Approved/took note of the minutes of proceedings of the Board, Board Committees and Management Committees
- Reviewed reports from Chairpersons of Board Committees
- Approved the remuneration/productivity bonus for employees
- Discussed on the selection of the agency for the design of SBMH Annual Report 2021 and the eAnnual Report initiative
- Reviewed and approved the SBMH Annual Report 2020
- Monitored the Group's governance initiatives being driven at management level

CORPORATE GOVERNANCE REPORT (CONT'D)

Our Board Governance structure

The Board is supported by the activities of the Board Committees, which ensures that specific matters receive the right level of attention and consideration. The Board reviews the membership as well as the roles and responsibilities of these Committees on a regular basis. The governance framework is illustrated under Principle One.



The full terms of reference for each Committee are available on our website

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.

Board Committees



Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of financial information provided to its shareholders, the effectiveness of the system of internal controls, and the risk management framework of the Company as well as the independence and effectiveness of the external auditors. It also oversees the audit process and performs other duties and responsibilities as assigned by the Board.

The Members of the Senior Management Team were invited to attend the Audit Committee as and when required. The Committee met without the presence of the Senior Management Team before each meeting and also met separately with the Head of Internal Audit and Investigation Department and the external auditors respectively.

No. of meetings held: 10

Board status	Members	Committee member since	Meeting attendance
	Dr Subhas Thecka (Chairman)	August 2017	10
	Ms Shakilla Bibi Jhungeer ¹	July 2021	2
	Mr Roodesh Muttylall ²	July 2015	6
	Ms Sharon Ramdenee	April 2019	8

Notes

- Ms Shakilla Bibi Jhungeer was appointed as Member of the Audit Committee effective 02 July 2021
- Mr Roodesh Muttylall ceased to be Member of the Audit Committee effective 30 June 2021 following his re-classification as NED

Key to Directors



Non-Executive Director



Independent Non-Executive Director

CORPORATE GOVERNANCE REPORT (CONT'D)

Audit Committee (cont'd)




Committee activities during the year	
Financial reporting	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 re-appointment of the external auditors for FY 2021
Internal audit	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 The Group continues to provide accurate, timely financial results and implements accounting standards and judgement effectively.

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 Group CRCO attended the meetings as and when required.

No. of meetings held: 7

Board status	Members	Committee member since	Meeting attendance
	Ms Shakilla Bibi Jhungeer (Chairperson)	March 2020	7
	Mr Jean Paul Emmanuel Arouff	March 2020	7
	Mr Varun Krishn Munoosingh ¹	September 2020	7

Notes

- Mr Varun Krishn Munoosingh ceased to be a Member effective 09 December 2021
- Ms Sharon Ramdenee was appointed as Member effective 23 February 2022

Key to Directors



Non-Executive Director



Independent Non-Executive Director

CORPORATE GOVERNANCE REPORT (CONT'D)




Corporate Governance & Conduct Review Committee (cont'd)

Committee activities during the year	
	<ul style="list-style-type: none"> Reviewed the Corporate Governance Report for SBMH Annual Report 2020 Reviewed the Governance Review Report and monitored progress relating to actions initiated Assessed the Directors’ training needs for FY 2021 Reviewed the amendments proposed to existing policies/new policies for the Group 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 Monitored the share dealings by Directors/Senior Management/relevant staff members and their associates as defined by the internal policies Considered other governance matters
Looking ahead	<ul style="list-style-type: none"> 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

IT Committee

The IT Committee was re-established in 2020 to provide strategic guidance and direction on the Group’s IT transformation program across all entities within the Group. However, further to the transfer of the IT transformation program of SBM Mauritius Operations to SBMBM and that of SBM Bank (Kenya) Limited to its related entity, the Board of SBMH agreed to discontinue the IT Committee effective 20 January 2022.

No. of meetings held: 4

Board status	Members	Committee member since	Meeting attendance
	Mr Sattar Hajee Abdoula (Chairman)	November 2020	4
	Mr Varun Krishn Munoosingh ¹	November 2020	4
	Mr Anoop Kumar Nilamber ²	August 2021	1
	Mr Visvanaden Soondram	November 2020	3

Notes

- Mr Varun Krishn Munoosingh ceased to be a Member effective 09 December 2021
- Mr Anoop Kumar Nilamber is the CEO of SBM Bank (Mauritius) Ltd and was appointed as Member of the Committee effective 12 August 2021

Key to Directors

-  Non-Executive Director
-  Independent Non-Executive Director




CORPORATE GOVERNANCE REPORT (CONT'D)

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. As previously highlighted, the REMCO continuously aims to foster a culture where employees feel welcomed, remains focused on ensuring flexibility in pay structures allowing for appropriate reward and recognition of executives, balanced against shareholder interests and uncertain external influences. In addition, the REMCO reviews the leadership and succession needs of the organisation and ensures that appropriate procedures are in place to nominate, train and evaluate Directors.

The Deputy Group CEO, the Chief Executive Officer of SBMBH and the Officer-in-Charge of the Human Resource Department (HRD) of SBMBM attended the meetings.

No. of meetings held: 14

Board status	Members	Board member since	Meeting attendance
	Mr Jean Paul Emmanuel Arouff (Chairman)	August 2020	14
	Ms Shakilla Bibi Jhungeer	August 2020	14
	Mr Roodesh Muttylall	August 2017	11

Key to Directors

 Non-Executive Director

 Independent Non-Executive Director

Nomination & Remuneration Committee (cont'd)

Committee activities during the year

- Considered matters relating to Board succession planning, including the recruitment and appointment of Senior Executives at SBMH level, setting up of the GOSM structure and the nomination of Members to the Board/Board Committees
- Discussed on group engagement survey, onboarding of a Group HR Consultant and Work from Home policy
- 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

Looking ahead

- Consider recruitment and appointment for key senior management positions, if required
- 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 Risk Management Committee (RMC) under the delegated authority of the Board, is accountable for overseeing: (a) the effectiveness of the risk management process, including the identification of the principal and emerging risks facing the Group, (b) the risk appetite of the Group, (c) the Group's Risk Management and Compliance Framework and (d) 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 Group CRCO attended the meetings.

CORPORATE GOVERNANCE REPORT (CONT'D)

Risk Management Committee (cont'd)

No. of meetings held: 5

Board status	Members	Committee member since	Meeting attendance
	Ms Sharon Ramdenee (Chairperson)	July 2019	4
	Mr Sattar Hajee Abdoula	August 2020	5
	Dr Subhas Thecka	August 2017	5

Key to Directors

-  Non-Executive Director
-  Independent Non-Executive Director

Committee activities during the year

- Ensured that the Group has a robust risk management system in terms of human resource, systems, policies, controls 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

Risk Management Committee (cont'd)

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

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 Senior Management Team of SBMH and SBMBH attended the meeting as and when required.

No. of meetings held: 4

Board status	Members	Committee member since	Meeting attendance
	Mr Sattar Hajee Abdoula (Chairman)	March 2020	4
	Ms Sharon Ramdenee	August 2020	4
	Mr Visvanaden Soondram	March 2020	2

Key to Directors

-  Non-Executive Director
-  Independent Non-Executive Director

CORPORATE GOVERNANCE REPORT (CONT'D)

Strategy Committee (cont'd)

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
- 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 the 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 Committee

While the Board oversees the direction and good conduct of the businesses of the Group, the Senior Management Team is responsible for ensuring that all decisions are taken in the best interests of the organisation and that their role is carried out effectively. The Governance Structure of SBMH is provided under Principle One.

The Group Executive Forum (Group EF) is the Forum established at SBMH level, having as its Members, all the CEOs of the Holdings and Subsidiary entities. In the absence of a Group CEO, the Group EF is currently chaired by the Deputy Group CEO and reports to the Strategy Committee of SBMH. The purpose of the Group EF is as follows:

- To promote the effective coordination of and to oversee the execution of the Group's strategy across its various operating entities and for the organisation as a whole
- To enhance Group synergy and alignment

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, (ii) Risk Management, (iii) Internal Audit, (iv) Compliance, (v) Technology and Operations, (vi) Communication and (vii) Finance. These Forums promote the sharing of ideas, knowledge and best practices with the aim of developing a stronger group structure.

The terms of reference (TOR) of the Group EF and Group Forums were reviewed following the establishment of the GOSM. The Capital Allocation & Planning Committee was discontinued effective 30 March 2022 and all capital related matters would, henceforth, be discussed at the level of the Strategy Committee of SBMH. With regards to the Group Forums, the Group IT and Group Operations Forums were merged and at the same time, it was agreed to establish a Group Communication Forum to plug in the communication related gaps across the Group. This proposal was supported by the SBMH Board. Representatives from the Management of each subsidiary entity attend the Group Forums, which meet at regular intervals as defined in their respective TOR. With the exception of the Group Internal Audit Forum, which is currently chaired by the Head of Internal Audit of SBMBM, double hatting at the Group level, all the remaining Group Forums are chaired by the Members of the GOSM. These Group Forums report to the Group EF, which comprises and requires attendance of the CEOs of all the entities.

The Company Secretary

Mrs Dayawantee (Poonam) Ramjug Chumun is the Company Secretary of SBMH. She is an Associate of The Chartered Governance Institute (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. She attends all Board and Committees Meetings and is also responsible for advising the Board on corporate governance matters.

The roles and responsibilities of the Company Secretary are defined under Principle One. The appointment or removal of the Company Secretary is a matter for decision by the Board. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters.

CORPORATE GOVERNANCE REPORT (CONT'D)

Principle Three - Director Appointment Procedures

The Board aims to attract Board Members with a diverse range of backgrounds who will contribute a wealth of knowledge, understanding and experience, enabling rich and effective discussions and decision-making.

Appointment

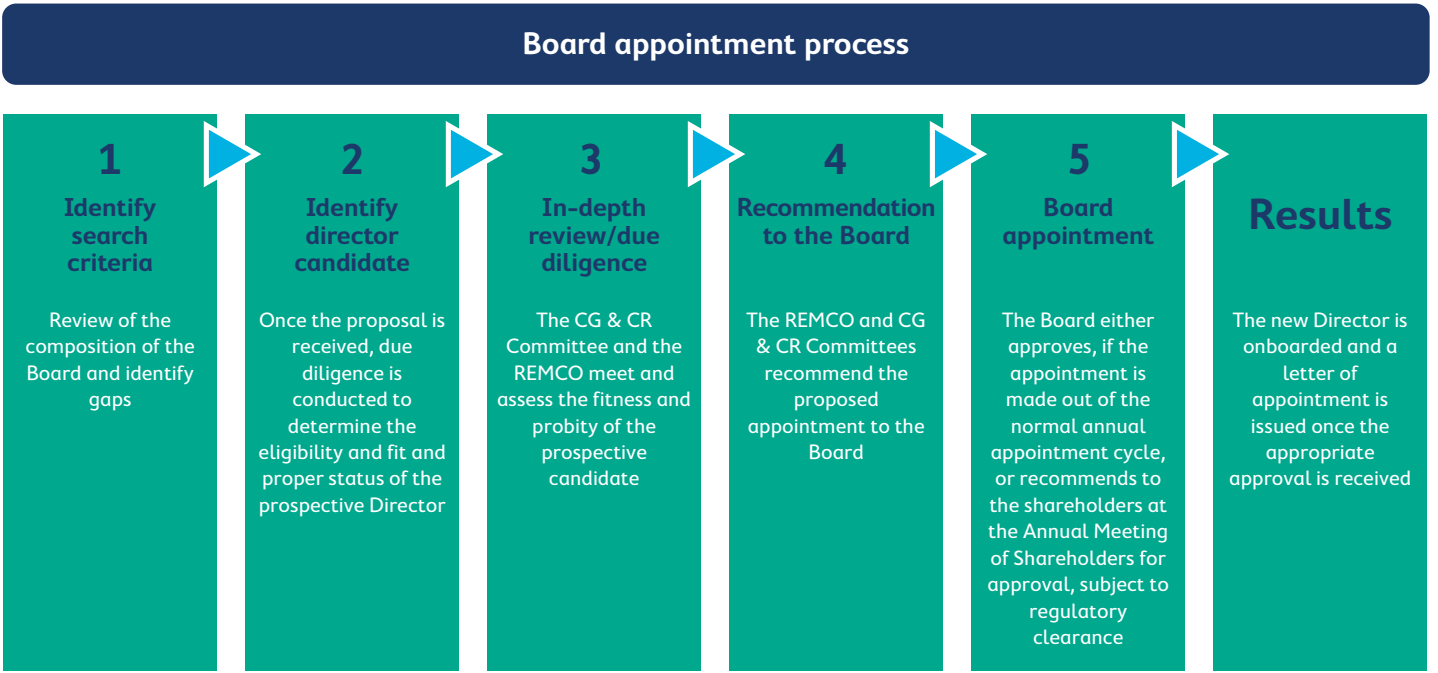
Sections 14.1, 14.2, 14.3 and 14.6 of the Constitution of SBMH require the following:

Section 14.1	<i>"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"</i>
Section 14.2	<i>"No Director shall be required to hold shares in the Company to qualify him for appointment/ election.</i> 14.2.1 <i>No person shall however be qualified for appointment/election as a Director (or alternate Director) unless he holds a degree or an equivalent qualification from a recognized University or Institution.</i> 14.2.2 <i>No person shall if he does not qualify to be a fit and proper person as per the criteria laid down in the relevant BOM guideline and/or has ever been convicted of an offence relating to financial crime or other criminal acts shall be eligible for election or appointment as a director on the Board of Directors of the Company".</i>
Section 14.3	<i>"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"</i>
Section 14.6	<i>"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."</i>

The rigorous and transparent procedures for appointing new Directors are led 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 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 in terms of the board balance. Relationships between the Directors are based on trust and mutual respect, enabling open and frank conversations.

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

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



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.

CORPORATE GOVERNANCE REPORT (CONT'D)

Board induction

All new Directors follow an extensive, formal and tailored induction to facilitate their understanding of the business, to be able to perform and discharge their responsibilities and duties as effectively as possible.

A formal induction was conducted for all Board Directors and senior executives who were on-boarded during FY 2021. Topics covered were as follows:

- Group strategy including challenges for the strategy execution
- Board Committees, procedures, structure and succession plans
- Overview of business, key issues and challenges and Key Performance Indicators
- Policies, Procedures, rules, regulations & legislations
- Risk Management, control procedures and relevant disaster recovery plans
- Compliance & AML/CFT
- Internal controls – 3 lines of defence
- Cyber security awareness

Continuous development programme

The Board recognises that continuous training is essential for Directors to stay current with the rapidly changing global and local landscape. The Directors undertook the following training during FY 2021, which were facilitated by internal and external subject specialists:

- Credit seminar for board directors
- Credit risk policy workshop
- Products & services (banking & non-banking)
- Effective governance in financial crime risk management
- FATF ICRG process & targeted financial sanctions
- Data privacy & GDPR
- HR responsibilities for board directors
- Digital payment and digital currency
- Corporate governance & business ethics
- Gender unconscious bias workshop for directors
- Risk management & internal control- a board perspective

Training and development

During FY 2021, the Board laid much emphasis on Credit Risk Management and Compliance. The fundamental goal of the training was to improve credit origination and prevention of problem loans, thus optimising SBMBM's use of capital and return on capital and ensuring that Directors have a clear understanding of banking regulations regarding AML/CFT. All training sessions were highly interactive and included case studies and references to our policies.

Given the level of responsibility the Board Director holds in attending/chairing different Committees and Boards, it is vital that every Director is using reasonable care, skill and diligence to carry out their role. By investing in board development, a clear signal is sent throughout the organisation that continuous learning and development is valued at all levels.

Additional topics such as Digital Currency, latest trends in Human Resources and Gender Unconscious Bias amongst others, also help to 'future-proof' the Board members.

Total number of training hours attended by Directors: 873.

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

The Board of SBMH continues to promote sustainability initiatives having regards to gender equality.

Time commitment

In terms of time commitment, all potential new Directors are asked to disclose their other significant commitments such as existing directorships to minimise any potential conflict of interests. The CG & CR Committee and REMCO then take this into account when considering a proposed appointment to ensure that Directors can discharge their responsibilities to the Group diligently. Besides strong attendance at Board and Board Committee meetings, Directors have to also make time to understand the business and to undertake training organised by the Group.

Succession planning

Effective succession planning should consider contingency planning.

The Board recognises that effective succession planning for Directors and the Senior Management Team is vital to delivering the Group's strategic initiatives.

CORPORATE GOVERNANCE REPORT (CONT'D)

Succession planning (cont'd)

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.

In line with the Group's expansion strategy, talent management initiatives and further to the establishment of a strong Management Team at the level of SBMH and SBMBH in 2021, the Board, with the support of the GOSM, will initiate discussion to put in place a Group Succession Planning Policy which will be applicable for the Senior Management Team and Directors.

Principle Four - Director Duties, Remuneration and Performance

Legal duties

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

Performance evaluation

The Chairman and the Board continually work to strengthen and enhance the effectiveness, skills and experience of the Board to align with the Group's strategy. In accordance with the provisions of the Code, the effectiveness of the Board, its Committees, individual Directors and the Chairman of the Board are reviewed on an annual basis through formal performance evaluation. Alike 2020, 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.

The Board/Committee/Individual Director evaluation cycle for the past six years is as follows:



The internal evaluation concluded that the Board remained constructive, collegiate, well balanced and supportive amidst the COVID-19 pandemic 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 functioning well in terms of their effectiveness, decision making and rigorous manner in which they are addressing issues brought to their attention and the Directors' contribution to the deliberation of the Board/Committees Meetings are productive.

Key priorities identified for FY 2022 include the following:

- The need to strengthen the Group structure post COVID-19 pandemic
- Alignment of Group's goal and improving synergies across the Group
- Positive contribution to the Group performance by the foreign subsidiary entities
- Evaluation of risks and close monitoring of high risks areas
- Strengthening of various functions across the Group, for e.g. HR, IT, internal controls amongst others
- Diversification of product offerings and improving the customer service at the level of the operating subsidiaries
- Keeping abreast with new regulatory frameworks and legislations, for e.g. AML/CFT, Compliance
- Focus on expanding the business prudently and better cost management

CORPORATE GOVERNANCE REPORT (CONT'D)

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 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/ 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 have 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 and also makes a quarterly return subsequently. In line with good governance, each Director 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 Stock Exchange of Mauritius 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) Holdings Ltd, (d) SBM (NFC) Holdings Ltd 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 of SBMH, 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 2021:

Directors	Direct shareholdings		Indirect shareholdings	
	Number of shares	% shareholdings	Number of shares	% shareholdings
Mr Sattar Hajee Abdoula	2,860	0.00	26,832	0.00
Ms Sharon Ramdenee	100,000	0.00	-	-

No other Director of SBMH had an equity stake in SBMH or its subsidiaries either directly or indirectly as at 31 December 2021.

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 below depicts the total fees earned by Directors in 2021 and 2020 in their capacity as Board and Committee Members of SBMH and its subsidiaries:

Name of Directors	SBM Holdings Ltd	Other subsidiaries	SBM Holdings Ltd	Other subsidiaries
	2021		2020	
	MUR 000	MUR 000	MUR 000	MUR 000
Mr Sattar Hajee Abdoula (Chairman)	3,310	4,291	2,260	1,312
Mr Jean Paul Emmanuel Arouff	660	1,295	425	585
Mr Andrew Bainbridge ¹	-	1,417	350	1,421
Mr Maxime Hardy ²	-	20	143	40
Ms Shakilla Bibi Jhungeer	720	810	500	150
Mr Kee Chong Li Kwong Wing, G.O.S.K. ³	-	20	290	767
Mr Varun Krishn Munoosingh ⁴	470	-	140	-
Mr Roodesh Muttylall	420	1,700	530	940
Ms Sharon Ramdenee	780	340	760	-
Mr Visvanaden Soondram	470	1,680	300	600
Dr Subhas Thecka	770	80	690	-

CORPORATE GOVERNANCE REPORT (CONT'D)

Remuneration (cont'd)

- **Board of Directors (cont'd)**

Notes

1. Mr Andrew Bainbridge ceased to be a Board Member effective 27 July 2020 but was still on the Board of SBM Bank (India) Limited
2. Mr Maxime Hardy ceased to be a Board Member effective 12 March 2020
3. Mr Kee Chong Li Kwong Wing, *G.O.S.K.* ceased to be a Board Member effective 13 March 2020
4. Mr Varun Krishn Munoosingh ceased to be a Board Member effective 09 December 2021

None of the Non-Executive Directors has 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 a matter of the Board, upon recommendation of the REMCO.

Information, information technology and information security governance

The Group has an established IT governance framework in place which includes policies synced with the vision of Group and complemented by standards which are more inclined with the best practices being followed in the industry and supported by well established procedures. Policies undergo an annual review and are inclined towards reflecting emerging and ever changing threat and regulatory landscape. The IT Governance team ensures the implementation of these policies, standards and procedures where any deviation is adequately documented with required approvals obtained.

The Group has implemented multiple security policies and deployed technological and logical controls to ensure that data is safeguarded both within its premises as well as those hosted on the cloud. Information governance, information technology and security are continuously being emphasised by regular awareness initiatives run across the Group, stressing on the confidentiality, protection, integrity and availability of information.

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 is in the process of implementing a data governance framework which will empower the organisation to make informed decisions in managing data, minimising cost and complexity, mitigating risks and allowing it to proactively address the ever-growing demand for compliance with regulatory, legal and government requirements.

Principle Five - Risk Governance and Internal Control

The Board holds the ultimate responsibility for maintaining and reviewing the effectiveness of risk management and internal control systems, and for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives.

Throughout the COVID-19 pandemic, the Board has been resolute on protecting the health and wellness of our workforce and supporting our customers and other stakeholders, while ensuring that the Group remains resilient both operationally and financially.

The Group adopts the industry-standard three lines of defence model to articulate accountabilities and responsibilities for managing both its key financial (e.g. credit, market, liquidity) and non-financial risks (e.g. operational risk, fraud, business resilience, compliance, reputational and IT risk among others).

The RMC, a Committee of the Board, ensures the independence and effectiveness of the Risk function. Its main role is the oversight and challenge of risk taking. It achieves this by establishing the frameworks, policies, limits, constraints and key control requirements under which first line activities are performed aligned to the Group's approved risk appetite. The internal control system allows for the identification, assessment and management (rather than elimination) of the risks of failure in achieving business objectives and can only provide reasonable assurance against material misstatement or loss.

The Audit Committee assists the Board in carrying out its accounting, internal control and financial reporting responsibilities. It reviews the effectiveness of internal controls systems relating to both financial and risk management controls and ensures compliance with financial and regulatory reporting. The Audit Committee provides an independent and objective assurance to the Board on the adequacy and effectiveness of key internal controls, governance and the risk management in place to monitor, manage and mitigate the key risks to the Group achieving its objectives. Any deviations in policies and non-performance of internal controls are duly reported and discussed at both Management and Audit Committee levels until complete resolution. The Audit Committee also engages with its external auditors without Management being present to ensure that there are no unresolved material issues of concern.

The Board is satisfied that the Group operates a sound internal control system and complies with applicable laws and regulations further to the work carried out by the Internal Audit.

Whistleblowing Policy

During the year, the Board approved the updated Group Whistleblowing Policy which provides the guidance and process for employees to confidentially and anonymously report unlawful acts, matters of concerns relating to wrong doing or misconduct and any other behaviour contrary to corporate values without any risk of discrimination, retaliation or victimisation. The Group Whistleblowing Policy has been adopted by all the entities across the Group with local requirements customisation where necessary.

CORPORATE GOVERNANCE REPORT (CONT'D)

Whistleblowing policy (cont'd)

The Group firmly believes in the importance of having a culture of openness and accountability to prevent such situations occurring and to promptly address them when they do happen. Reporting of such concerns or unlawful acts can be done through secure and independent channels such as toll-free number, hotline, emails or letters. After preliminary enquiries are carried out, a full investigation will follow where such action is deemed appropriate after. All investigations are subsequently reported to the Audit Committee of SBMH. The Group Whistleblowing Policy is applicable to all employees of the Group, irrespective of their contractual engagement.



The Group Whistleblowing Policy can be viewed on our website

Principle Six - Reporting with Integrity

In line with the provisions of The Companies Act 2001, a copy of the Annual Report is distributed to each shareholder not less than 21 days before the date fixed for holding the Annual Meeting of the Shareholders.



The Annual Report is also published on our 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 Companies Act 2001 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 material deviation from the above are reported in the Independent Auditor's Report attached to the financial statements.

The Financial Review is part of the Annual Report.

Human Resources report

In 2021, our people have been our key assets. We have embraced the new normal and have navigated through change to ensure no disruption in our operations while adhering to the best practices in terms of health and safety. Our strategy is focused on creating the greatest employee experience at all times. Our employees' well-being is a significant determinant in the way we carry our business. Aligning to the future of work concept, we have made wider use of technology and have adopted flexible working arrangements as much as possible.

We are aligned to shape a culture which encourages continuous learning, development, innovation, teamwork and which allows our employees to thrive and deliver within a positive environment. We remain an inclusive employer, focused on attracting, developing and retaining the best talent.

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.

Corporate Social Responsibility

Through the SBM Foundation, the Group continues to give back to the community by engaging in various Corporate Social Responsibility (CSR) initiatives. As at date, the Group has allocated more than 2,700 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, albeit at a much lower rate due to sanitary restrictions in place.

Donations

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

Principle Seven - Audit

External Audit

The Board launched a competitive audit tender process for the rotation of the audit firm in respect of FY 2020 onwards. The tender process was overseen by the SBMH Audit Committee and the Finance Team. The key objective was to deliver a fair, transparent and successful tender process with a minimum disruption to the business. Following the tender process, Deloitte was appointed as the Group's Statutory Auditors.

- **Appointment of auditors for FY 2021**

At the Annual Meeting of Shareholders of SBMH held in 2020, Deloitte was re-appointed as the Group's Statutory Auditors for FY 2021, to hold office until the next meeting.

Further to the recommendation of the Board of SBMH through its Audit Committee, Deloitte was reappointed as the Group's Statutory Auditors at the last Annual Meeting of Shareholders held in September 2021, 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

External Audit (cont'd)

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 considers the effectiveness of the external auditors on an ongoing basis during the year and believes that the independence and objectivity of the external auditors as well as the effectiveness of the audit process are safeguarded and remain strong. The Board through 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 2021 and 2020 are tabulated below:

	2021	2020
	MUR 000	MUR 000
SBM Holdings Ltd		
Statutory audit and quarterly reviews	776	690
Other services	37	63
Subsidiaries		
Statutory audit and quarterly reviews	19,884	18,979
Other services	7,518	12,820

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 included the following: (a) Tax computation and (b) ECL review. 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 SBM Group's Internal Audit is to provide to Management and to the Board through the Audit Committee, independent, objective assurance and consulting services designed to add value and improve the operations across the Group.

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

The Group's Internal Audit is free from interference by any element in the organisation, including on matters of audit selection, scope, procedures, frequency, timing, or internal audit report content and adheres to The Institute of Internal Auditors' mandatory guidance.

Each entity in the Group has its own internal audit function, reporting directly to their local Audit Committee. At entity level, the Audit Committee approves the audit plan and monitors its execution. From a Group perspective, the SBMH Audit Committee has an oversight on the local audit plans to ensure coverage of key risk areas and alignment of audit methodology across the Group. On a quarterly basis, each entity submits its results of audit work, together with an assessment of the overall governance, risk management, control framework and processes to the Group Internal Audit for onward reporting to the SBMH Audit Committee.

The Group's Internal Audit is being handled by the SBMBM Internal Audit team, with the Head of Internal Audit of SBMBM double hatting at Group level. The Head of Internal Audit has a direct reporting line to the Chairman of the SBMH Audit Committee, and also reports administratively to the Deputy Group CEO/Group EF/GOSM.

The reporting to the SBMH Audit Committee highlights key observations identified following risk-based audits carried out. The progress of the approved audit plan and follow up actions are also reported. With the objective of further strengthening governance, oversight, cooperation, knowledge sharing and leveraging on competences across the Group, the Group Internal Audit Forum (GIAF) and the Group IT Audit Forum (GITAF), were established in 2020.

In 2021, several initiatives were successfully carried out, including coverage of key risk areas such, Credit risks, AML/CFT proliferation risks and Cybersecurity risks. In addition, common knowledge sharing sessions were organised for the benefit of Internal Audit in the Group. Moreover, meetings are held with the Head of Internal Audit of each entity at least monthly, with the objective of having more visibility on the audit work being carried out.

The Group Internal Audit maintains a close working relationship with the Group's External Auditor, who has full access to the internal audit reports.

In year 2021, in response to the COVID-19 series of waves across the globe, the Group Internal Audit had to revise the 2021 annual audit plan. The revised audit plan was approved by the SBMH Audit Committee and at entity level as well. Across the Group, the work from home arrangement was favoured.

In years to come, as the Group evolves, the Group's Internal Audit will have to adapt to new emerging requirements, devise new strategies and innovative audit approaches in order to keep pace with the challenging environment and the new normal. Along those lines, Internal Audit is making greater use of data analytics to support audit work.

CORPORATE GOVERNANCE REPORT (CONT'D)

Internal Audit (cont'd)

- **SBM Holdings Ltd**

Due to the prevailing pandemic, no overseas audits were carried out by Group Internal Audit. However, through the GIAF, GITAF and regular reporting, assurance was obtained on key risk areas.

- **SBM Bank (Mauritius) Ltd**

In 2021, there was an internal reorganisation at the SBMBM level, with the Anti-Fraud Unit being merged with the Internal Audit Department. The new function was renamed as Internal Audit & Investigation Division. With this merger, over and above the existing 4 clusters (credit, operations, others and IT audit), a new cluster known as Investigation cluster was set up. The Investigation cluster primarily conducts investigations along with fraud prevention and detection activities. The investigation cluster is currently being structured and staffed.

Amidst the challenging environment posed by COVID-19 pandemic, the overall 2021 audit plan was achieved at above 90%. All the high-risk areas and planned branch audits were completed at 100%. High risk open audit items were prioritised and closely followed up with Senior Management to ensure prompt closure. In 2021, several ad hoc assignments and investigations were also carried out.

The focus for FY 2022 will be on coverage of key risk areas, completion of a data analytics tool to support audit work and strengthening the team with adequate resources.

- **SBM Bank (India) Limited**

Due to the COVID-19 pandemic, sanitary lockdowns and also unplanned ad hoc assignments, the 2021 audit plan could not be achieved to a larger extent as expected. Key risk areas were however covered. The team is working towards automation of the Audit Process and has been instrumental in finalising an Audit Management tool, e-THICS.

In 2022, SBMBI will continue to focus on high-risk areas in its audit plan.

- **SBM Bank (Kenya) Limited**

In 2021, following the review of organisational structures at SBMBK, the existing departmental structures were maintained in Internal Audit. A capacity planning exercise was also carried out whilst an optimal head count was identified. The resulting staffing gaps will be addressed in 2022.

In 2021, the approved internal audit plan was largely achieved with all high-risk areas being covered, including key areas reviewed by the Group Internal Audit. In order to enhance the Internal Audit process, it is planned to roll out an upgraded audit management system in 2022.

- **Banque SBM Madagascar SA**

Despite the current pandemic situation, BSBMM achieved its audit plan for the year 2021 to a satisfactory level. Particular attention was given to high-risk areas during the year.

In 2022, a similar risk-based approach will be favoured.

- **SBM (NBFC) Holdings Ltd**

SBM (NBFC) Holdings Ltd has its own dedicated Internal Audit Team since April 2017, with a functional reporting line to its Audit Committee. The Internal Audit Function covers the following subsidiaries:

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

Despite the COVID-19 pandemic, the audit plan was largely achieved for FY 2021.

In terms of headcount, it is planned to recruit one IT auditor in 2022. For IT audit reviews requiring specialised IT audit skills, outsourcing will be considered pending recruitment of a full-time IT auditor.

CORPORATE GOVERNANCE REPORT (CONT'D)

Principle Eight – Relations with Shareholders and Other Key Stakeholders

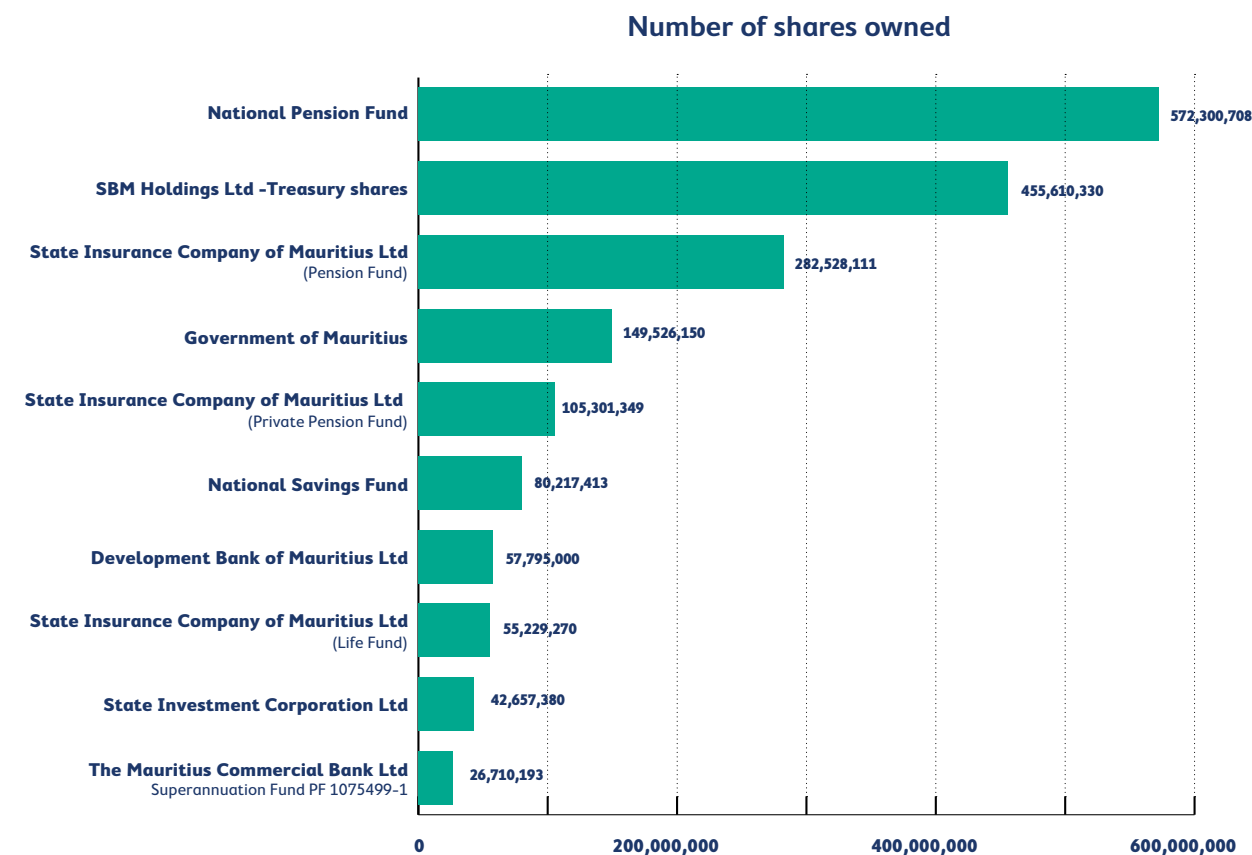
The Board ensures the Company's prosperity by collectively directing the Company's affairs, while meeting the appropriate interest of its shareholders and relevant stakeholders.

Shareholders

As at 31 December 2021, SBMH had 18,438 shareholders, out of which 537 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	537	2.91	73,091,011	2.41
Local	17,901	97.09	2,964,311,219	97.59
Total	18,438	100.00	3,037,402,230	100.00

Top 10 shareholders

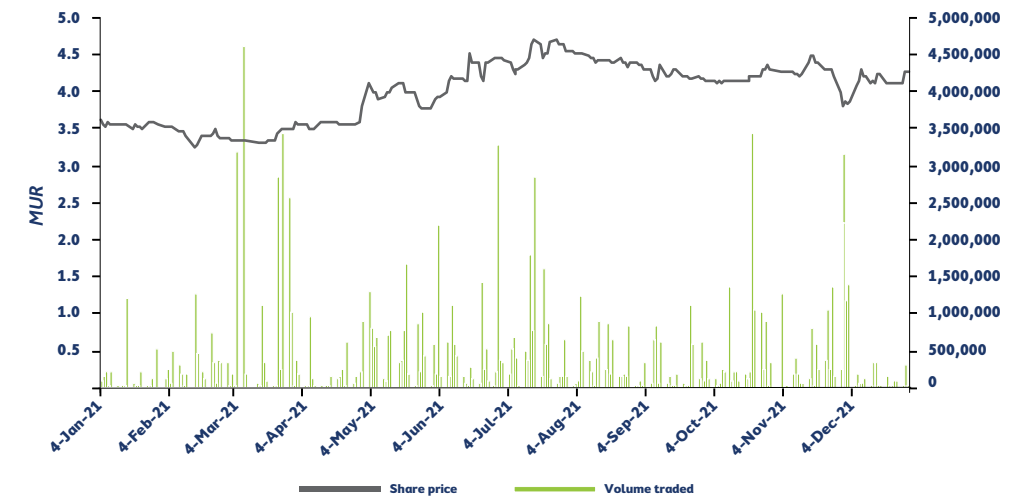


CORPORATE GOVERNANCE REPORT (CONT'D)

Shareholders spread

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1-50,000	16,182	87.76	153,855,651	5.07
50,001-100,000	897	4.86	67,001,282	2.21
100,001-500,000	990	5.37	215,143,751	7.08
500,001-1,000,000	176	0.95	122,835,676	4.04
1,000,001-5,000,000	149	0.81	288,808,090	9.51
5,000,001-10,000,000	16	0.09	111,929,510	3.69
10,000,001-25,000,000	18	0.10	249,952,366	8.23
25,000,001-50,000,000	2	0.01	69,367,573	2.28
50,000,001-100,000,000	3	0.02	193,241,683	6.36
>100,000,000	5	0.03	1,565,266,648	51.53
Total	18,438	100.00	3,037,402,230	100.00

SBMH share price evolution



CORPORATE GOVERNANCE REPORT (CONT'D)

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 2021.

Dividend

SBMH decides on dividend pay-out based on its yearly individual performance and that of the Group. During 2021, the Board of SBMH did not to declare any dividend after making allowance for the potential impact of the COVID-19 pandemic on the Group performance and the capital requirements of the Group. However, at its meeting held on 30 March 2022, the Board of Directors of SBMH approved the payment of a dividend of 20 cents per share for Financial Year ended 31 December 2021, subject to regulatory approval.

Shareholders information

All shareholders have the same voting rights.

Stakeholder relations and communications

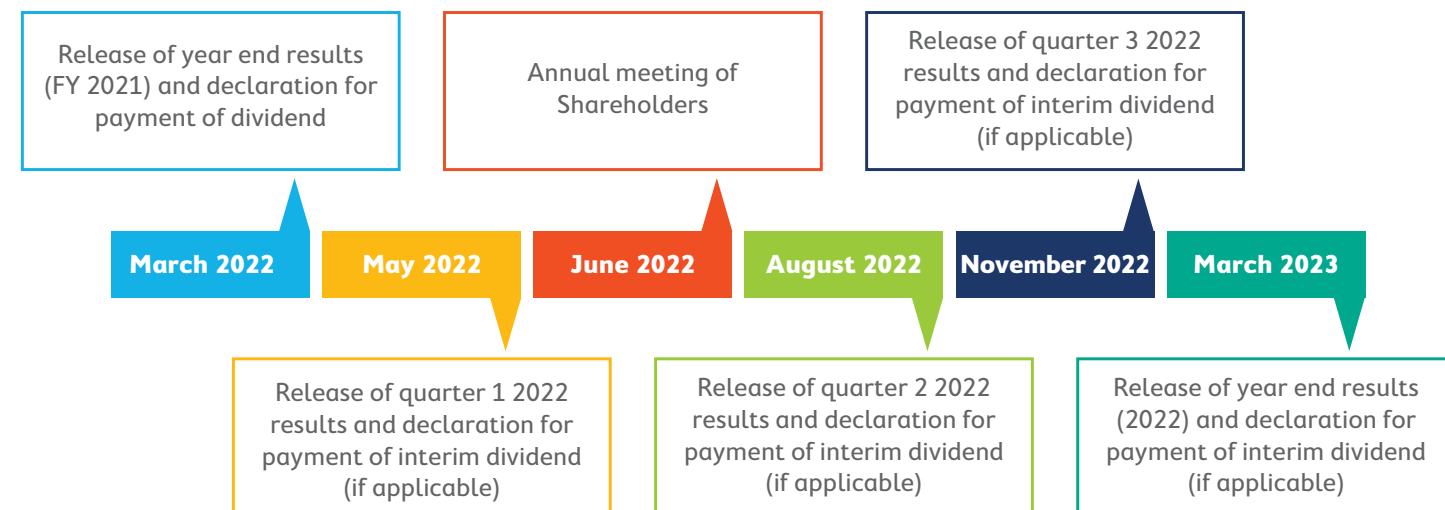
Stakeholder engagement is an ongoing commitment to understand and interact with stakeholders, considering their views when making relevant business decisions. Throughout this pandemic, the Group remains well engaged with its stakeholders and recognises that balancing their needs and expectations is becoming more and more crucial, for the success running of the business.

Main stakeholders of SBM Group



CORPORATE GOVERNANCE REPORT (CONT'D)

Shareholders' diary



Annual Meeting of Shareholders

• Annual Meeting of the Shareholders scheduled in 2022

The Board of SBMH is pleased to invite the shareholders to the next Annual Meeting of Shareholders. The Notice of Meeting, which includes details of the ordinary and special business (if any) to be considered at the meeting, is enclosed with the Annual Report 2021.



A copy of the Notice of Meeting is also available on our website.

The Shareholders are generally apprised on the Group's strategy and performance at each Annual Meeting of Shareholders and are always encouraged/ provided the opportunity to question the Board at the Annual Meeting.

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 Act. The Notice of Meeting clearly defines the procedures on proxy voting and includes the deadline for receiving the proxies back.

• Annual Meeting of the Shareholders held in 2021

The second wave of the COVID-19 pandemic had impacted on the calendar for FY 2021, as a result of which, the Annual Meeting had to be rescheduled in September 2021. The Board and the Management Team took all the required steps to ensure the good running of the meeting, while adhering to the sanitary protocols that were in force in the country.

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.

The Corporate Governance Report has been approved on behalf of the Board, on 30th March 2022.

Mr Sattar Hajee Abdoula
Chairman

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

CORPORATE GOVERNANCE REPORT (CONT'D)

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

SBM Holdings Ltd

Year ended 31 December 2021

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 for 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 2021, the Group did not have any Executive Directors and the key senior management positions comprising of Group CEO and Group CFO were still vacant.

Reason for non-compliance:

The recruitment of Executive Directors is currently in progress. Meanwhile, the Board appointed a Deputy Group Chief Executive Officer in March 2021 and approved the setting up of a Group Office of Strategy Management comprising of senior staff. Furthermore, part of the responsibilities of Group CFO has been assigned to the Group Financial Controller.

Principle 3: Director Appointment Procedures

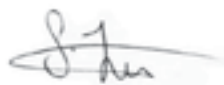
As at 31 December 2021, the Group did not have a Succession Planning Policy.

Reason for non-compliance:

In line with the Group's expansion strategy, talent management initiatives and further to the establishment of a strong Management Team at the level of SBMH and SBMBH in 2021, the Board, with the support of the Group Office of Strategy Management, will initiate discussion to put in place a Group Succession Planning Policy which will be applicable for the Senior Management Team and Directors.



Mr Sattar Hajee Abdoula
Chairman



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

Company Secretary's Certificate For the financial year ended 31 December 2021

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 Companies Act 2001 in terms of Section 166(d).



Mrs D Ramjug Chumun
Company Secretary

Date: 30 March 2022



RISK MANAGEMENT REPORT

DRAGONFLIES ARE
REMINDERS
THAT WE ARE
LIGHT AND
WE CAN REFLECT
LIGHT IN
POWERFUL
WAYS IF WE
CHOOSE TO DO SO



Fascinating fact

A **dragonfly** called the globe skinner has the longest migration of any insect - 11,000 miles back and forth across the Indian Ocean.

RISK MANAGEMENT REPORT

Introduction

Risk management is the process that seeks to identify, evaluate and mitigate the possibility of loss or damage inherent in business and operating activities. The Group's overall objective is to manage its businesses and the associated risks in a manner that balances serving the interests of its clients, customers and investors and protects the safety and soundness of the organisation.

The Group embraces risk management as a core competency allowing it to optimise risk-taking objectively and transparently through efficient risk processes with the aim of optimising returns within a set risk appetite and independent oversight by the Board. This is made possible through a strong risk culture and a robust and effective enterprise-wide risk management framework which sets the strategic approach for risk management by defining standards, objectives and responsibilities for all areas of the Group in its on-going efforts to maximise sustainable shareholder value.

During the year under review, the Group has proved to be resilient despite operating in a highly complex and uncertain external environment. Risk management has been a cornerstone of the Group's response to the pandemic crisis and related economic shock, enabling fast, targeted and responsible support of our clients, while preserving the Group's financial position and simultaneously aligning with the various authorities' requirements including the provision of moratorium period for loans. The crisis did not slow the momentum of change in our competitive landscape, rather it allowed us to re-examine our systems and processes and adapt to new ways of workings whilst ensuring our controls remain effective in such environment of heightened risks.

2021 in retrospective from a risk perspective

Risk	Description	Managing the risk	Residual risk
Externally driven			
COVID-19	<p>The global economy took a toll with the COVID-19 pandemic although the challenges seemed to ease from the third quarter of 2021.</p> <p>The pandemic also heightened geopolitical tensions impacting the Group and its customers through disrupted business and lower growth.</p>	<p>While some companies received funding through Mauritius Investment Corporation (MIC) in Mauritius for their working capital needs, the Group, through its banking subsidiaries has rescheduled the facilities availed by viable clients.</p> <p>We continue to maintain heightened monitoring activities to identify sectors and customers experiencing financial difficulties from the pandemic.</p>	<p>Moderate</p> <p>The underlying remains dependent on economic recoveries amidst the pandemic.</p>
LIBOR transition	<p>The Group remained focus on facilitating engagement with our clients and finalising systems and product updates to enable an orderly transition to alternative benchmark.</p>	<p>Each concerned entity has set up respective technical working groups reporting progress to Senior Management on a regular basis.</p>	<p>Low</p> <p>For the USD legacy portfolio, these risks continue to be actively managed and mitigated with a focus on ensuring that fair outcomes for our clients are achieved.</p>
Cyber threat/confidentiality risk	<p>Cyber-attacks continue to be a global threat with the financial sector remaining a primary target for cybercriminals.</p>	<p>We continue to focus on controls to prevent, detect and mitigate the impacts of persistent and increasingly advanced cyber threats and closely monitor dependency on remote working and online facilities.</p>	<p>Moderate</p> <p>No incidents noted from employees who were working remotely or our network being compromised.</p>

RISK MANAGEMENT REPORT (CONT'D)

2021 in retrospective from a risk perspective (cont'd)

Risk	Description	Managing the risk	Residual risk
Externally driven			
Cyber threat/ confidentiality risk <small>(cont'd)</small>	<p>The work-from-home arrangement also brings higher risk of leakage of confidential information where controls are more likely to be relaxed.</p> <p>The impact of a successful cyber-attack is likely to include material operational consequences and remediation could come at significant costs.</p>	<p>All employees are regularly reminded to abide by the Group's data confidentiality clauses at all times, especially when working from home and their logins on the core banking systems are monitored closely. Some systems access are also restricted only to office premises (e.g. SWIFT).</p> <p>We have also enhanced our cybersecurity capabilities and ensured that our colleagues remain aware of cybersecurity issues and the governance around reporting incidents.</p>	Continuous investments in business and technical controls to defend against those threats e.g.new systems being deployed to further reduce the residual risks
Regulatory compliance	<p>Regulatory risk remains a significant focus for Senior Management.</p> <p>The Group ensures that it complies with all applicable legal and regulatory requirements and industry code of practice in the jurisdictions in which it operates and engage closely with its regulators.</p>	<p>We monitor regulatory and wider industry developments closely and engage with regulators as appropriate and any required changes are implemented effectively and in a timely manner.</p> <p>Where warranted our policies, procedures and relevant controls are revised accordingly.</p> <p>We also engage where possible with regulators with the aim of making a positive contribution to regulations and ensuring that new requirements are considered properly and can be implemented effectively.</p>	<p>Low</p> <p>Areas of focus remain on Environmental, Social and Governance (ESG),operational resilience, technology changes and regulatory reporting.</p>

Risk	Description	Managing the risk	Residual risk
Externally driven			
Reputational risk	Negative publicity 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.	<p>The Group closely follows the coverage of its entities in the press, social media, and other public forums to monitor reputational risk levels.</p> <p>In addition to continuous training and awareness sessions, there is an adequate governance process to address customer concerns effectively.</p> <p>We encourage an organisation culture that promotes great work ethics, high level of commitment, a fine sense of responsibility, continuous learning and growth and a passion for excellence.</p>	<p>Low</p> <p>The Group continues to proactively assess and monitor reputational risk, ensuring that it is kept as low as reasonably practicable.</p>
Internally driven			
Data management	<p>The Group collects and internally uses a wide range of data through its different systems to support its operations.</p> <p>Those data are used in an array of reports as well as models built which are subject to risk of error if the data is incorrect, unavailable, unprotected or misused.</p> <p>The Group ensures that it meets all external regulatory obligations and laws with regards to data.</p>	<p>The Group proactively monitors the quality, availability and security of data that support our internal processes focusing on controls that manage data governance, usage, integrity, privacy and retention.</p> <p>We made improvements to our data privacy framework and data policies to enhance the end to end management of data risk.</p> <p>The Group continues to educate and raise awareness on data risk and data management with trainings delivered.</p>	<p>Low</p> <p>The Group continues its investments to modernise its data and analytics infrastructure.</p>

RISK MANAGEMENT REPORT (CONT'D)

2021 in retrospective from a risk perspective (cont'd)

Risk	Description	Managing the risk	Residual risk
Internally driven			
Model risk	<p>The Group uses a range of models in both financial and non-financial contexts as well as in a range of business applications.</p> <p>Those models might require redevelopment with changing market conditions, and it might hinder on adequate business decisions should the models not be performing as required. This was required further to the COVID-19 pandemic as some models used for estimating credit losses needed to be redeveloped due to the dramatic change to inputs.</p>	<p>The Group continues to strengthen the oversight of its model and model risk controls.</p> <p>The credit modelling team setup at its main banking entity performs additional assurance work and tests whether controls implemented comply with policy and model standards are adequate.</p> <p>During the year the Group has prioritised the update of expected credit losses models to incorporate the change in macroeconomic conditions as a result of the pandemic.</p>	<p>Moderate</p> <p>The model used is principally based on historical data which, in certain changing market environment, might not reflect future outcomes.</p> <p>Nevertheless the Group adopts a prudent approach and management overlays are incorporated where deemed appropriate.</p> <p>Models using advanced machine learning techniques are also being contemplated.</p>
Risk culture	<p>Fostering a strong and healthy risk culture remains the core objective across the Group.</p> <p>Our Enterprise Risk Management Framework (ERMF), complemented by policies and standards, outlines the strategic approach for risk management by defining objectives and responsibilities for all areas across the Group.</p>	<p>The Group initiated a complete review of its ERMF to clearly set out segregation of duties across the 3 Lines of Defence, the principal risks faced by the Group, the risk appetite requirements and required risk governance structure.</p> <p>Training and awareness sessions were run by the Risk team especially to Business Risk Coordinators sitting at the business level within the 1st line of defence.</p>	<p>Moderate</p> <p>The enhanced ERMF will clearly depict the principal risks facing the Group and assist to identify and implement controls and mitigants in effectively managing the risks.</p> <p>Continuous training and coaching being provided especially to the 1st line of defence staff showing our commitment to upholding a robust risk culture.</p>

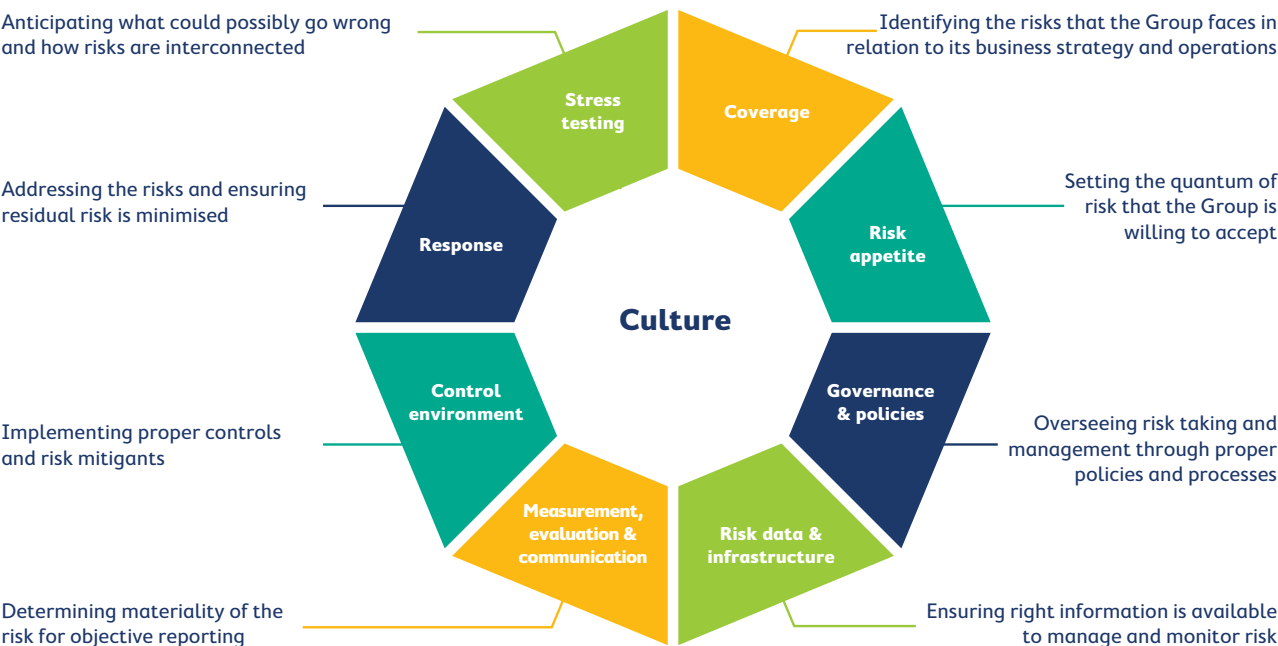
Risk	Description	Managing the risk	Residual risk
Internally driven			
IT Infrastructure and business resilience	<p>The Group operates in a complex and dynamic technology landscape which must remain resilient to support its various stakeholders and markets worldwide.</p> <p>The past year has also acknowledged lockdowns in the other countries where the Group operates in.</p>	<p>The Group made investments in both software and hardware solutions with much focus on improving system resilience and business continuity testing.</p> <p>The Group continues to upgrade its IT systems where many of the EOSL assets have been remediated and a clear implementation plan defined for full remediation for remaining ones.</p> <p>These enhancements are expected to lead to service improvements for both internal and external stakeholders.</p> <p>Other IT initiatives include reviews conducted to ensure comprehensive and stringent SLAs are in place, in-depth review of processes conducted and alert mechanisms implemented for early warnings in relation to systems anomalies among others.</p> <p>The Group devised measures to support its people to work safely during the pandemic to ensure continuity of services e.g. providing required IT equipments, facilitating the vaccination programme for its staff, maintaining strict sanitary measures, enhanced regular communications and supervision protocols introduced and providing required training and awareness sessions digitally.</p>	<p>Moderate</p> <p>System stability has been observed for critical as well as non-critical applications.</p> <p>However due to end of life and ageing infrastructure the probability of an incident has increased hence impacting availability of the systems but the Group continues to strengthen, build and deploy controls and systems monitoring capabilities.</p> <p>Despite an increase in COVID-19 cases, our services have remained uninterrupted with no impact on customers.</p>

RISK MANAGEMENT REPORT (CONT'D)

Risk management principles

Overview of the Risk Management Framework

The Group's business model inherently involves taking risk. Risks can be financial, non-financial and also include on and off-balance sheet risks. The Group recognises that the main role of risk management is to protect our various stakeholders while ensuring that we are able to support our strategy and provide sustainable growth. Our robust and integrated Risk Management Framework contributes to this by aligning our strategy, policies, people, processes and technology to adequately identify and mitigate risks within our risk appetite as expressed by the Board.



Our Risk Management Framework is subject to constant evaluation to ensure that it meets the challenges of the dynamic environment we operate in, in full alignment with evolving regulatory requirements and industry best practices. It sets the overall guiding principles for all stakeholders of the Group, ensuring a transparent environment for holistic risk communications at all levels of the organisation.

The framework fosters continual monitoring, promotes risk awareness and encourages a sound operational and strategic decision-making and escalation process. It also provides a consistent approach to identifying, assessing, managing and reporting the risks we accept and incur in our activities, with clear accountabilities.

Risk universe

Our risk universe represents the risks that are core to our business. We regularly scan the operating environment for changes and ensure that it remains relevant. A host of measures are adopted to effectively manage and mitigate these risks. These are through group/entity policies, frameworks, service level agreements (SLAs), continuous risk assessments and monitoring. Regular training, communication and awareness campaigns are also run throughout the year.



RISK MANAGEMENT REPORT (CONT'D)

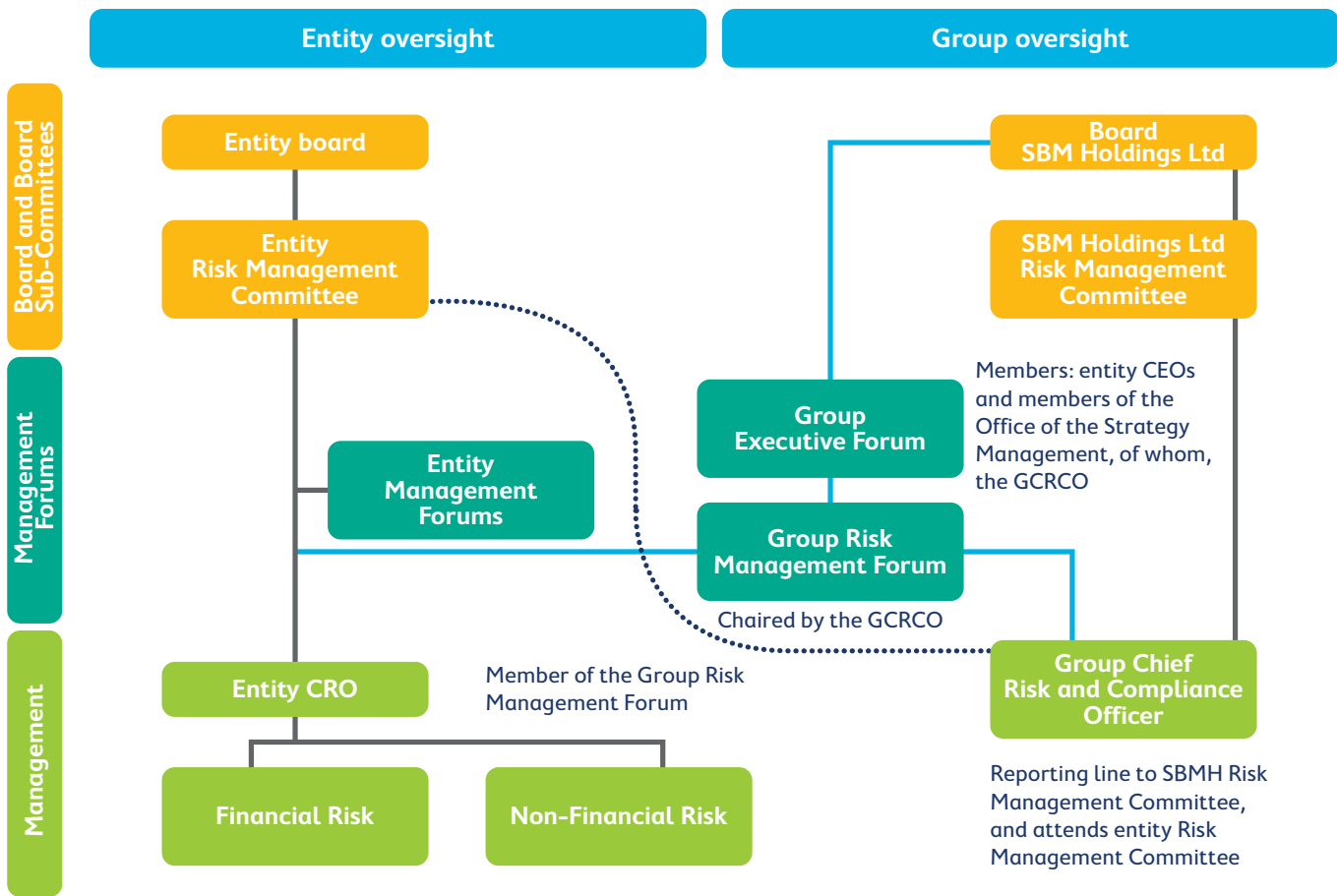
Risk management process

The risk lifecycle allows us to manage our risk universe effectively. This risk management process, aligned to our risk appetite, is of strategic importance to each of the entities of the Group given the breadth of its value proposition and customer segments as well as its diversified geographies of operations. Risk management is established at each entity level, cutting across the entire cycle, allowing for the proactive and disciplined identification, assessment, management, monitoring and reporting of risks.



Risk governance

The Group's operations through its different entities are regulated and supervised by relevant authorities in each jurisdiction it conducts business. Several layers of oversight and management provide cohesive risk governance from both the Group's and entities' perspectives. The below functional committees and forums are central to the management of risk at the Group.



The Board has the ultimate responsibility for the effective management of risk and approves the overall risk appetite which is cascaded down to all entities within the Group.

The Group Risk Management Forum, a group functional forum established under the Group Executive Forum, is chaired by the Group Chief Risk and Compliance Officer (GCRCO) monthly to allow regular discussions and updates from respective entity Chief Risk Officers (CRO). Each CRO has the responsibility for establishing a risk management framework with appropriate

RISK MANAGEMENT REPORT (CONT'D)

Risk governance (cont'd)

identification, measurement, monitoring, mitigation and reporting of credit, liquidity, market, enterprise, model and non-financial risks (including operational and reputational). Critical matters are escalated to the Group Executive Forum where each entity Chief Executive Officer is a member.

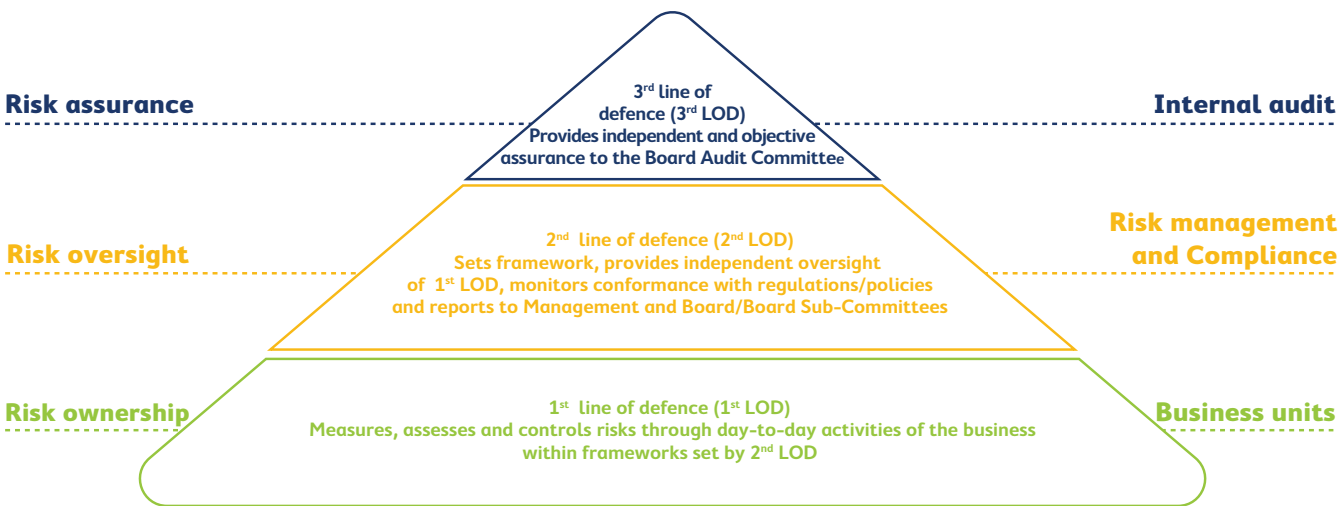
The GCRCO independently reports to SBM Holdings Ltd Risk Management Committee. Each entity's Board remains responsible for ensuring their entity's respective risks are adequately identified and effectively mitigated.

Each entity has an independent risk management team headed by a Chief Risk Officer (CRO) who reports at least on a monthly basis to the Management Forums and quarterly to their respective Board Risk Management Committee. Each entity promotes the development of a risk culture that advocates a consistent application of the framework across the Group, ensuring that the Risk functions are clearly understood and internalised at all levels.

Three Lines of Defence

The Group's philosophy is that responsibility for risk management resides at all levels within the organisation and therefore uses the Three Lines of Defence model which promotes transparency, accountability and consistency through clear identification and segregation of risks. This model reinforces our approach to risk management by providing clarity around accountabilities and responsibilities and encourages collaboration leading to efficiency in the coordination of risk and control activities.

As illustrated below, each line of defence has a specific set of responsibilities in managing risk. The independence of the risk function ensures that the necessary balance in making risk and returns is not jeopardised by short term pressure to generate income. The risk function works alongside other departments such as Compliance and Financial Crime within the Risk Management Framework to deliver a unified second line of defence.

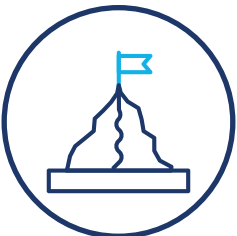


Risk culture

The Group is committed to cultivating the right risk culture throughout all levels of the organisation. Risk culture is the set of encouraged and acceptable values, behaviours and attitudes related to risk awareness, risk taking and risk management. We promote a strong risk culture where all employees, regardless of their positions, functions or locations must fully understand and take a holistic view of the risks which could result from their actions, understand the consequences and manage them effectively against our risk appetite.

Staffs are required to be familiar with risk management framework and policies relevant to their roles and responsibilities and the governance around the escalation process in relation to actual or potential issues. This expectation continues to be reinforced through mandatory training courses and risk related awareness campaign for all Group employees. Additionally, there are regular communication from Board Members and Senior Management underlining the the importance of a strong risk culture to support a consistent tone from the top.

The diagram below depicts the process implemented at a Group level:



Tone from the management

- Regular communiqués from Senior Risk Executives on various risk topics and importance of complying with them
- Regulations distilled and circulated promptly



Risk training & awareness

- Mandatory training on Risk and compliance
- Regular awareness campaigns across the Group (e.g. Moody's training, enterprise risk & credit cycle awareness for first liners)
- Empowering 1st line of defence to aid business to own, act and timely escalate issues for mitigation
- Risk culture and fraud vulnerability assessment surveys conducted to assess perception and identify areas of improvement



Policies, procedures & conduct

- Comprehensive policy & procedures framework in place to aid in the effective performance of roles and responsibilities
- Easy access via intranet to all staff
- Dedicated session on risk management in the employee orientation programme

RISK MANAGEMENT REPORT (CONT'D)

Risk appetite

Risk appetite expresses the aggregate level and types of risk which the Group is willing to accept to achieve its strategic objectives. It allows for continuous discussions between Management and the Board with respect to the current and evolving risk profile of the Group where strategic and financial decisions can be made on an informed basis.

The Group has a comprehensive Risk Appetite Framework (RAF) in place, providing a structured approach to the identification, measurement and management of risks within risk appetite parameters. We formally articulate our risk appetite through our Risk Appetite Statement (RAS).

The RAS articulates the quantum 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 strategy, business, risk and capital plans. The Group's risk appetite is measured and expressed both through qualitative and quantitative risk metrics covering both financial and non-financial risks and these limits are monitored and reported to the Group Board Risk Management Committee where discussion on breaches and any associated mitigating actions take place on a quarterly basis.

The Board reviews and approves the Group's risk appetite and capacity annually or more frequently further to unexpected changes to the risk environment in order to ensure consistency and 'fit for purpose' with the Group's strategy, business and regulatory environment and stakeholders' requirements.

Risk strategy process

Risk-bearing capacity	Risk bearing capacity represents the maximum level of risk that the Group can assume in terms of available capital and ability to raise funds. It also covers the strength of operational processes and operating culture of the organisation.
Risk appetite	Risk appetite articulates and allocates the risk capacity or quantum 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 strategy, business, risk and capital plans.
Risk tolerance	Risk tolerance is the readiness to bear the risk after risk treatments to achieve set objectives. Risk tolerance is set in operational terms such as concentration limits, stop loss limits, etc. to ensure that the risk is within the defined risk appetite. Any breach thereof would lead to a control and/or mitigation action.
Risk target	Risk target is the optimal level of risk that the Group wants to take in pursuit of a specific goal. Setting the risk target should be based on the desired return, on the risks implicit in trying to achieve those returns and on SBM's capability of managing those risks.
Risk limits	Risk limits determine thresholds to monitor that actual risk exposure does not deviate too much from the desired optimum. Breaching risk limits will typically act as a trigger for corrective action at the process level.

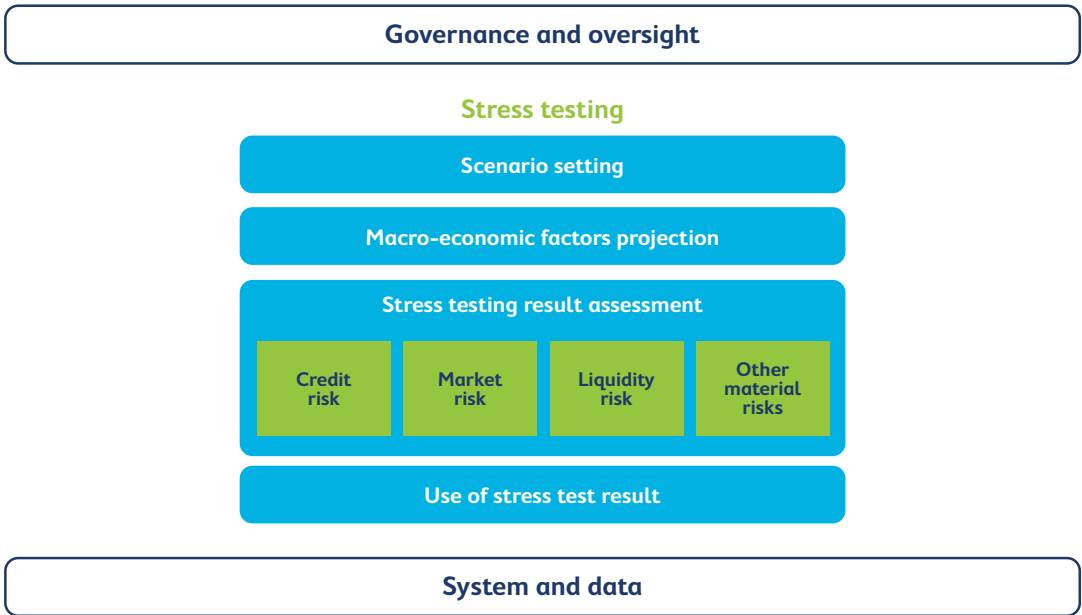
Stress testing

Stress testing is an integral part of the Group's risk management designed to assess its resilience to adverse economic or financial developments and ensure that there are robust and forward looking capital planning processes in place to account for the risks relating to its business profile.

This exercise articulates the potential adverse shocks under certain specified scenarios on the Group entities' capital and liquidity positions vis-à-vis regulatory requirements. Our stress tests are performed on a frequent basis and comprise of regular sensitivity-based and scenario-based approaches addressing different severities and regional hotspots. We include all material risk types into our stress testing activities and these activities are complemented by portfolio and country-specific downside analysis as well as further regulatory requirements.

The Group also operates a strong governance and oversight structure in relation to stress testing activities where the responsibilities and accountabilities are clearly defined for the Board Risk Management Committee, the Risk Forums and the Stress Testing Working Group.

Our scenario analysis performed over the past year comprised of a baseline scenario, moderate scenario and a severe scenario with varying levels of severity. In respect of the sensitivity analysis, the impact on material risk types being credit risk, country risk, consumer and portfolio concentration risk and bullet payment risk were assessed.



RISK MANAGEMENT REPORT (CONT'D)

Key risks overview

Key risks	Arising from	Measurement, monitoring and management of risk
Credit risk		
Credit risk is defined as the risk that the bank will suffer economic loss due to a bank borrower or counterparty failing to fulfil its financial or other contractual obligations	Credit risk arises when funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off-balance sheet. Amongst the risks faced by SBM, credit risk generates the largest regulatory capital requirement	<p>Credit risk is:</p> <ul style="list-style-type: none"> measured as risk weighted exposures for performing and non-performing exposures monitored within regulatory and prudential limits by borrowers, portfolios, country and bank, approved by the Board within a framework of delegated authorities. Regular review of portfolio to proactively manage any delinquency and minimise any undue credit concentrations managed through a robust risk control framework which outlines clear
Market risk		
Market risk is the risk of loss that arises due to changes in market conditions that may adversely impact the value of assets or liabilities, or otherwise negatively impact earnings	Market risk arises from variations in the market value of trading and non-trading positions resulting from changes in interest rate risk, foreign exchange risk and price risk, and in their implied volatilities	<p>Market risk is:</p> <ul style="list-style-type: none"> measured in terms of value at risk, which is used to estimate potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence, augmented with stress testing to evaluate the potential impact on portfolio values of more extreme, though plausible, events or movements in a set of financial variables monitored using measures including the sensitivity of net interest income and the sensitivity of structural foreign exchange which are applied to the market risk positions within each risk type managed using risk limits approved by the Board

Key risks	Arising from	Measurement, monitoring and management of risk
Funding and liquidity risk		
The inability to meet contractual and contingent financial obligations, on and off-balance sheet as they may come due. Our primary liquidity objective is to provide adequate funding for our business throughout market cycles, including periods of financial stress	<p>Liquidity risk arises from mismatches in the timing of cash flows</p> <p>Funding risk arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required</p>	<p>Liquidity and funding risk is:</p> <ul style="list-style-type: none"> measured using internal metrics including stressed cash flow projections, coverage ratios and advances to core funding ratios monitored against the Group's liquidity and funding risk framework and overseen by the Asset and Liability Management Committees (ALCO's) of different entities and the Board Risk Management Committee managed on a stand-alone basis with no reliance on any Group entity
Operational risk		
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events	Operational risk arises from human error, inappropriate conduct, failures in systems, processes and controls or natural and man-made disasters. It is inherent to all products, activities, processes and systems and is generated in all business and support areas	<p>Operational risk is:</p> <ul style="list-style-type: none"> measured using the risk and control assessment process which allows identification and evaluation of risks and effectiveness of controls monitored through regular risk assessment procedures, key risk indicators and internal loss database managed through a conducive control environment with robust operational risk policies, processes, systems as well as appropriate risk culture within the organisation which contribute in maintaining a low operational loss experience over the years

RISK MANAGEMENT REPORT (CONT'D)

Key risks overview (cont'd)

Key Risks	Arising from	Measurement, monitoring and management of risk
Reputational risk		
The potential that negative perceptions of the Group's conduct or business practices may adversely impact its profitability or operations through an inability to establish new or maintain existing customer/client relationships	Reputational risk arises from failure to meet stakeholders' expectations as a result of any action, event or situation caused by SBM or its employees that can adversely impact SBM's reputation	<p>Reputational risk is:</p> <ul style="list-style-type: none"> measured by reference to our reputation as indicated by our dealings with all relevant stakeholders monitored through analysis of root cause for justified complaints and reporting to appropriate forums/committees managed through a framework where all employees are responsible for identifying and managing reputational risk that may occur within their respective areas of business. These responsibilities form part of SBM's Code of Conduct
Business and Strategic risk		
The risk of loss resulting from incorrect assumptions about external or internal factors, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environment	Strategic risks are risks that affect or are created by an organization's business strategy and strategic objectives, which are critical to the growth and performance of the Group. Pursuing an unsuccessful business plan represents a possible source of loss to the Group	<p>Business and Strategic Risk is:</p> <ul style="list-style-type: none"> measured by using several key internal indicators and metrics as a yardstick which enable the Group to track progress against meeting the objective monitored against our risk appetite set out by the Board whilst taking into consideration our internal capabilities and growth prospects managed by the Board which sets the objectives for the Group in terms of growth orientation in consultation with our Strategy Team

Credit risk management and measurement

Credit risk represents a significant risk to the Group. It is the risk of loss arising out of obligors failing to meet their agreed financial or contractual obligations when due and is mainly composed of concentration risk, counterparty risk and country risk. The Group manages its credit risk exposures by ensuring diversification across products, client segments, geographies and industry sectors.

The credit risk function is the 2nd line control function responsible for independent challenge, monitoring and oversight of the credit risk management practices of the businesses and functions engaged in or supporting revenue generating activities which constitute the first line of defence. Additionally, they ensure that credit risks are properly assessed and transparent and that credit decisions are managed in accordance with the Group's risk appetite, credit policies and standards.

At the Board level, the Board Risk Management Committee oversees the effective management of credit risk aided by the executive level committees set up at the level of the respective entities of Group. These committees monitor all material credit risk exposures, portfolio performance as well as key developments and external trends and ensure that appropriate actions are taken promptly.

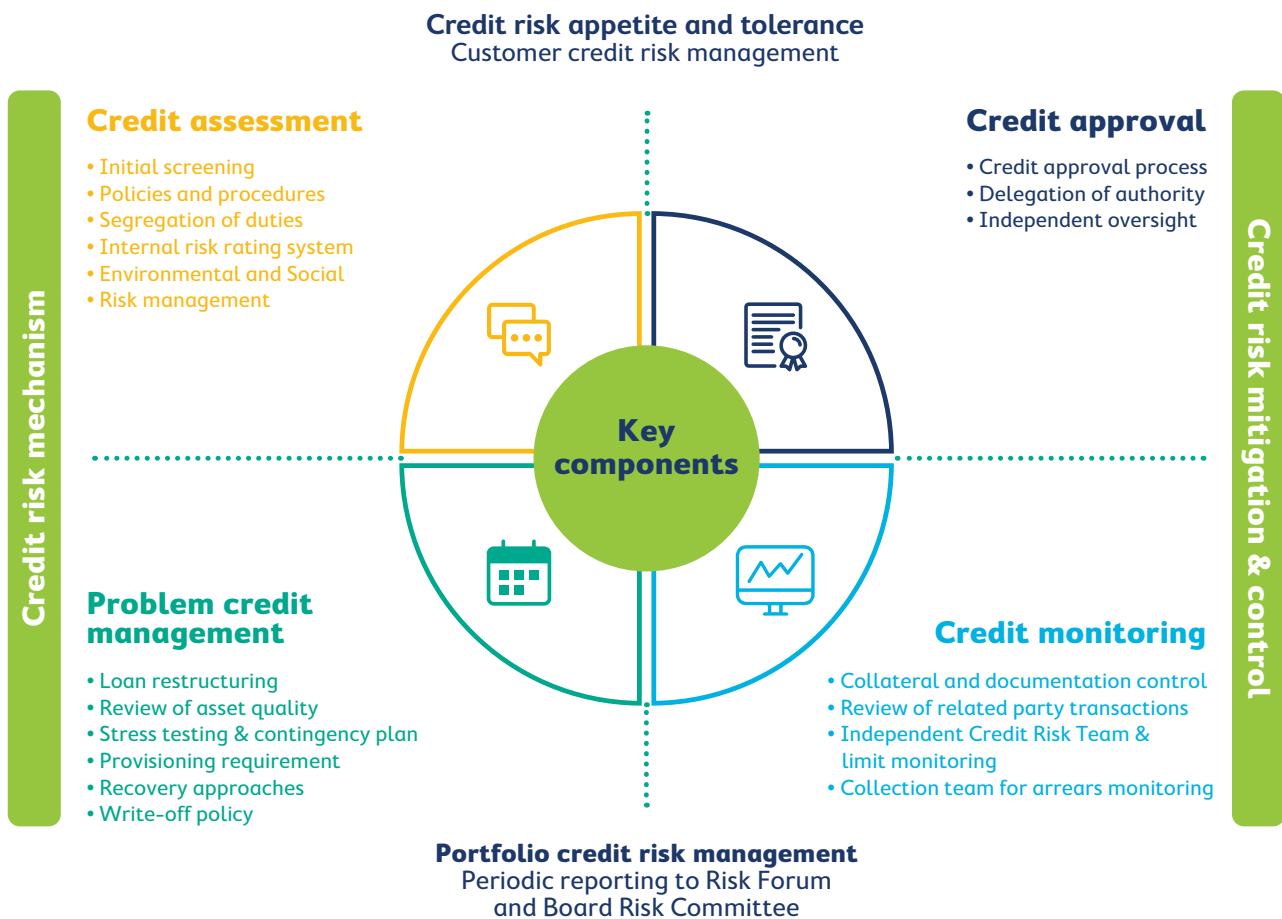
During 2021, the Group Credit Risk policy underwent a comprehensive revamp ensuring alignment to updated regulatory requirements and industry best practices. The Policy was successfully implemented and adapted across all the Group entities.

The impact of the COVID-19 pandemic and its continued effects on the global economy have increased the level of judgement that management has been required to exercise over the course of 2021. The Group has continued to provide support to its customers through market-specific measures under the credit policy framework. We have also implemented the guidance provided by regulators on managing the credit portfolio as required throughout the course of the customer relief life cycle. The extent of our support is dependent on the degree of country specific government support measures, restrictions and the effects of new COVID-19 variants.

RISK MANAGEMENT REPORT (CONT'D)

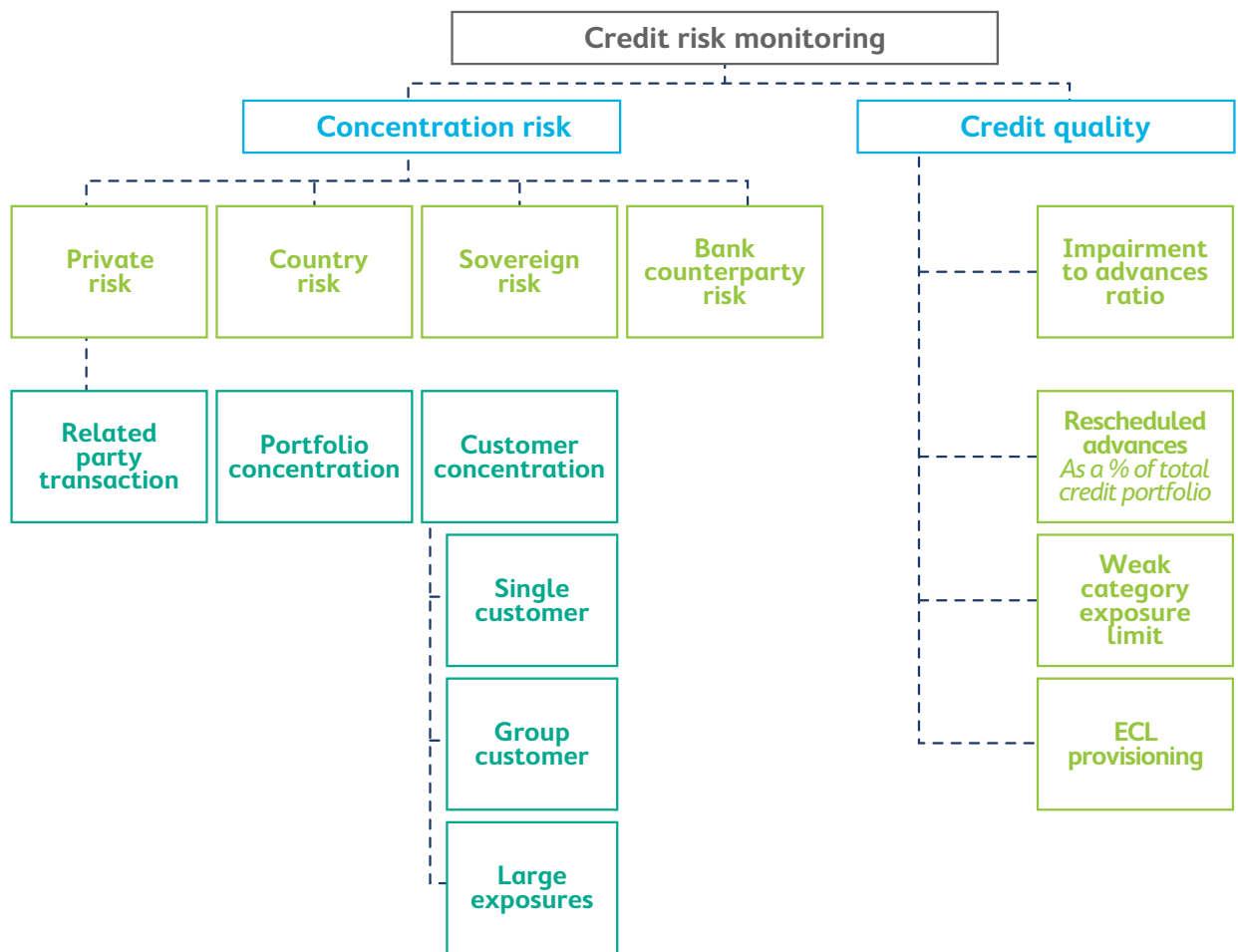
Credit risk management framework

Entities within the Group operate in line with the Board-approved Group Credit Risk Policy and operationalise the policy within well-defined procedure manuals and processes covering the entire credit cycle. These are reviewed on an annual basis and any changes are highlighted to the relevant stakeholders commensurated with adequate training.



Credit risk appetite

The Group sets its risk appetite through specific risk limits at appropriate levels relative to the risks and returns so as to minimise risk that could lead to unexpected losses. The limits are set at entity level within the entity's overall strategy and risk appetite. An overview of the level of limit set as per approved risk appetite for SBM (Bank) Mauritius Ltd, the main entity of the Group, is provided below:



RISK MANAGEMENT REPORT (CONT'D)

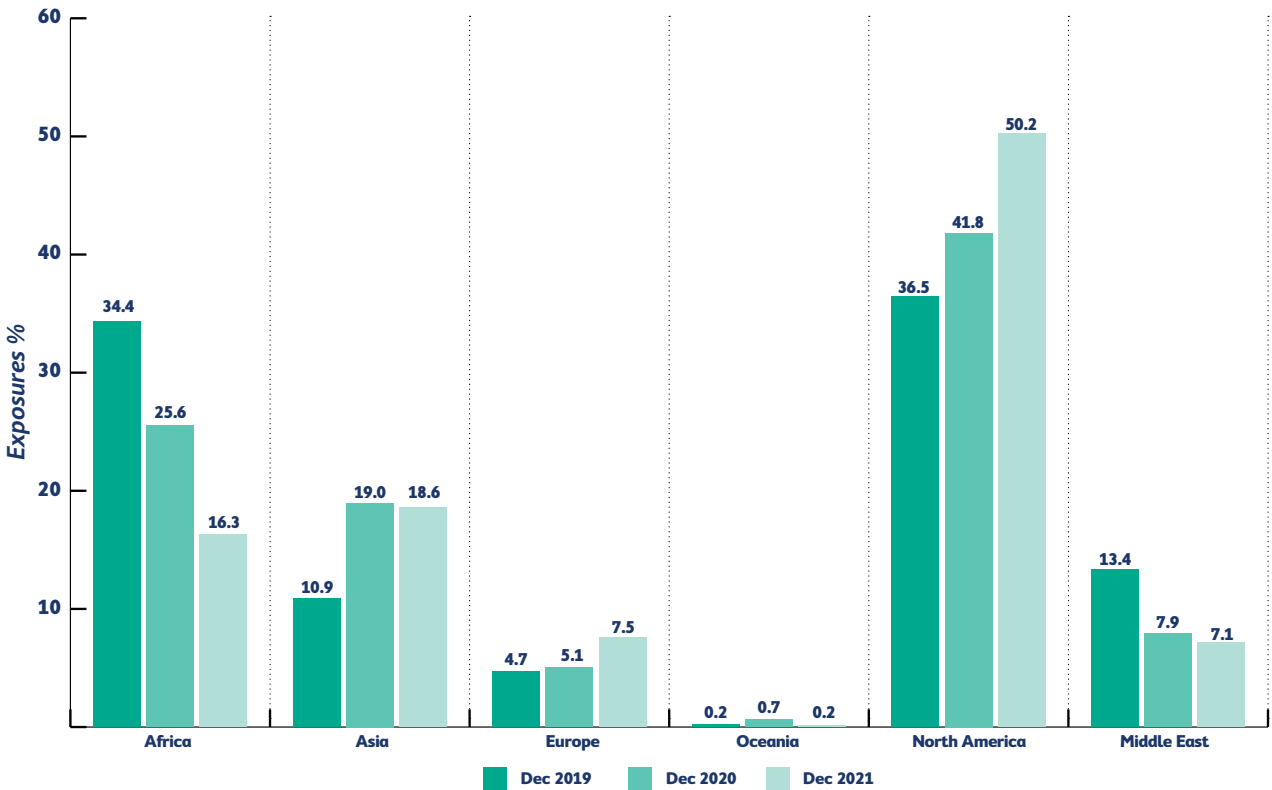
Country risk

Avoiding undue concentration from a regional perspective is an integral part of our credit risk management policy. Country risk pertains to the risk of investing or lending in a particular foreign country, arising from possible changes in economic, political and social environment that may adversely affect the operations and repayment capacity of cross-border counterparties including the sovereign.

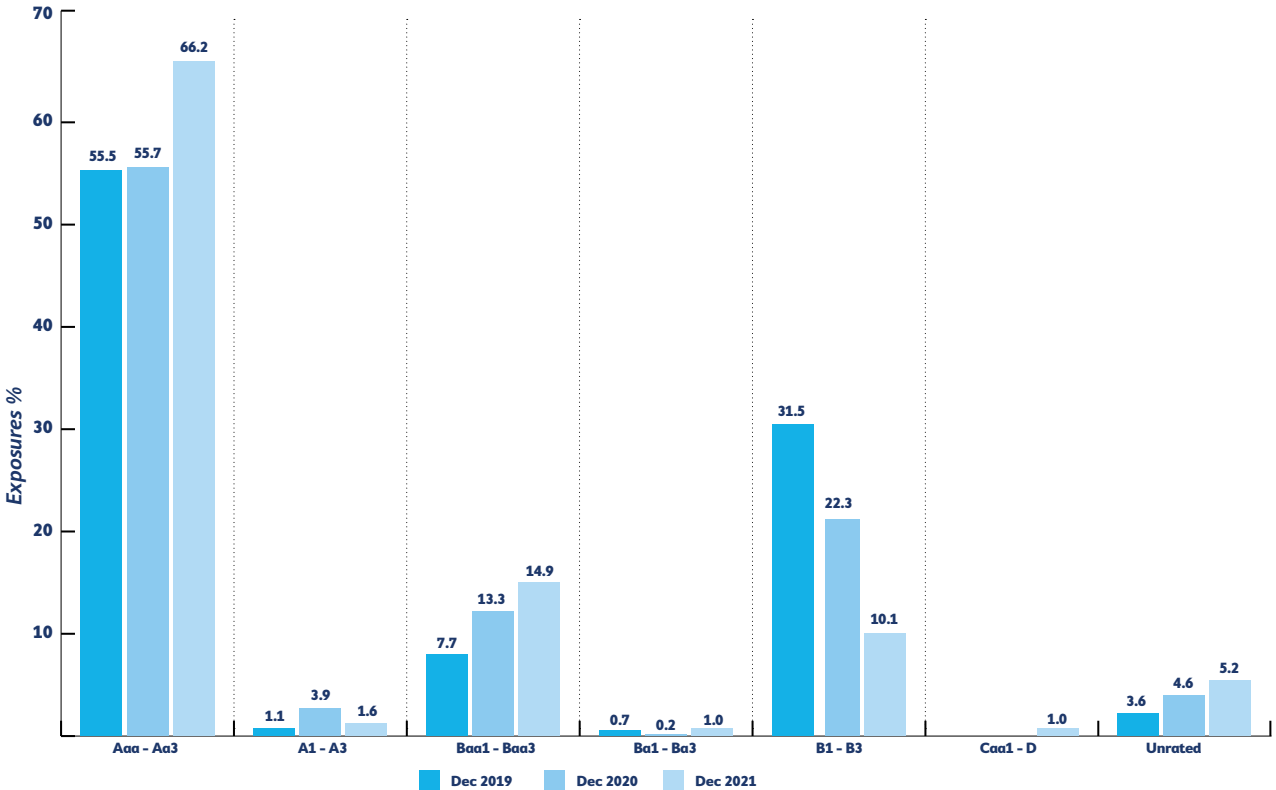
During the financial year, our main entity conducted a thorough review of its country risk appetite where key macroeconomic developments and outlook, portfolio composition and quality, cross-risk concentration risks and the risk/reward profile of the portfolio were analysed and assessed with thresholds established. The Group has been more prudent in dealing with cross-border exposures where it is in the process of enhancing its capacity building, reviewing its policies and frameworks to set the pace for gradual expansion of cross-border business in the following year.

As at 31 December 2021, the Group's credit equivalent exposure to cross-border lending accounted for 304.1% of Group Tier 1 capital. Exposure to supranationals represented 22.4% of total cross-border lending.

Distribution of country risk by region



Distribution of country risk by rating range



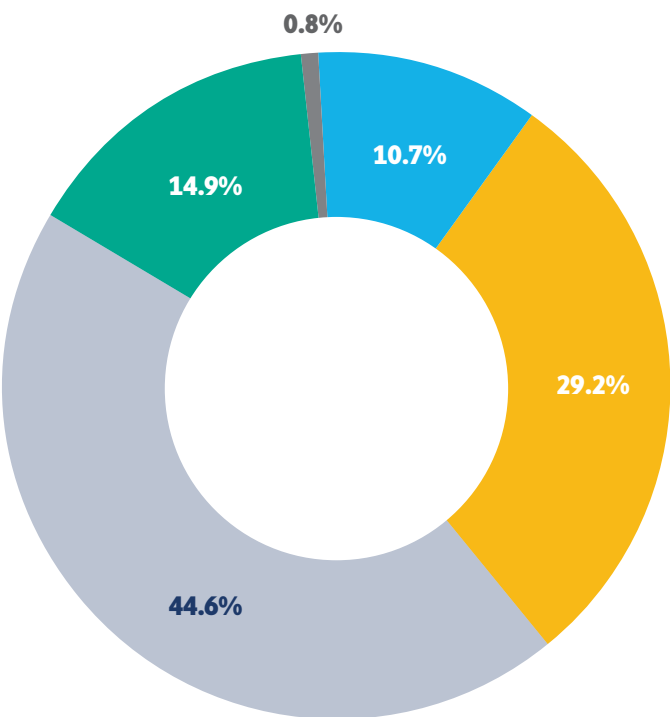
RISK MANAGEMENT REPORT (CONT'D)

Sovereign risk

Sovereign risk relates to the risk of a particular government becoming unwilling or not able to meet its credit obligations.

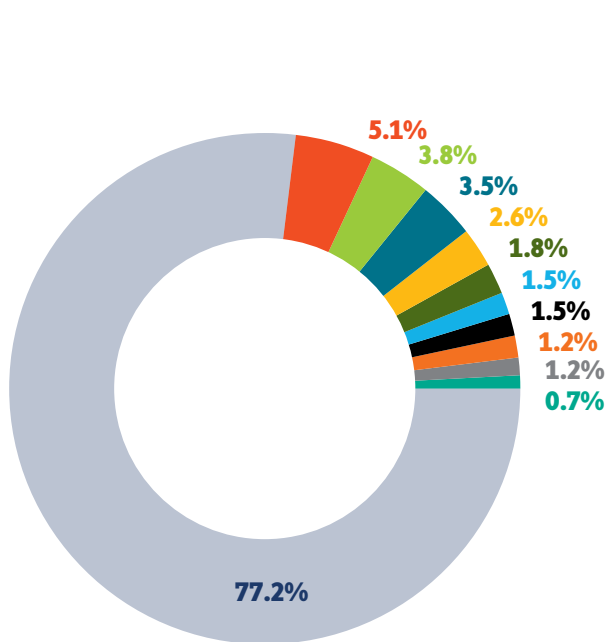
As at 31 December 2021, sovereign exposures accounted for 472.6% of Group Tier 1 capital of which sovereign exposures in SBM presence countries accounted for 334.8% of Group Tier 1 capital.

Distribution of sovereign exposures of the Group



Mauritius - 44.6%
Madagascar - 0.8%
Others - 29.2%
Kenya - 14.9%
India - 10.7%

Other countries

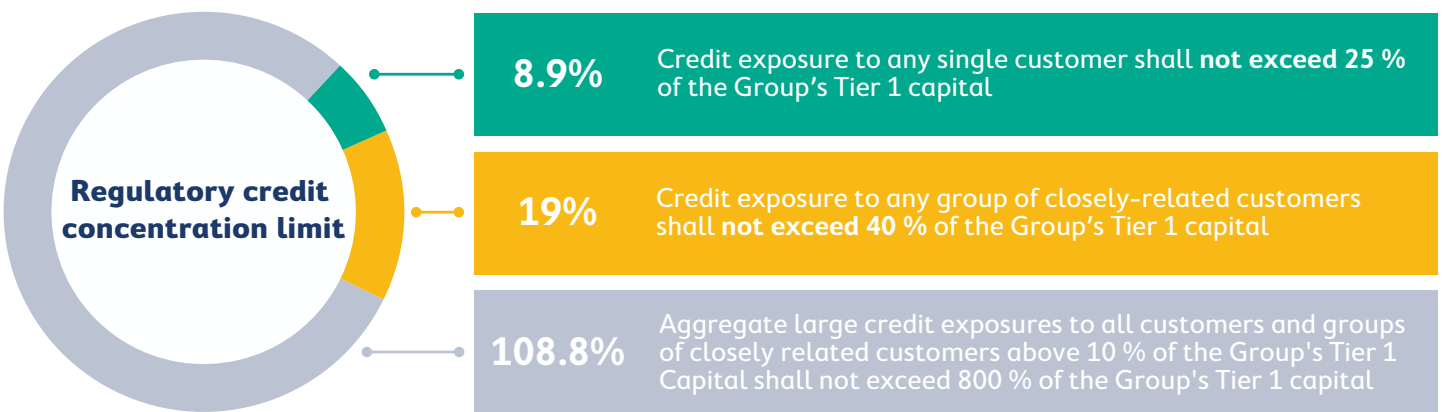


United States - 77.2%
Canada - 5.1%
Sweden - 3.8%
Tanzania - 3.5%
Qatar - 2.6%
Egypt - 1.8%
Ivory Coast - 1.5%
Rwanda - 1.2%
United Arab Emirates - 1.2%
Senegal - 0.7%

Counterparty credit risk

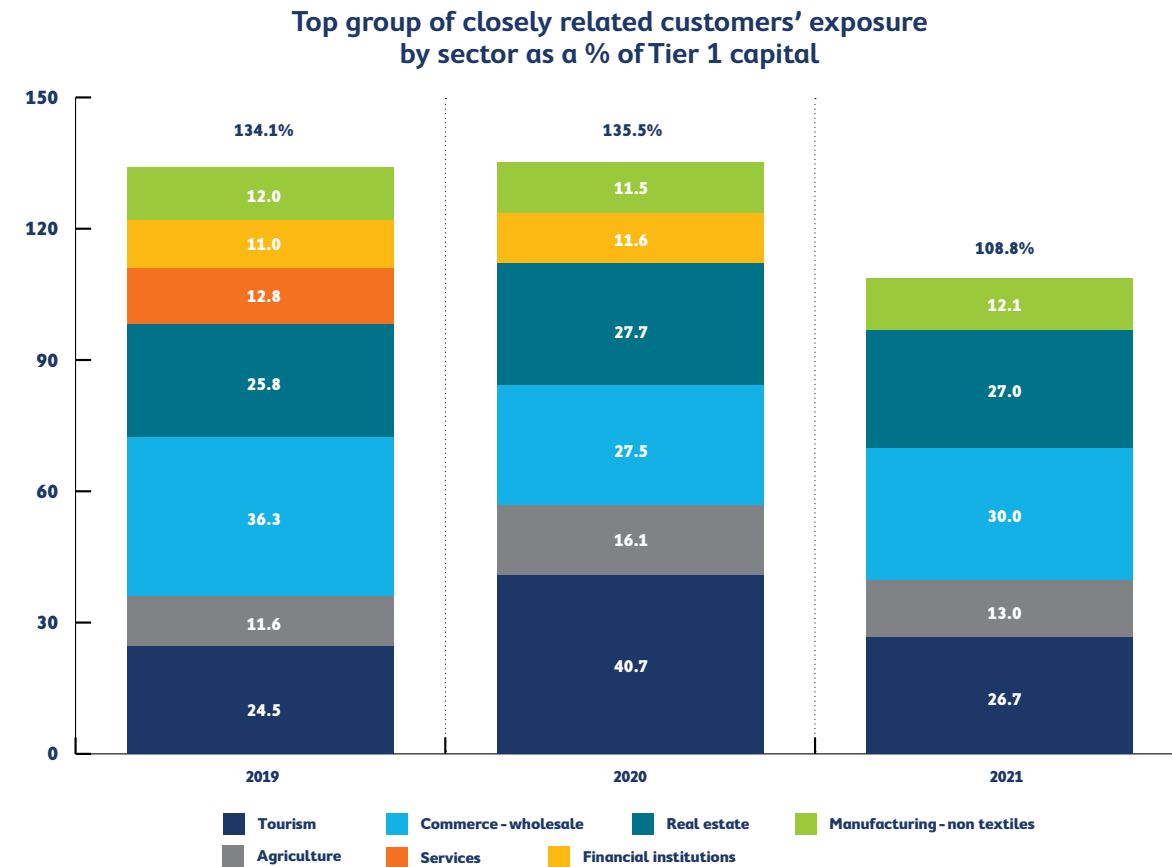
Concentration of credit risk arise when a number of counterparties or exposures have comparable economic characteristics or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is evenly affected by changes in economic, political or other conditions. For concentration that are material at a Group level, breaches and potential breaches are monitored by the respective entities Risk Management Committees and reported to the Group Board Risk Management Committee.

The Group has set prudential limits within the regulatory limits designed to restrain concentration to single/group of connected counterparties as well as large exposures. As at 31 December 2021, the credit concentration exposures were well within the regulatory limits.



RISK MANAGEMENT REPORT (CONT'D)

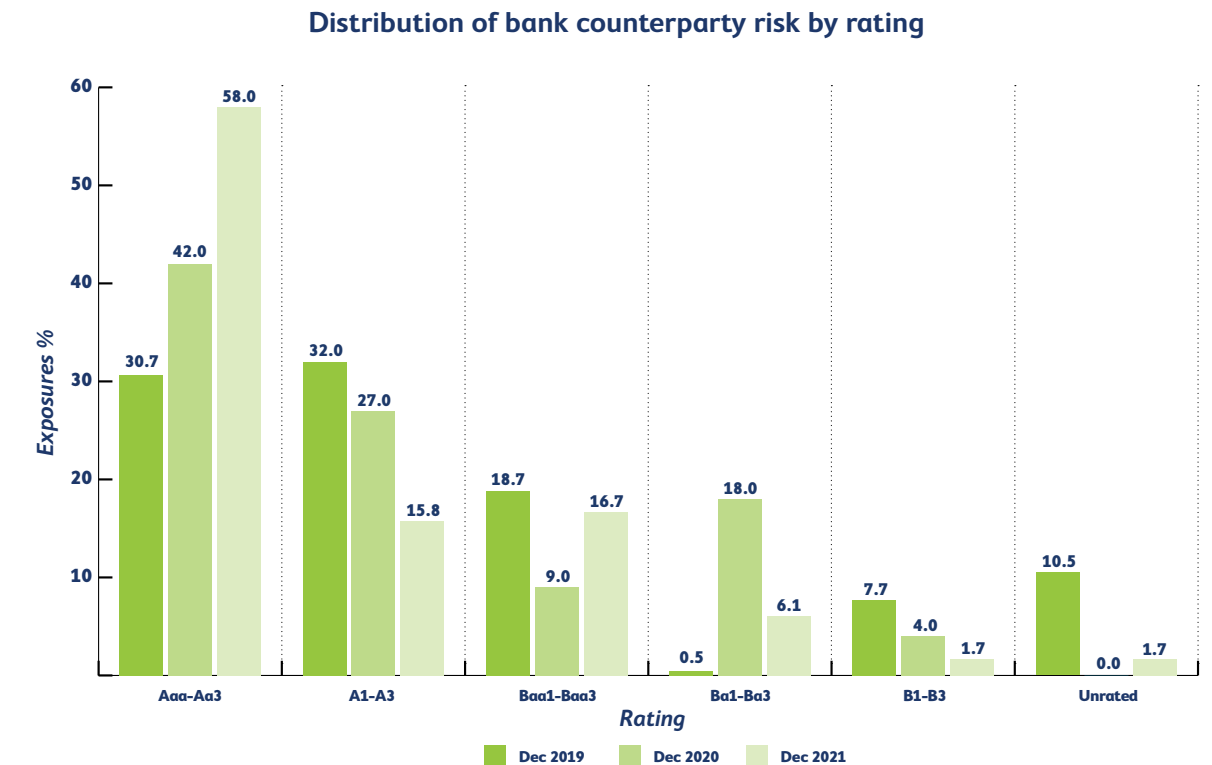
Counterparty credit risk (cont'd)



Bank risk

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

As at 31 December 2021, the Group's bank counterparty credit equivalent exposure accounted for 113.1% of the Group's Tier 1 capital.

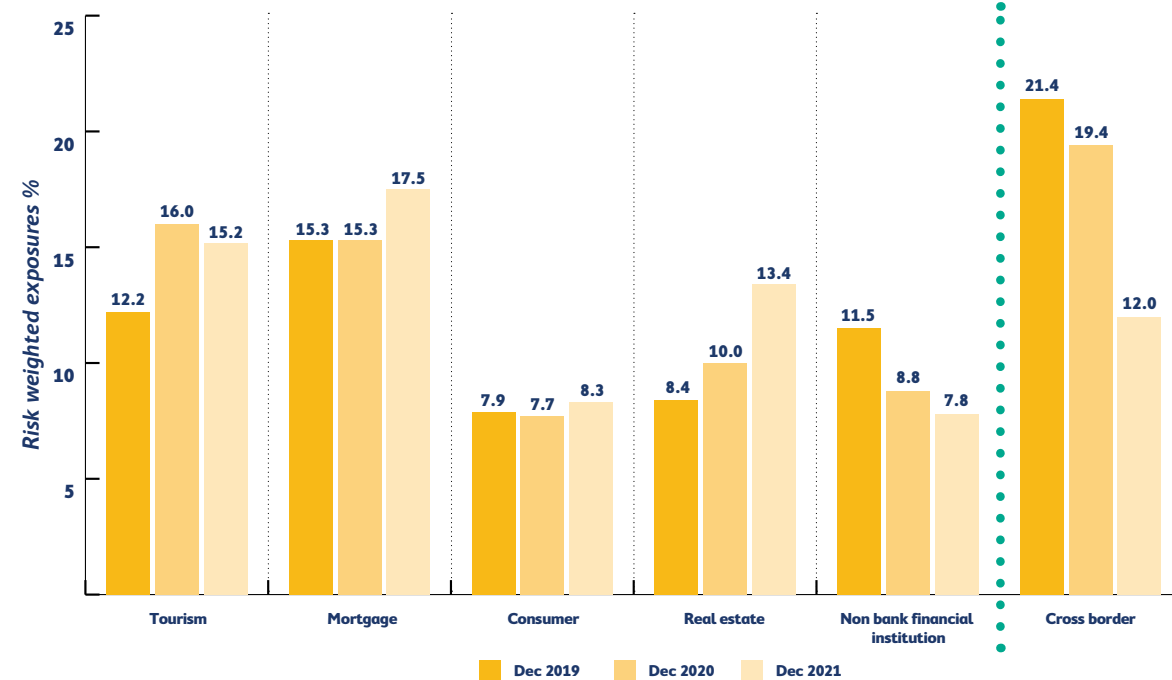


RISK MANAGEMENT REPORT (CONT'D)

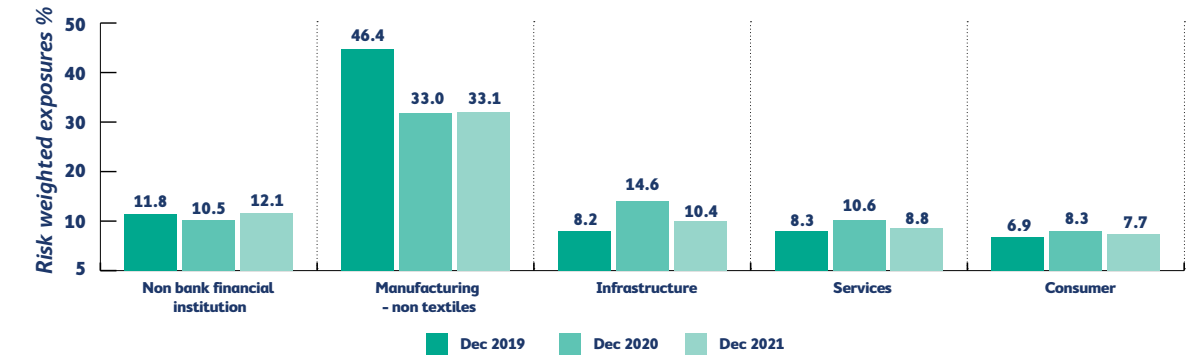
Portfolio concentration

The Group aims at maintaining a diversified credit portfolio that adapts to the economies where it has presence. The respective entities set out limits by segment, portfolio and sub-portfolio in line with their strategy and risk appetite aligning to the overall Group objectives.

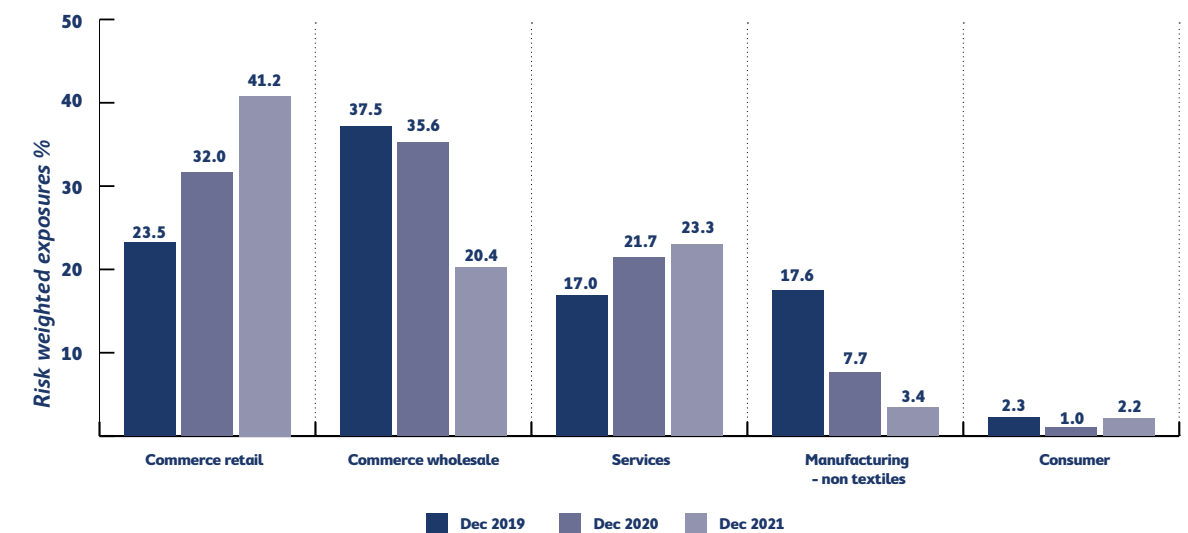
SBMBM's top portfolio by risk weighted exposures



SBMBI's top portfolio by risk weighted exposures



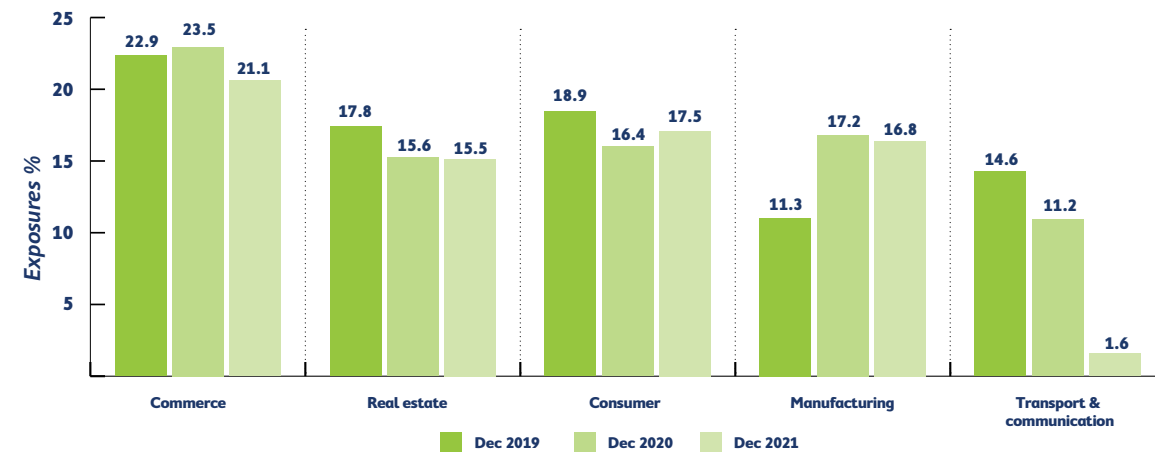
BSBMM's top portfolio by risk weighted exposures



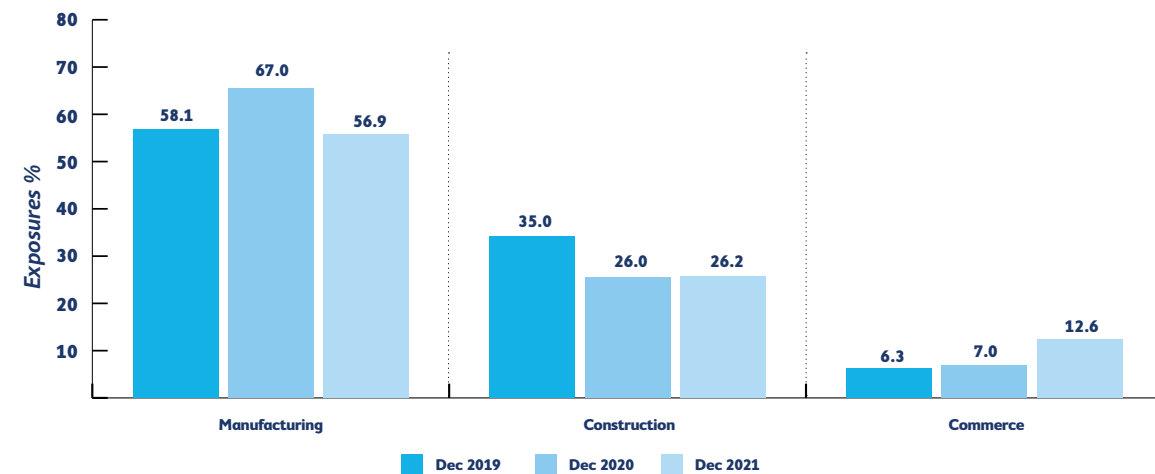
RISK MANAGEMENT REPORT (CONT'D)

Portfolio concentration (cont'd)

SBMBK's top portfolio by exposures



SBM Factors Ltd's portfolio by exposures

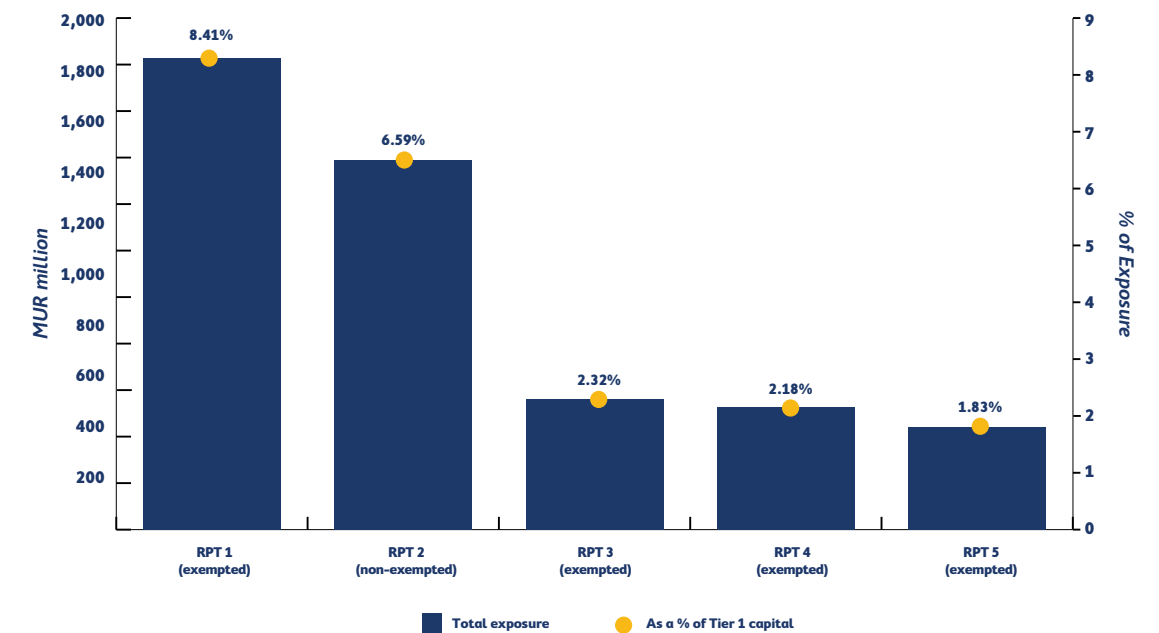


Related party transaction risk

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. Related party exposures are defined as per the Bank of Mauritius Guideline on Related Party Transactions. All exposures are reported to the Corporate Governance and Conduct Review Committee.

As at 31 December 2021, the aggregate non-exempted exposures to related parties represented 6.59% 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.

Top 5 related party exposures



RISK MANAGEMENT REPORT (CONT'D)

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.

Expected credit loss

The Group determines its allowance for credit losses in accordance with IFRS 9 for its banking entities. Expected credit losses (ECL) are determined for all financial assets that are classified as amortised cost or fair value through other comprehensive income. ECL is computed as an unbiased, probability-weighted provision determined by evaluating a range of plausible outcomes, the time value of money and forward-looking information such as insights on customer behaviours or country-specific macroeconomic variables.

As per **IFRS 9**, a three-staged approach is used for the impairment calculation as follows:

- **Stage 1** reflects financial assets where it is assumed that credit risk has not increased significantly after initial recognition
- **Stage 2** contains all financial assets, that are not defaulted, but have experienced a significant increase in credit risk since initial recognition but still without objective evidence of impairment
- **Stage 3** consists of financial assets of clients which are defaulted but not yet reached write-off. The Group defines these financial assets as impaired, non-performing and defaulted

The Group uses three main components to measure ECL. These are Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Group leverages existing parameters used for determination of capital demand under the Basel Internal Ratings Based Approach and internal risk management practices as much as possible to calculate ECL. These parameters were revisited for the year ended 31 December 2021 and adjusted where necessary to fully comply with IFRS 9 requirements. Over and above updated parameters, the Group has also placed overlays on a prudent basis where deemed appropriate to cater for conditions that were not fully reflected in its data set.

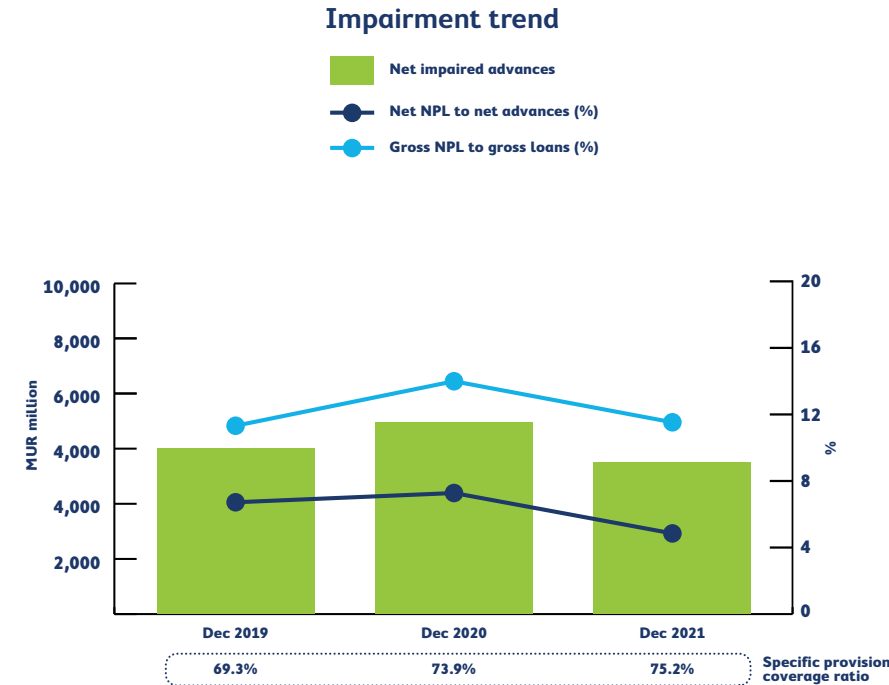
Additionally, the banking entities have undertaken impairment assessment under different scenarios as part of stress testing exercise on its client base to ensure that they remain adequately provisioned and that necessary contingency plans are set up to meet any crisis situation. Across the Group, a Watchlist Review Forum is held on a quarterly basis with Senior Management representatives to review customer-wise exposures tagged as 'watch-list' under a detailed list of criterias enabling better control over these exposures. These exposures are further classified under 'Stage 2' where a lifetime Expected Credit Loss (ECL) is allocated.

Impairment

The Group has successfully managed to contain its level of defaults throughout the COVID-19 pandemic. The Group adheres to the IFRS 9 principles and ensures proper classification of assets (Non-Performing assets) and maintains adequate provisions (lifetime Stage3 ECL) under Stage 3.

The different entities of the Group also follow their respective country's regulatory guidance on the measures to be adopted for asset classification under Stage 3. In the COVID-19 pandemic context, restructuring has not automatically been classified as Stage 3 but rather client level assessments were carried out based on viability of the businesses and cash flow projections with other criterias as defined by the entities' credit and provisioning policies taken into consideration.

Further details on IFRS 9 are found in the Notes to the Financial Statements section on page 230.



RISK MANAGEMENT REPORT (CONT'D)

Rescheduled advances

Rescheduled advances consist of changes in existing terms and conditions of credit facilities as originally agreed by the clients and the Group entities. Rescheduling aims at assisting clients who are experiencing temporary cash flow constraints and require some concessions in view of a change in their operating circumstances.

Similar to the previous year, the Group witnessed an increase in rescheduled advances over the financial year due to the difficult economic context resulting from the COVID-19 pandemic. As at 31 December 2021, total rescheduled loans stood at 11.4% of the total credit portfolio compared to 18.9% of the total credit portfolio as at 31 December 2020.

Market risk management and measurement

Market risk

Market risk is the risk of adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads.

The market risk management defines and implements a framework to systematically identify, assess, monitor and report our market risk across the Group. The Board-approved Market Risk Policy outlines the process and principles designed to properly identify, measure, monitor, manage and report market risk in order to minimise the risk of financial loss. The Board monitors compliance with this policy through appropriately mandated ALCOs and approved limits. The main objective is to manage and control market risk exposures while maintaining a market risk profile consistent with our risk appetite.

The Group's definition of market risk includes interest rate risk, foreign exchange risk, price risk and liquidity risk. An overview of each of these risk sub-categories is provided as follows.

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 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's 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 for last three years:

	Impact of 200 bps parallel rate change on NII		
	Dec 21	Dec 20	Dec 19
SBM Bank (Mauritius) Ltd	8.25%	9.13%	5.57%
SBM Bank (India) Limited	9.15%	20.73%	38.48%
Banque SBM Madagascar SA	1.25%	1.16%	2.13%
SBM Bank (Kenya) Limited	12.70%	11.46%	6.05%

The interest rate risk in the banking book is managed by controlling interest rate sensitivities, which measure the immediate effects of interest rate changes on the assets, liabilities and off-balance sheet items.

Only our Mauritian and Kenyan banking entities had significant exposures to LIBOR. During the year under review, the transition to alternative rates has been successfully completed for EUR and GBP. For USD, this is still in progress, given the availability of key USD LIBOR rates until 30 June 2023.

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 effectively 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) and stop loss limits. Moreover, the Group manages the counterparty exposure arising from market risk related transactions on spot and Over-The-Counter (OTC) derivative contracts by using collateral and netting agreements with major counterparties.

Value at risk

Value at Risk (VaR) is a statistical measure that the Group uses to measure the risk of losses arising from future potential adverse movements in market rates and prices. 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.

One of the main impacts of the COVID-19 pandemic was an increase in currency volatility coupled with lower traded volumes. This caused the VaR to increase, but stayed within prudential limits. Nevertheless, the Group reacted by reducing overall open currency exposures to better control the risk.

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 trading portfolio is managed by the financial markets divisions, while the banking book is managed by the Assets and Liabilities Management (ALM) team. The Group maintains a well-diversified portfolio comprising primarily of investment grade securities, including local government securities and other High Quality Liquid Assets (HQLA) bonds denominated in USD. 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.

RISK MANAGEMENT REPORT (CONT'D)

Price risk (cont'd)

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.

Liquidity risk

Liquidity risk arises from potential inability to meet payment obligations when they fall due or without incurring excessive costs. The Liquidity Risk Management Framework in place ensures that the guidance and controls are established to fulfil the entities payment obligations at all times and liquidity and funding risks are managed within approved risk appetite when executing the Group's strategy. The Framework considers relevant and significant drivers of liquidity risk both on-balance sheet and off-balance sheet.

The Group has historically maintained a strong and well managed liquidity position as evidenced by its stable funding base and significant investments in liquid assets. The primary tools used to monitor and manage the risk are: the 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 adoption of a more conservative LCR target. These are determined by respective ALCOs and approved by the Board of each entity.

Based on the stress testing results using both general portfolio assumptions and specific client-based scenarios, the liquidity position remains aligned with the approved risk appetite aided by the stable source of deposits and adequate stock of HQLA.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30-day stress scenario. The ratio is defined as the amount of HQLA that could be used to raise liquidity in a stressed scenario, measured against the total volume of net cash outflows, arising from both contractual and modelled exposures over a 30-day time horizon.

The LCR complements the internal stress testing framework. By maintaining a ratio in excess of the minimum regulatory requirements, the LCR seeks to ensure that the Group holds adequate liquidity resources to mitigate a short-term liquidity stress. Since the introduction of the ratio in November 2017, the Group entities have maintained their LCR ratios in excess of the regulatory requirement.

The LCR across the Banking Group, for last three years, are shown in the table below:

	LCR		
	Dec 2021	Dec 2020	Dec 2019
SBM Bank (Mauritius) Ltd	187.86%	153.92%	149.12%
SBM Bank (India) Limited	130.39%	143.44%	217.25%
Banque SBM Madagascar SA	185.55%	159.17%	113.37%
SBM Bank (Kenya) Limited	170.45%	173.50%	200.00%

The LCR consolidated for the Group stood at 175.32% as at 31 December 2021 (2020: 143.58%), significantly above the Basel III requirement of 100%. The average stock of HQLA amounts to MUR 106.6 billion for the SBM Bank (Mauritius) Ltd and MUR 126.1 billion for the banking entities. The Group's portfolio of HQLA is mostly comprised of the jurisdiction's sovereign securities, USD A-rated sovereign securities and USD Multilateral Development Banks (MDBs) bonds.

Funding

The Group has in place internal tools that allows it to monitor and manage longer term funding risk. The Group entities maintain conservative deposit concentration limits to avoid undue reliance on a single depositor as a funding source. The Group also carries 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) is a regulatory metric for assessing a bank's structural funding profile. The NSFR is intended to reduce medium to long-term funding risks by requiring banks to maintain a stable funding profile in relation to their on- and off-balance sheet activities. The ratio is defined as the amount of Available Stable Funding (the portion of capital and liabilities expected to be a stable source of funding), relative to the amount of Required Stable Funding (a function of the liquidity characteristics of various assets held).

The table depicts the NSFR across the Group entities for the last two years.

NSFR	Dec 2021	Dec 2020
SBM Bank (Mauritius) Ltd	134.64%	122.40%
SBM Bank (India) Limited	122.24%	113.32%
Banque SBM Madagascar SA	265.30%	290.37%
SBM Bank (Kenya) Limited	122.17%	149.47%

RISK MANAGEMENT REPORT (CONT'D)

Operational risk management

Operational risk

Operational risk is inherent in all business activities and has been defined by the Basel Committee on Banking Supervision as 'the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. Operational risk includes legal risks but excludes business and reputational risk and is embedded in all banking products and activities.' Operational risk is part of the subset of the Group's non-financial risks.

The Group operational risk appetite sets out the amount of operational risk it is willing to accept as a consequence of doing business. Operational risks are taken consciously both strategically as well as in day-to-day business. While the Group entities may have no appetite for certain types of operational risk events (e.g. violations of laws or regulations and misconduct), in other cases some operational risk must be expected to allow for the entities to achieve their business objectives. In circumstances where residual risk is assessed to be beyond risk appetite, risk reducing actions must be undertaken which include remediating the risks, insuring risks or ceasing business.

A robust and effective Operational Risk Management Framework (ORMF) is in place across the Group. This framework is a set of interrelated tools and processes that are used to identify, assess, measure, monitor and mitigate the entities' operational risks. It aims to provide a comprehensive, risk-based approach to managing the entities' significant operational risks. Its components include the Group's approach to setting and adhering to risk appetite, the risk and control taxonomies, risk management processes including the respective tools, and the entities' operational risk capital model. This is supported by Risk Control Self-Assessment (RCSA) which defines roles and responsibilities for the identification, control and monitoring of risks.

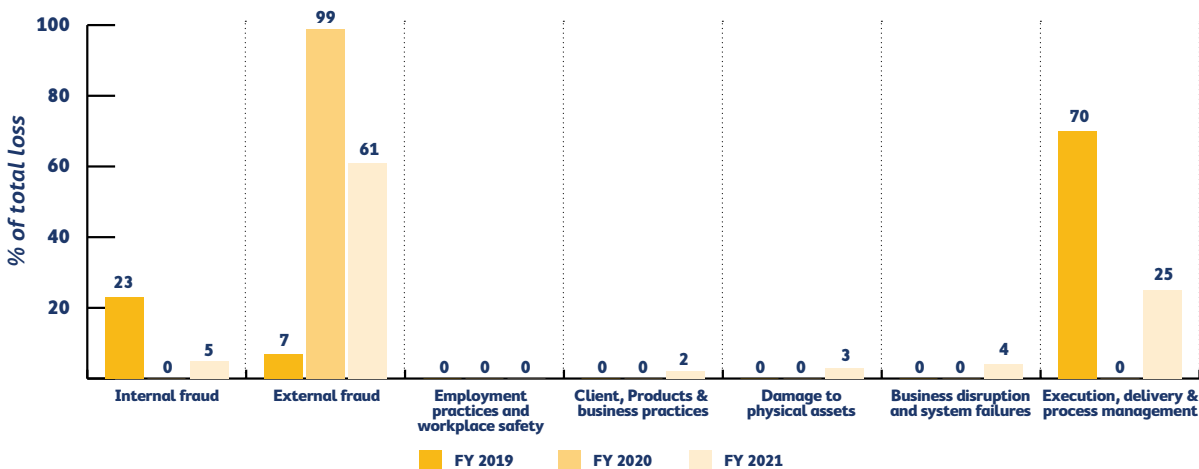
The governance of our operational risks follows the Group Three Lines of Defence model which provides clear ownership and accountability for managing risk in a structured and systematic manner and keeping pace with the current and emerging risks. Risk owners as the first line of defence are fully accountable for their operational risks and should ensure that the operational risks exposures are properly managed against a defined risk appetite. Key to this philosophy is that all employees are responsible for identifying, assessing, mitigating and escalating risks facing the organisation which is reinforced by regular training and awareness sessions.

Operational loss

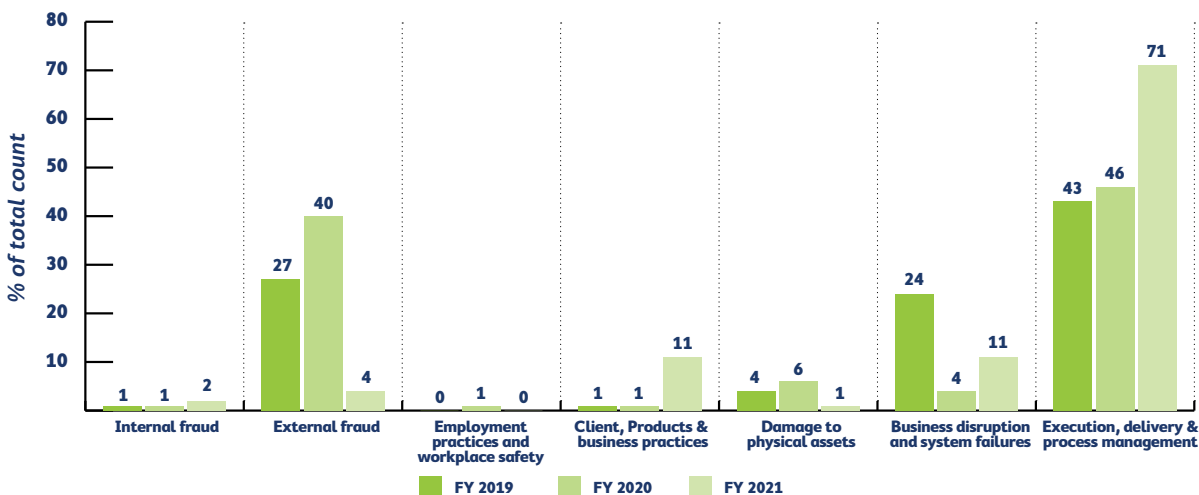
In 2021, we continued to enhance the management of operational risks by further integrating and simplifying our risk management processes, by enhancing the Group's controls repository and by strengthening our control activities conducted by both 1st LoD and 2nd LoD functions at various levels across the Group. Operational losses are one of the main indicators of the effectiveness and robustness of the non-financial risk control environment.

Material operational risk incidents triggers allow for defined lessons learned and comparative analyses, which are performed with close collaboration among business partners, risk control and other infrastructure functions. Lessons learned reviews for significant operational risk events enable identification of their root causes and provide for applicable remediation actions to reduce the likelihood of their reoccurrence. For the financial year 2021, recorded operational losses were significantly lower than that of the previous financial year despite a slight increase in the number of loss events when compared to previous years.

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



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



RISK MANAGEMENT REPORT (CONT'D)

Operational risk management (cont'd)

Cyber security risk

Cyber security risk can be defined as the risk to the Group's assets, operations and staff due to the potential for unauthorised access, disclosure, use, modification or destruction of information assets and systems. Cyber security risk continues to be recognised as one of the most important risk across the Group.

With the ever changing and evolving nature of cybercrimes and cyber threats coupled with the increasing focus of Regulators on cyber security risk management, it is vital for the Group to keep pace with the times and deploy effective controls to mitigate these risks and their potential impacts. The Group has engaged in multiple initiatives to enhance its defence mechanisms with early adoption of new technologies, enhancing teams, reviewing constantly the control framework, educate and make staff and stakeholders better versed with the latest cyber security trends, threats and risks.

In any organisational technology ecosystem, people are usually considered as the most vulnerable link and taking this into account, considerate efforts are continuously being made to raise awareness to relevant stakeholders in the form of training sessions, workshops and communiqués among others. The Group cyber security governance portfolio which include the policies, procedures and standards have been revisited, revamped and enhanced to mitigate the flux of risks and to be in line with the current threat landscape.

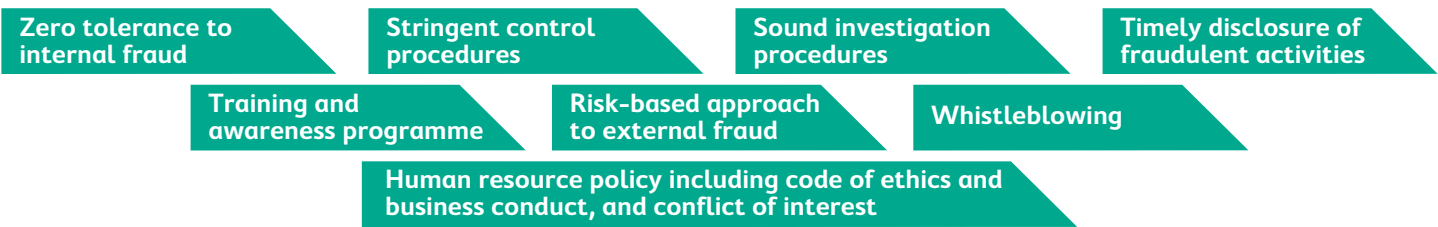
The Group has a defined assurance framework in operation and where necessary, seeks assistance from reputed service providers to carry out independent assessments, compliance and security testings of critical assets. This is further complemented by our internal teams who regularly run Vulnerability Management Programs during the course of the year. The effective monitoring and reporting mechanism in place allow for performance which falls outside the approved risk appetite to be promptly highlighted and reviewed at the appropriate governance committee or authority levels and ensures that adequate remedial actions are in place as necessary.

The Group continues to enhance its cyber resilience towards targeted and industry wide cyber-attacks and there is a defined approved strategy and plans in place to ensure synchronisation with the protection mechanisms adopted by industry and peers against sophisticated and organised cybercrimes.

Fraud risk

Fraud risk is the risk of unexpected financial, material or reputational loss as the result of fraudulent actions of persons internal or external to the organisation. The Group fosters honesty and integrity in all its operations which is reinforced by continuous training and awareness campaigns. Directors, Management and staff are expected to lead by example in adhering to policies, procedures and practices. Equally, customers, service providers, suppliers and contractors are expected to act with integrity and without intent to commit fraud against the Group.

The Group continuously reviews the effectiveness of its Board-approved Fraud Management Policy which is built around four major pillars namely prevention, detection, mitigation and response and operates within the following key guiding principles.



All potential fraud cases follow the established governance process where cases are given their due attention and investigated by independent teams usually sitting within Internal Audit. Material outcomes are reported at relevant risk committees where appropriate actions are taken against offenders and mitigating controls are strengthened.

Third party risk

Third party risk is the potential threat presented to the organisations' employee and customer data, financial information and operations from the organisation's supply-chain and other outside parties that provide products and/or services and have access to privileged systems.

Third parties are integral to the successful daily operation of any financial services firm, including the SBM Group. The use of and dependence upon third parties in the sector has increased over the years, requiring a corresponding increase in capabilities to manage them. Moreover, there is increasing interest of regulators in third party concentration risk and critical third parties to ensure financial stability in the market. In addition, regulatory trends require organisations to consider the broader impact a third party can make.

The Group has a well-established approach to third party risk management from a clear policy and procedure to integrated risk process for businesses to use when engaging with external vendors as captured in the Outsourcing Policy.

The Outsourcing Policy contributes to minimise related risks, enhances our internal control environment and improves our infrastructure in the following ways:

- ensuring proper due diligence criteria are in place for selecting vendors
- having robust contractual and service agreements with service providers
- performing periodic assessment of vendors to assess their effectiveness and conduct in the delivery of contracted services
- protecting the Group's integrity by ensuring the service provider has proper confidentiality and data protection agreements and processes in place

RISK MANAGEMENT REPORT (CONT'D)

Operational risk management (cont'd)

Business continuity management

Business continuity risk refers to the risk of being unable to provide critical services to our customers, affiliates and counterparties as a result of sustained and significant operational disruption. Business continuity risks arise from various instances or failures in processes and systems, such as cyber attacks, data breaches, security incidents, fire, flood, transport disruption and terrorism among others that negatively impact the organisation.

The environment in which organisations operate today is rapidly evolving and becoming even more demanding. In fact, organisations need to constantly respond and adapt to disruptive threats such as the COVID-19 pandemic, extreme weather, and climate change events as well as cyber threats in line with the increased prominence of technology. Hence, Business Continuity Management (BCM) is becoming increasingly relevant and is key to building and improving the resilience of organisations in the face of emerging risks.

BCM identifies the organisation's priorities and prepares solutions through the design and implementation of plans to protect value creating operations in the event of a disruption, the assets of the organisations and ensuring the health and safety of its people.

A comprehensive BCM Framework operates across the Group which is constantly updated to reflect the strategy, objectives and dynamic operating environment of the organisation and also caters for outsourced activities. The framework is further supported by a BCM programme in place and endorsed by all entities of the Group. The BCM programme which include training and awareness sessions, extensive simulations, testing and drills, ensures that contingency plans and procedures remain effective and that the organisation can resume critical activities within the briefest delay possible.

In 2021, the Group has pursued its strategy to ensure continuity of services even during the lockdown period and, more importantly, has continued to take all necessary measures to safeguard the health and safety of its staff members, customers and the public in general.

The Group has notably:

- facilitated the COVID-19 vaccination programme for its staff members
- reacted swiftly and invested significantly in equipments to enable Work From Home (WFH) arrangements
- continued to maintain strict sanitary measures and to perform regular deep cleaning of premises for a safe environment for all stakeholders
- supported digital communication, virtual meetings and video conference besides the provision of online training
- ensured clear communication to staff, clients, regulators and other Group stakeholders
- maintained a split strategy to ensure resiliency of operations

Reputational risk

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

Across the Group, there is an established process through which active decisions are taken on matters which may pose a reputational risk, before the event, and in doing so, to prevent damage to entities reputation wherever possible. This procedure allows for a structured manner of identifying, assessing and managing reputational risk issues both from a tactical and reactive perspective as well as those associated with strategic and financial plans.

Reputational risk is a strategic concern as it is evolving and it is at the same time connected to and magnified by other business risks. The most prevalent drivers of reputational risk at the Group are risks related to ethics and integrity, cyber security, products and services.

The Group seeks to ensure that the reputational risk is kept as low as reasonably practicable with close and continuous monitoring and reports to the Board Risk Management Committee on a quarterly basis.

Compliance risk

Compliance risk refers to the risk of regulatory sanctions, financial loss or damage to the Group's reputation that may arise from non-compliance with laws, regulations, rules, standards or code of conduct. Across the Group, compliance risks are further split into the following sub risk categories:

- **Financial crime compliance:** The compliance function is endowed by law with anti-money laundering and combating the financing of terrorism (AML/CFT) responsibilities. This ensures that the Group complies with the requirements and obligations set out in the legislation, regulations, rules and industry guidance for the financial services sector, including the need to have adequate systems and controls in place to mitigate the risk of the organisation being used to facilitate financial crime
- **Regulatory and advisory compliance:** This 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:** Through monitoring and testing, the compliance function independently identifies the areas of risk and tests the effectiveness of controls within the Group. 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 process allows us to determine whether the Banking Group's controls are effective with regard to the institution's risks through ongoing monitoring and testing

RISK MANAGEMENT REPORT (CONT'D)

Operational risk management (cont'd)

Compliance risk (cont'd)

Compliance departments

The Compliance divisions of the Group entities are led by the respective Heads of Compliance with overall responsibility residing with the Group Chief Risk and Compliance Officer. This function is independent from any commercial, administrative or control function within the organisation. The Compliance department has a formal status with the appropriate standing, authority and independence within the organisation and ensures a co-operative working relationship between the compliance function and business units allowing for the early identification and management of compliance risks.

Compliance as an independent second line function is designed to help prevent, detect and manage breaches of applicable laws, rules, regulations and procedures through the following:



Governance and oversight

All activities that the Group engages in are designed to comply with the applicable laws and regulations in the countries where it operates. Our compliance controls and surveillance processes together with other internal control processes that are aimed at ensuring the proper conduct of our businesses and services as well as preventing market abuse, insider dealing and conduct breaches, are from time to time subject to regulatory reviews and/or inquiries in certain jurisdictions.

Moreover, our anti-money laundering (AML) and know-your client (KYC) processes and controls aimed at preventing misuse of our products and services to commit financial crime, continue to be subject of regulatory reviews, investigations, and enforcement actions in several jurisdictions. The Group continually seeks to enhance the efficacy of its internal control environment and improve its infrastructure to revised regulatory requirements and to close gaps identified by the Group and/or by regulators.

The risk of non-compliance with laws and regulations resulting from failed processes and controls are overseen by the Board Risk Committees and Board Audit Committees. Within each entity, oversight of compliance risk is delegated to the Audit Committee. There is also an administrative line of reporting by the Heads of Compliance of the Group entities to the respective Chief Executives underlining their independence in discharging their duties.

In 2021, the Group entities reinforced their compliance agendas, specifically AML/CFT and sanctions frameworks, supported by dedicated training programmes for staffs and the reinforcement of relevant policies as well as the introduction of new policies and standards.

Data protection

The Group is committed to protecting the privacy of individuals whose personal data it holds and processing such personal data in a way that is consistent with applicable laws.

The entities have strong internal controls, requiring openness and transparency about the collection and use of personal information, and protection against loss and unauthorised or improper access. The EU’s General Data Protection Regulation (GDPR) created a broadly harmonised privacy regime across EU member states, enhancing individual rights, a need to openly demonstrate compliance, and significant penalties for breaches. The extraterritorial effect of the GDPR means entities established outside the EU may fall within the regulation’s ambit when offering goods or services to European based customers or clients.

In Mauritius, we have embedded the Data Protection Act and GDPR framework in our laws and regulations and have further strengthened our data privacy framework to manage our stakeholders’ expectations and such initiative is also being stretched to cover the other jurisdictions where we are present.

Emerging risks and focus areas

On-going pandemic	Climate change	Increased data privacy and security risks
<p>With the emergence of new variants and global record-high new cases per day we might not be out of the tunnel yet. Although countries around the world are putting much effort in vaccination campaigns, recovery may not be as fast as we would expect. Slower than expected economic recovery or worsening of pandemic situation with new variants would further impact on the Group’s client base.</p> <p>The Group continues to perform regular monitoring and stress testing exercises of the evolving situation and has established required disaster programs in place to counter potential deterioration in macro-economic projections.</p>	<p>Climate change came into the limelight with the UN Climate Change Conference (COP26) in Glasgow. At SBM Group we are committed to managing our business activities and operations in a sustainable manner.</p> <p>The entities of the Group have collaborated with a strategic partner to developing our approach to environmental risk assessments and management in order to promote the integration of environmental-related factors across our business activities. The Group aims to further engage itself in collaborating towards green energy.</p> <p>The Group is also working on the establishment of a Climate Risk Appetite Framework that will allow us to undertake in-depth analysis and target settings and develop an understanding of climate risk exposures across our portfolios.</p>	<p>The COVID-19 pandemic also brings potential opportunities including accelerating the process of digitalisation across various industries. As digital technologies grow in sophistication and become further embedded across the banking and financial services industry, the potential impact profile with regards to data risk is changing e.g. the growing use of big data for analysis purposes and cloud computing solutions. Additionally, these risks represent an area of increasing interest from both regulatory and compliance perspectives.</p> <p>The Group has existing governance and control frameworks for the deployment of new systems, products and services. It further seeks to continually enhance, streamline and strengthen its oversight of the risks posed by cyber security threats and technology adoption whilst simultaneously maintaining a heedful watch on related legal and regulatory developments.</p>

RISK MANAGEMENT REPORT (CONT'D)

Capital management

The Group remains focused on maintaining a healthy capital position and proactively manages its capital to meet the expectations of different stakeholders and fulfilling its objectives to:

- always meet regulatory requirements and ensuring capital ratios at levels sufficiently above the regulatory minimum;
- allocate capital efficiently across business units and subsidiaries as well as support growth; and
- having enough buffers to withstand stressed economic and market conditions.

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

Regulatory capital requirements

At consolidated level, the Group has to adhere to capital adequacy rules as prescribed by BOM. These standards/rules are largely consistent with international standards set by the Basel Committee on Banking Supervision (BCBS).

As such, SBM 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, the Group follows the Alternative Standardised Approach as per the Guideline issued by BOM.

The capital base of the Group is computed in accordance with the Guideline on Scope of Application of Basel III and Eligible Capital, which came into effect in July 2014 and, as per which, the Group has to maintain, at all times, a minimum ratio of total regulatory capital to risk weighted assets (CAR) at or above the agreed minimum of 10%.

In addition to minimum capital requirements, SBM remains qualified as a Domestic Systemically Important Bank (D-SIB) based on its systemic importance in the national 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, buffer of 2.0% for SBM has been fully phased-in.

Moreover, SBM needs to abide by 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 losses are incurred. The implementation of the CCB of 2.5% started as from 01 January 2017 in a phased manner, growing on a yearly basis by 0.625% and was initially set to be fully effective as from 01 January 2020.

However, in apprehension 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. This measure has somehow helped banks to release more capital whilst also allowing greater flexibility in terms of funding capacity and support which can be provided to customers.

The table below illustrates regulatory capital requirements:

Minimum Regulatory Ratios applicable to SBM	2022	2021
Minimum CET 1 CAR	6.500%	6.500%
Minimum Tier 1 CAR	8.000%	8.000%
Capital Conservation Buffer (CCB)	2.500%	1.875%
D-SIB Buffer - Minimum additional loss absorbency	2.000%	2.000%
Minimum CET 1 CAR plus CCB + D-SIB	11.000%	10.375%
Minimum CET 1 CAR plus CCB + D-SIB	12.500%	11.875%
Minimum Total CAR (Tier 1 + Tier 2) + CCB + D-SIB	13.875%	14.500%

The overseas banking entities of the Group are subject to capital adequacy requirements of the jurisdiction in which they operate and as of 31 December 2021, they all abided by their host regulator requirement.

Capital position

The Group maintained healthy capital ratios well above the minimum regulatory capital requirement as at 31 December 2021, with a Tier 1 Ratio of 14.31% and a total CAR ratio of 21.39%. Total Tier 1 capital was MUR 21.9 billion for the reporting date while total capital base stood at MUR 32.7 billion. For the year under review, all banking subsidiaries' capital adequacy ratios were well above the minimum regulatory requirements applicable in the respective jurisdictions as illustrated in the table below:

	SBMBM	SBMBI	BSBMM	SBMBK
Minimum regulatory requirement (%)	13.87	11.50	8.00	14.50
CAR % Dec 2021	17.33	20.09	35.05	15.74

RISK MANAGEMENT REPORT (CONT'D)

Capital management (cont'd)

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

	SBM Group		
	Dec 2021	Dec 2020	Dec 2019
Capital base	Figures in MUR million		
Share capital	32,500	32,500	32,500
Retained earnings	2,808	925	33
Accumulated other comprehensive income and other disclosed reserves	(5,476)	(4,821)	(4,628)
Common Equity Tier 1 capital (CET 1) before regulatory adjustments	29,832	28,604	27,905
Regulatory adjustments			
Treasury (own) shares	(4,875)	(4,875)	(4,875)
Goodwill and intangible assets	(1,963)	(2,297)	(2,729)
Deferred tax assets	(1,087)	(806)	(356)
Common Equity Tier 1 capital (CET 1)	21,907	20,626	19,945
Additional Tier 1 (AT 1)	-	-	-
Tier 1 capital (T1 = CET1 + AT1)	21,907	20,626	19,945
Capital instruments	8,475	7,708	8,019
Other reserves (45% of surplus arising from Rev of land & Buildings)	613	636	659
Portfolio provision or ECL (restricted to 1.25% of credit RWA)	1,735	1,700	1,552
Tier 2 capital	10,823	10,043	10,230
TOTAL CAPITAL BASE	32,730	30,670	30,175

RISK WEIGHTED ASSETS (RWAs)

Credit risk

On-balance sheet assets

Off-balance sheet exposures

Market risk

Aggregate net open foreign exchange position

Capital charge for trading book position exceeding 5% or more of its total assets

Operational risk

TOTAL RWAs

CAPITAL ADEQUACY RATIO (%)

of which Tier 1 Ratio (%)

	SBM Group		
	Dec 2021	Dec 2020	Dec 2019
	Figures in MUR million		
	138,834	135,979	124,163
	126,672	125,316	115,952
	12,162	10,663	8,211
	730	739	1,142
	614	469	638
	115	270	505
	13,480	11,566	10,710
	153,043	148,284	136,016
	21.39	20.68	22.19
	14.31	13.91	14.66

RISK MANAGEMENT REPORT (CONT'D)

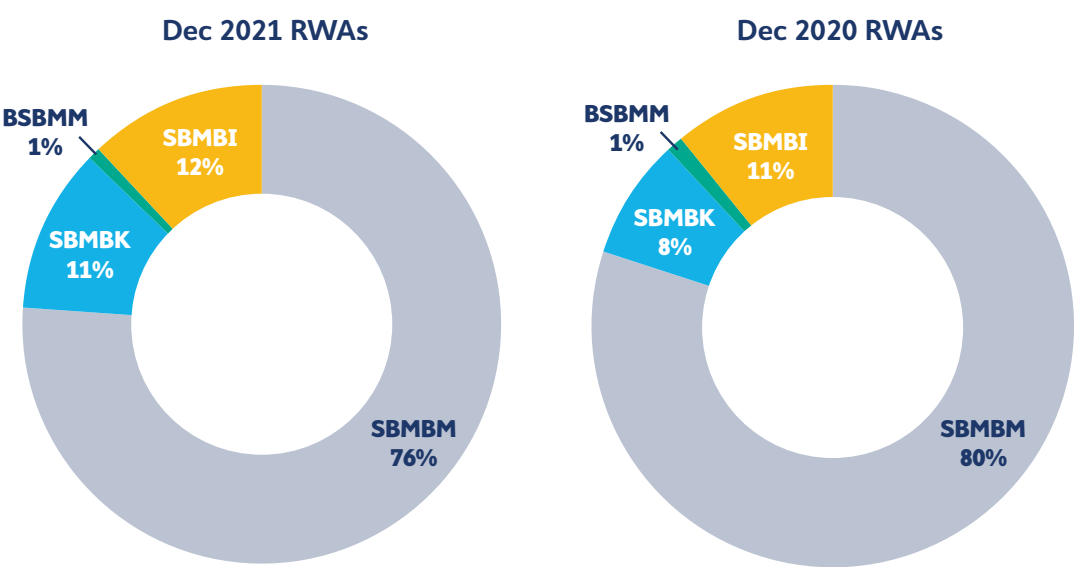
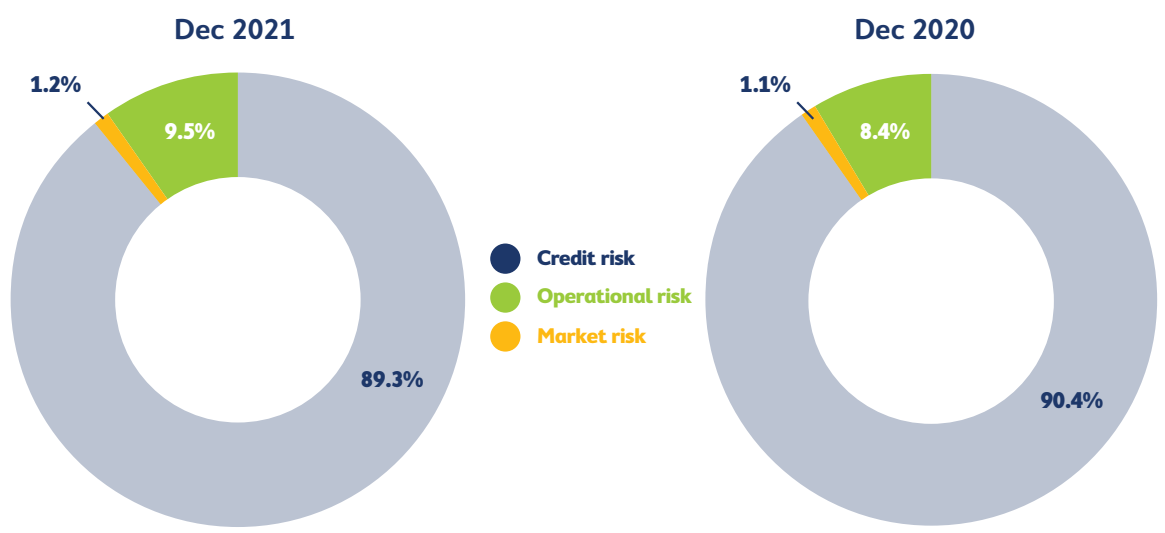
Banking cluster ratios and risk weighted assets (RWAs)

The Banking Group's total RWAs stood at MUR 142 billion as at 31 December 2021, an increase of MUR 4.3 billion from previous year. This increase was driven primarily by growth in business volumes of our overseas operations, which accounted for 24% of the total RWAs of the Banking Group as at 31 December 2021 as opposed to 20% as at 31 December 2020.

Figures in MUR million	Dec 2021	Dec 2020	Dec 2019
Total capital base	25,630	24,057	21,702
RISK WEIGHTED ASSETS (RWAs)			
Credit risk	128,026	125,517	112,019
Market risk	730	739	1,142
Operational risk	13,463	11,605	10,625
Total risk weighted assets	142,219	137,861	123,786
CAPITAL ADEQUACY RATIO (%)	18.02	17.45	17.53
of which Tier 1 ratio (%)	16.47	15.85	15.87

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

Banking Group's RWAs analysed by type of risk



RISK MANAGEMENT REPORT (CONT'D)

Credit risk

The following tables provide Risk Weighted Assets for the Banking Cluster after credit risk mitigation (CRM) for both on-balance sheet and off-balance sheet assets:

<i>Risk weighted on-balance sheet assets</i>	Dec 2021			Dec 2020	Dec 2019
	Amount	Weight %	Weighted assets	Weighted assets	Weighted assets
Figures in MUR million					
Cash items	3,277	0-20	1	2	1
Claims on sovereigns	86,949	0-100	4,448	4,965	3,130
Claims on central banks	86,941	0-50	-	-	596
Claims on banks	24,692	0-100	5,703	6,895	7,602
Claims on non-central government public sector entities	503	50-100	468	153	149
Claims on other securities firms	-	100	-	41	
Claims on corporates	65,785	30-100	53,678	57,252	51,129
Claims included in the regulatory retail portfolio	17,778	75	13,333	11,333	10,789
Claims secured by residential property	29,968	35-125	12,895	9,098	9,006
Claims secured by commercial real estate	9,843	100-125	9,882	9,306	6,817
Past due claims	4,258	50-150	3,803	4,006	3,200
Other assets	11,648	100	11,648	11,796	11,382
Total on balance sheet RWAs	341,642		115,858	114,847	103,802

Risk weighted non market related off-balance sheet assets

Figures in MUR million

Direct credit substitutes
Transaction-related contingent items
Trade-related contingent items
Other commitments
Total off balance sheet RWAs

Dec 2021					Dec 2020	Dec 2019
Nominal amount	Credit conversion factor (%)	Credit equivalent amount	Weight %	Weighted assets	Weighted assets	Weighted assets
3,034	100	3,034	0-100	2,909	4,135	2,564
8,569	50	4,284	0-100	4,055	3,265	2,435
3,923	20-100	1,034	0-100	1,051	529	155
21,032	0-50	3,358	0-100	3,161	1,904	2,003
36,559		11,711		11,176	9,833	7,157

RISK MANAGEMENT REPORT (CONT'D)

Credit risk (cont'd)

Market related risk capital

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

Market related Off-balance sheet RWAs	Dec 2021							Dec 2020	Dec 2019
	Nominal amount	Credit conversion factor	Potential future exposure	Current exposure	Credit equivalent amount	Weight	Weighted assets	Weighted assets	Weighted assets
	MUR million	%	MUR million	MUR million	MUR million	%	MUR million	MUR million	MUR million
Interest rate contracts	5,644	0 - 1.5	39	110	149	20-100	135	68	104
Foreign exchange contracts	20,514	1 -7.5	364	339	703	20-100	633	451	458
Equity contracts	1,439	6 - 8	112	86	198	20-100	129	40	10
Other commodity contracts	-	10 - 12	-	-	-	20-100	-	199	160
Credit derivative contracts	-	20	-	-	-	50	-	40	293
Other market-related contracts	1,098	12	132	12	143	50	94	38	35
Total market RWAs	28,695		646	546	1,193		991	836	1,059

Aggregate net open foreign exchange position

The Banking Group is subject to foreign exchange (FX) risk from an on-balance sheet perspective, i.e. 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:

Figures in MUR million	Dec 2021	Dec 2020	Dec 2019
Aggregate net open foreign exchange position	614	469	638

Operational risk capital

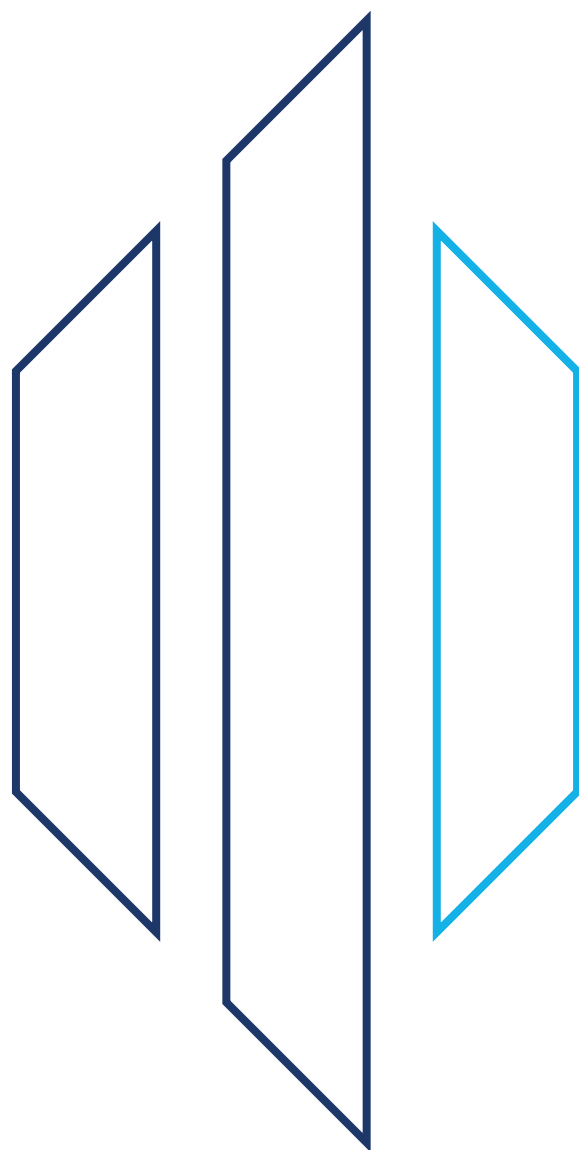
SBM has adopted the alternative standardised approach for calculating operational risk capital as per the BOM Guideline on Operational Risk. Capital charge for operational risk for the Banking Group witnessed a growth of 16% in line with growth in business volumes.

Figures in MUR million	Dec 2021	Dec 2020	Dec 2019
Capital charge for operational risk	13,463	11,605	10,625

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 stood at 5.73% as at 31 December 2021 against the Basel Committee on Banking Supervision recommended minimum of 3%.



FINANCIAL REVIEW

MOVING BEYOND THE COMFORT ZONE CAN OPEN UP NEW PERSPECTIVES



Fascinating fact

Regardless of the **flower** from which it comes, pollen is almost always yellow.

FINANCIAL REVIEW

Financial resilience in the face of economic turmoil

Executive summary

The year 2021 has again been a year of uncertainty. The global economy rebounded but the pandemic continued to spread at various rates. On the other hand, whereas high inflationary pressures warranted attention, business confidence across the Group's presence countries has gradually improved with the rapid resumption of economic activities and a panoply of support measures unleashed by the monetary and fiscal authorities.

Improved financial performance of the Group

Total assets have continued to grow year-on-year to close at MUR 357.7 billion as at 31 December 2021 (2020: MUR 288.0 billion) underpinned by increases of 120.8% in cash and cash equivalents, 26.7% in investment securities and 7.0% in gross loans and advances to non-bank customers. The expansion was largely supported by a growth of 31.6% in deposits from non-bank customers to reach MUR 298.6 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 7.5 billion, up by 4.8% from last year. The increase in net fee and commission income by MUR 289.7 million and increase in net trading income by 41.8% has led to an improvement in non-interest income from MUR 4.0 billion in FY 2020 to MUR 4.3 billion in FY 2021.

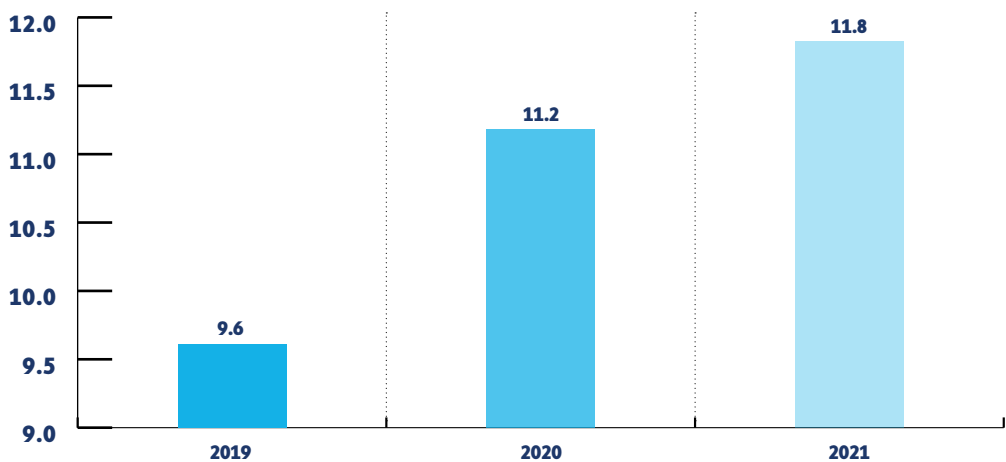
The Group improved its asset quality this year due to sustained caution taken to grow the loan book which has led to a decrease in the credit loss expense from MUR 3.8 billion for FY 2020 to MUR 2.5 billion for the financial year under review.

The Group ended with a profit after tax of MUR 1.7 billion (2020: MUR 1.0 billion), thus, leading to an improvement in the earnings per share (EPS) from 39.2 cents in FY 2020 to 67.3 cents in FY 2021.

Income statement analysis

- Operating income increased by 5.1% from MUR 11.2 billion in FY 2020 to MUR 11.8 billion in FY 2021, supported by growth in net interest income as well as non-interest income.

Operating income (MUR billion)



- Net interest income grew by 4.8% from MUR 7.2 billion in FY 2020 to MUR 7.5 billion in FY 2021 attributable mainly to increases in interest on loans and advances to non-bank customers and higher interest on investment securities.
- A 20.8% growth in net fee and commission income to MUR 1.7 billion this year has resulted from the gradual pick up of economic activities following the COVID-19 pandemic.
- The Group reported non-interest income aggregating MUR 4.3 billion FY 2021, representing an increase of 5.7% as compared to MUR 4.0 billion for FY 2020. This improvement was driven primarily by net trading income and net gains on derecognition of financial assets measured at fair value through other comprehensive income.
- Non-interest expenses have increased from MUR 6.2 billion for from MUR 6.2 billion in FY 2020 to MUR 7.1 billion in FY 2021 resulting from higher personnel expenses and other operational expenses of the Group. Thus, the cost to income ratio has increased from 54.8% in FY 2020 to 60.6% in FY 2021.

FINANCIAL REVIEW (CONT'D)

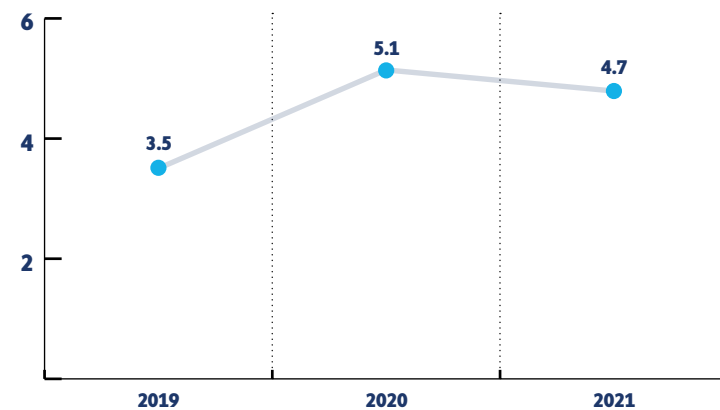
Financial resilience in the face of economic turmoil (cont'd)

Income statement analysis (cont'd)

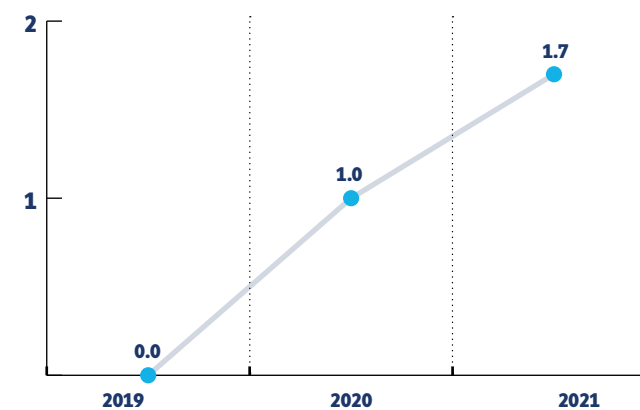
Expenses by category (MUR million)	SBMBH		NBFC		Other entities		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Personnel expenses	3,145	2,678	120	111	124	53	3,390	2,842
Depreciation of property and equipment	286	287	1	1	2	2	288	290
Depreciation of right-of-use asset	207	178	5	5	-	-	212	184
Amortisation of intangible assets	483	570	6	5	-	-	489	575
Other expenses	2,357	1,706	66	37	417	537	2,763	2,260
	6,478	5,419	198	159	543	592	7,142	6,151

- In addition to the above, the improved profit for the year has been largely driven by lower net impairment loss on financial assets in FY 2021.

Profit before credit loss expense
(MUR billion)



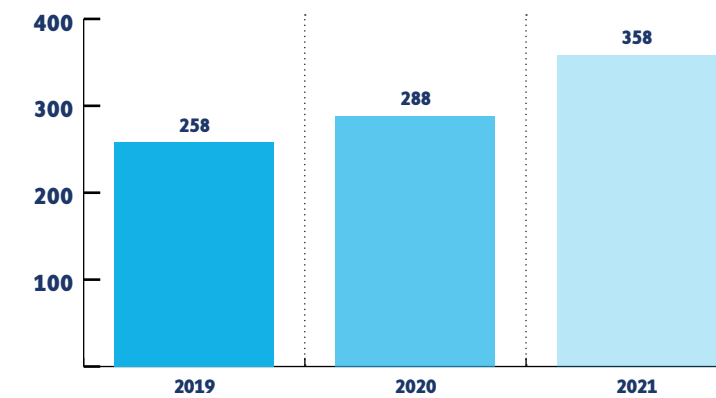
Profit for the year attributable to equity holders of the parent
(MUR billion)



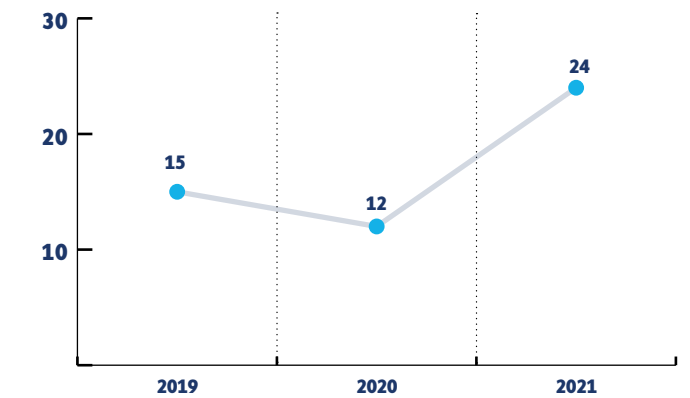
Balance sheet analysis

- Total assets have continued to grow from MUR 288.0 billion as at 31 December 2020 to MUR 357.7 billion as at 31 December 2021, led by an increase of MUR 32.4 billion in investment securities and MUR 9.5 billion in gross loans and advances.

Total assets (MUR billion)



Increase in total assets (%)



FINANCIAL REVIEW (CONT'D)

Financial resilience in the face of economic turmoil (cont'd)

Balance sheet analysis (cont'd)

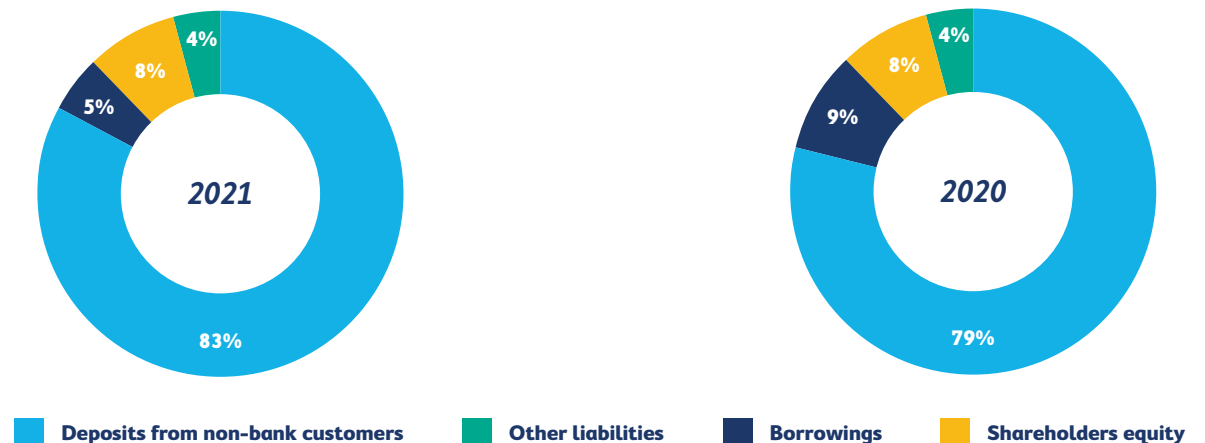
- Gross loans and advances to non-bank customers registered a growth of 7.0% during the year under review, reaching MUR 145.1 billion as at December 2021 (2020: MUR 135.6 billion). The Group maintained a prudent approach in growing the loan book in light of the persisting impact of the COVID-19 pandemic and the tightening of the risk management framework. This has led to an improvement in the asset quality of the Group as shown below:

Loss allowance by entity (MUR million)	SBMBM	SBMBI	BSBMM	SBMBK	Group
2021					
Gross loans and advances to customers	108,348	22,302	751	13,685	145,086
Allowance for credit impairment	(11,443)	(589)	(180)	(2,480)	(14,692)
Net loans and advances to customers	96,905	21,713	571	11,205	130,394
Impaired advances	10,883	524	236	4,954	16,597
2020					
Gross loans and advances to customers	109,444	12,821	705	12,632	135,601
Allowance for credit impairment	(11,423)	(528)	(230)	(3,563)	(15,743)
Net loans and advances to customers	98,021	12,293	475	9,068	119,858
Impaired advances	12,344	548	192	5,638	18,722

- Investment securities grew by 26.7% from MUR 121.1 billion as at 31 December 2020 to MUR 153.4 billion as at 31 December 2021 in view of the deployment of excess liquidity due to low demand for credit and tightened control on risk management.

- Liabilities and shareholders equity mix

Deposits from non-bank customer remains the bulk of total liabilities and has increased by 31.6% to reach MUR 298.6 billion as at 31 December 2021 (2020: MUR 226.9 billion), of which 78.0% was in CASA deposits (2020: 77.4%). SBMBM contributed the most to the growth in deposits, followed by SBMBI and SBMBK.



- The Group's subordinated debts stood at MUR 9.9 billion as at 31 December 2021 (2020: MUR 10.1 billion). The movement is explained by repayment of Class B series USD floating interest rate unsecured bonds which matured in FY 2021. On the other hand, private placement of Subordinated Tier II bonds for an aggregate amount of MUR 2 billion was made at a price of MUR 10,000 per bond maturing in 2031 and these were issued in two series: Series A3 and Series B3. Details of the Group's subordinated debts as at 31 December 2021 are as follows:

	Maturity date	Amount raised	
		MUR 000	USD 000
First issue of subordinated debts in 2014			
Class A1 series MUR senior unsecured bonds	May 2024	1,500,000	
Second issue of subordinated debts in 2018			
Class A2 series MUR senior unsecured bonds	June 2028	3,060,520	
Class B2 series USD senior unsecured bonds	June 2025		75,664
Third issue of subordinated debts in 2021			
Class A3 & B3 series unsecured bonds	June 2031	2,000,000	

- The Group's other borrowings stood at MUR 9.5 billion as at 31 December 2021 (2020: MUR 15.0 billion).
- Shareholder's equity stood at MUR 26.4 billion as at 31 December 2021 (2020: MUR 25.2 billion).

FINANCIAL REVIEW (CONT'D)

Performance 2021 and objectives 2022

Indicator	Performance 2021	Objectives 2022
Return on Average Assets (ROA)	Total average assets increased by 18.2% over last year but with a situation of excess liquidity in the market, growth was mainly in low yielding assets.	ROA is expected to gradually pickup driven by a double-digit growth projected in loans and advances and with lower cost of risk, which should contribute to an uplift in bottom-line.
Return on Average Equity (ROE)	ROE improved over last year and stood at 6.7%.	Further year on year improvement expected in ROE with projected growth in operating income coupled with lower credit losses.
Operating Income	An increase of 5.1% in operating income over previous year driven primarily by growth in business volumes which contributed to an uplift of 4.8% in net interest income and an increase of 5.7% in non-interest income.	Expecting a pick-up in operating income in line with projected growth in business volumes which should contribute to an increase in Net interest income.
Operating Expenses	Operating expenses increased by 16.1% over last year with capacity building and expansion plan for our overseas operations.	With the Group's continued investment in capacity building and information technology platform, a higher increase in operating costs is foreseen for 2022.
Cost to Income ratio	Cost to income ratio of 60.6% for FY 2021.	The cost to income ratio is expected to be contained around 60% in FY 2022 and reduce gradually thereafter as the full benefit of our expansion plan start to show.
Assets Quality	Net impaired advances improved to 3.3% as at December 2021 compared to 4.1% as at December 2020.	Both gross and net impaired advances ratios are expected to improve in FY 2022 with projected growth in loan book and close monitoring of the impaired asset book.
Capital Management	The Group's CAR ratio and Tier 1 ratio stood at 21.4% and 14.3% respectively for 2021, which are well above the prescribed minimum requirement and an improvement over last year.	The banking cluster shall continue to maintain its capital adequacy ratio at the optimum level and ensure adherence to regulatory requirements at all times.

Segment performance

The Banking Group remains the largest contributor to the Group's figures. The Banking Group's performance has improved due to cautious growth in its loan book leading to a lower impairment of financial assets compared to FY 2020.

	SBM Banking Group		NBFC Group		Others (incl. SBMH)		Group (after elimination)	
Amount in MUR million	2021	2020	2021	2020	2021	2020	2021	2020
Net interest income	7,900	7,544	45	46	(405)	(420)	7,541	7,196
Non-interest income	3,711	3,586	348	282	775	662	4,255	4,025
Operating income	11,611	11,130	393	328	370	242	11,795	11,222
Non-interest expense	(6,478)	(5,420)	(198)	(159)	(543)	(598)	(7,142)	(6,151)
Impairment of financial assets	(2,465)	(3,743)	(7)	(13)	(129)	(124)	(2,475)	(3,757)
Profit/(loss) before income tax	2,668	1,967	188	156	(302)	(480)	2,178	1,313
Profit/(loss) for the year	2,240	1,675	181	144	(307)	(484)	1,739	1,021
Investment securities	145,501	112,760	1,230	1,382	36,517	36,687	153,427	121,053
Loans and advances to non-bank customers	131,406	120,875	-	-	-	-	130,394	119,858
Total assets	349,327	279,423	3,029	3,050	36,769	37,059	357,668	288,041
Deposit from non-bank customers	298,991	227,642	-	-	-	-	298,581	226,862
Other borrowed funds	9,513	15,017	1,023	1,032	9,877	10,143	19,390	25,160
Total liabilities	321,466	253,027	1,443	1,399	10,052	10,407	331,290	262,844
Shareholder's equity	27,860	26,396	1,586	1,651	26,717	26,653	26,378	25,196

FINANCIAL REVIEW (CONT'D)

Segment performance (cont'd)

SBM (Bank) Holdings Ltd (SBMBH) - analysis by banking entity

	SBM Bank (Mauritius) Ltd			SBM Bank (India) Limited		
MUR million	2021	2020	2019	2021	2020	2019
Net interest income	5,717	5,730	5,793	784	459	238
Non-interest income	2,889	2,937	1,589	227	133	27
Operating income	8,606	8,667	7,382	1,011	592	265
Non-interest expense	(3,720)	(3,057)	(3,460)	(855)	(584)	(408)
Profit/(loss) before net impairment loss on financial assets	4,886	5,610	4,608	157	8	(142)
Credit loss expense on financial assets and memorandum items	(2,348)	(3,863)	(3,607)	(188)	46	(111)
Profit/(loss) before tax	2,538	1,747	1,001	(31)	54	(254)
Tax expense	(448)	(293)	(501)	(7)	-	(5)
Profit/(loss) for the year	2,090	1,454	500	(39)	54	(258)
Total assets	276,573	228,968	209,646	39,353	20,090	10,322
Gross loans and advances to non-bank customers	109,370	110,476	106,792	22,302	12,821	5,593
Investment securities	93,334	73,457	50,934	3,995	2,552	2,267
Deposits from non-bank customers	241,529	190,004	173,259	32,687	15,696	6,774
Total equity	20,583	19,796	18,065	3,749	3,062	2,940

Banque SBM Madagascar SA			SBM Bank (Kenya) Limited		
2021	2020	2019	2021	2020	2019
83	88	54	1,316	1,267	904
135	60	42	476	456	282
218	148	96	1,792	1,723	1,186
(122)	(19)	(104)	(1,785)	(1,760)	(1,546)
96	129	(8)	8	(38)	(360)
5	3	(2)	65	149	709
101	132	(10)	73	113	349
(21)	(12)	(8)	46	13	(96)
81	120	(18)	119	126	252
1,990	1,870	1,876	31,573	28,649	26,158
751	705	861	13,685	12,631	9,229
583	607	311	14,844	15,525	14,587
1,677	1,668	1,682	23,099	20,275	18,034
225	135	14	3,303	3,225	2,969

FINANCIAL REVIEW (CONT'D)

Segment performance (cont'd)

SBM (Bank) Holdings Ltd (SBMBH) - analysis by banking entity (cont'd)

- SBM Bank (Mauritius) Ltd (SBMBM)**

SBMBM remains the main contributor to the Banking Group's profit for FY 2021, with a higher profit after tax of MUR 2,090.2 million for FY 2021 compared to MUR 1,453.9 million the preceding year. This is mostly attributable to a fall in credit loss expense of 39.2% or MUR 1,515.6 million.

In an environment characterised by falling interest rates in both the domestic and international markets since 2019 and with the decision of the Bank of Mauritius to reduce the Key Repo Rate (KRR) to 1.85% per annum since the outbreak of COVID-19, SBMBM managed to keep at par its net interest income at MUR 5,717.2 million for the year under review.

SBMBM's non-interest income dropped by 1.6%, from MUR 2,936.9 million for the year ended 31 December 2020 to MUR 2,888.5 million for the year ended 31 December 2021. The fall in non-interest income is mainly attributable to a significant decrease in net gains on derecognition of financial assets measured at fair value through other comprehensive income from MUR 1,203.0 million for the year ended 31 December 2020 to MUR 588.1 million for the year ended 31 December 2021. However, this has been partly offset by an increase in net trading income from MUR 827.6 million in FY 2020 to MUR 972.4 million in FY 2021.

Non-interest expense amounted to MUR 3,719.8 million for the year 2021 compared to MUR 3,057.0 million for the year FY 2020. This represented an increase of 21.7% with the major component of the increase being attributed to personnel costs. The latter increased by MUR 346.0 million from MUR 1,402.2 million for FY 2020 to MUR 1,748.2 million for FY 2021 as SBMBM's long-term strategy remains to invest in its human capital resource and to convert the employment contracts of most of the work force into contracts of indeterminate duration. Other expenses have also increased by MUR 282.4 million or 79.4% from FY 2020 to FY 2021, mainly explained by high legal and professional fees. As such, the cost to income ratio increased to 43.2% for the year ended 31 December 2021 (2020: 35.3%).

Impairment provision of MUR 2,347.5 million was posted in FY 2021, which includes mostly 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 entailed by COVID-19.

Tax expense has increased by 52.9% from MUR 293.1 million in FY 2020 to MUR 448.2 million in FY 2021.

SBMBM's strategy in the short to medium term remains to raise lower cost sources of funding by increasing its deposits book. Total deposits from non-bank customers experienced a 27.1% increase during the year from MUR 190.0 billion as at 31 December 2020 to reach MUR 241.5 billion as at 31 December 2021. This growth is mainly attributable to low-cost CASA deposits.

Total assets grew by MUR 47.6 billion or 20.8%, from MUR 229.0 billion as at 31 December 2020 to MUR 276.6 billion as at 31 December 2021 mainly on account of an increase in cash and cash equivalents and investment securities by MUR 23.5 billion and MUR 26.1 billion respectively.

Total gross loans and advances dropped slightly from MUR 110.5 billion to MUR 109.4 billion as SBMBM was very prudent in growing its Segment B business. Focus has been mainly in Segment A, where despite the difficult environment, SBMBM managed to grow its loan book by MUR 5.1 billion:

Gross advances of SBMBM

	31 December 2021 MUR billion	31 December 2020 MUR billion	31 December 2019 MUR billion
Segment A	87	82	78
Segment B	22	28	29
Total	109	110	107

The impaired advances have decreased from MUR 12.3 billion in 2020 to MUR 10.9 billion in FY 2021 and the provision coverage ratio stood at 85.9% as at 31 December 2021. The gross and net impaired advances ratios stood at 10.0% and 1.6% at the current reporting date (2020: 79.2%).

The shareholder's equity stood at MUR 20.6 billion as at 31 December 2021 compared to MUR 19.8 billion as at 31 December 2020. The increase is explained mainly by the profit of MUR 2,090.2 million which was partly offset by other comprehensive income movement of MUR 903.9 million for the year under review and also a dividend payment of MUR 400.0 million to SBMBH in FY 2021.

SBMBM has maintained adequate capital level with a Capital Adequacy Ratio (CAR) of 17.3% (2020: 15.9%), and Common Equity Tier 1 capital (CET1) of 15.7 % (2020: 14.3%). Both ratios were above the minimum regulatory requirements.

- SBM Bank (India) Limited (SBMBI)**

SBMBI at Group level, under IFRS reporting, has ended FY 2021 with a loss of MUR 39.3 million compared to a profit of MUR 54.5 million the preceding financial year. With its expansion plan and gradual growth in business volumes, SBMBI booked an increase in its pre-impairment profit from MUR 8.4 million in FY 2020 to MUR 156.8 million in FY 2021 and its cost to income ratio improved from 98.6% for FY 2020 to 84.5% for FY 2021. But due to a high credit loss expense of MUR 188.5 million booked in FY 2021, SBMBI ended up with a loss of MUR 39.3 million for FY 2021.

Total assets grew by MUR 19.3 billion or 95.9%, from MUR 20.1 billion as at 31 December 2020 to reach MUR 39.4 billion as at 31 December 2021 with growth of MUR 9.5 billion in gross loans and advances to non-bank customers.

The impaired advances have decreased from MUR 547.9 million in FY 2020 to MUR 524.4 million in FY 2021. The provision coverage ratio stood at 88.3% as at 31 December 2021. The gross and net impaired advances ratios stood at 2.4% and 0.3% at the current reporting date (2020: 72.5%).

Deposits from non-bank customers have more than doubled by MUR 17.0 billion or by 108.3% during the year under review and stood at MUR 32.7 billion. Funds have been deployed partly in gross loans and advances and investment securities.

Shareholder's equity stood at MUR 3.7 billion as at 31 December 2021 compared to MUR 3.1 billion as at December 2020.

FINANCIAL REVIEW (CONT'D)

Segment performance (cont'd)

SBM (Bank) Holdings Ltd (SBMBH) - analysis by banking entity (cont'd)

- **Banque SBM Madagascar SA (BSBMM)**

BSBMM reported a profit of MUR 80.7 million for the FY 2021 (2020: MUR 120.2 million). Operating revenue stood at MUR 218.2 million, representing a growth of 47.8% from FY 2020. Non-interest expense has increased significantly from MUR 18.5 million in FY 2020 to MUR 122.3 million in FY 2021 due to high IT system costs during the year under review. In FY 2020, the IT expenses were borne by the Group.

The total assets of BSBMM stood at MUR 2.0 billion as at 31 December 2021, 6.4% higher than for FY 2020. Net loans and advances to non-bank customers increased by MUR 96.1 million partly mitigated by drops in cash and cash equivalents and investment securities by MUR 50.8 million and MUR 24.0 million respectively. The deposits from non-bank customers stood at MUR 1.7 billion as at 31 December 2021.

The impaired advances increased from MUR 192.3 million as at 31 December 2020 to MUR 235.7 million at 31 December 2021 as businesses were impacted by the COVID-19 situation, while the provision coverage ratio stood at 53.6% as at 31 December 2021 (2020: 77.0%). The gross and net impaired advances ratios stood at 31.4% and 19.2% respectively at the reporting date.

Shareholder's equity stood at MUR 224.8 million as at 31 December 2021 (2020: MUR 135.3 million).

- **SBM Bank (Kenya) Limited (SBMBK)**

SBMBK ended the year with a profit after tax of MUR 119.4 million (2020: MUR 125.5 million) at Group level. The operating income has increased by MUR 69.4 million (or 4.0%) which was partly offset by an increase in non-interest expense of MUR 24.4 million (or 1.4%) and lower credit income by MUR 84.6 million (or 56.3%).

SBMBK's total assets grew by MUR 2.9 billion from MUR 28.6 billion as at 31 December 2020 to MUR 31.6 billion by 31 December 2021. Growth was mainly seen in net loans and advances to non-bank customers which increased by 23.6%. These were funded primarily by growth in their deposit base which went up from MUR 20.3 billion as at 31 December 2020 to reach MUR 23.1 billion as at 31 December 2021.

As at 31 December 2021, the impaired advances have decreased from MUR 5.6 billion in 2020 to MUR 4.9 billion in 2021 and the provision coverage ratio was 48.2% at the reporting date (2020: 60.9%). The gross and net impaired advances ratios stood at 36.2% and 22.9% respectively at the reporting date.

The shareholder's equity also improved from MUR 3.2 billion to MUR 3.3 billion as at 31 December 2021.

SBM NBFC Group

SBM's non-banking financial cluster (NBFC) registered an increase of 25.7% in its profit after tax, which rose from MUR 144.3 million in 2020 to MUR 181.4 million in 2021, mainly on account of higher dividend income received from its investments and higher operating income from its subsidiaries. In particular, the capital markets (including trading business) and asset management businesses reported profits after tax of MUR 71.2 million and MUR 21.3 million respectively for the year ended 31 December 2021. Assets under management rose from MUR 10.7 billion as at 31 December 2020 to MUR 13.5 billion as at 31 December 2021, despite the challenging operating environment which saw lower interest rates and dampened returns on investments amidst heightened competition post the outbreak of the COVID-19 pandemic.

Others

- This segment reported a significantly lower loss of MUR 307 million in FY 2021 (2020: MUR 484 million) mainly on account of SBMH as follows:
 - Loss on exchange on the USD subordinated debts amounting to MUR 340.2 million (2020: MUR 369.6 million)
 - Interest on subordinated debts for the year amounted to MUR 444.7 million (2020: MUR 444.5 million)
 - Includes dividend of MUR 500 million received from subsidiaries which is eliminated at consolidation
- Total assets fell by 1% to MUR 36.8 billion in FY 2021 mainly on account of a fall in value of investment securities from MUR 36.7 billion in 2020 to MUR 36.5 billion in FY 2021.

FINANCIAL REVIEW (CONT'D)

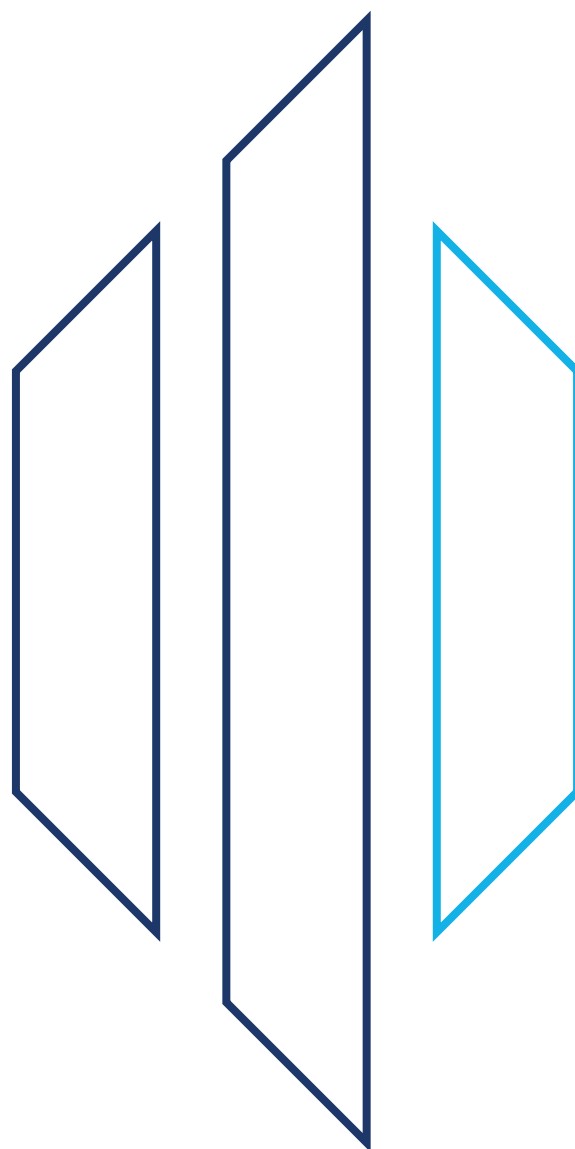
Five-year financial summary for the Group

SBM Group	December 2021	December 2020	December 2019	December 2018	December 2017
Key financial highlights (MUR million)					
Profit before income tax and net credit loss on financial assets	4,653	5,071	3,529	5,186	4,184
Profit before income tax	2,178	1,313	752	1,727	3,160
Profit for the period from continuing operations	1,737	1,013	35	1,347	2,575
Gross loans and advances to non-bank customers	145,086	135,601	121,456	112,426	107,198
Investment securities	153,427	121,053	100,291	77,347	40,000
Total assets	357,668	288,041	258,118	224,005	194,021
Deposits from non-bank customers	298,581	226,862	199,397	169,384	144,851
Shareholders' equity	26,378	25,196	24,548	24,182	25,165
Tier 1 capital	21,907	20,626	19,945	19,722	20,010
Risk-weighted assets (including market and operational risks)	153,042	148,284	136,016	120,820	125,684
Average assets ^a	322,854	273,080	241,062	209,013	170,459
Average shareholders' equity ^a	25,787	24,872	24,365	24,673	24,485
Key financial ratios (%)					
Capital adequacy ratio	21.4	20.7	22.2	24.9	20.0
Tier 1 capital adequacy ratio	14.3	13.9	14.7	16.3	15.9
Return on risk-weighted assets	1.1	0.7	0.0	1.1	2.0
Return on average assets ^a	0.5	0.4	0.0	0.6	1.5
Return on average shareholders' equity	6.7	4.1	0.1	5.5	10.5
Cost to income	60.6	54.8	63.4	47.7	44.7
Provision coverage ratio	74.3	73.4	69.0	57.6	57.3
Gross impaired advances to gross advances	11.4	13.8	11.7	13.6	4.5
Net impaired advances to net advances	3.3	4.1	4.1	6.4	2.0
Credit to deposit ratio	48.6	59.8	60.9	66.4	74.0

Five-year financial summary for the Group (cont'd)

SBM Group	December 2021	December 2020	December 2019	December 2018	December 2017
Share information (based on nominal of 10 cent each)					
Earnings per share (cents)	67.3	39.2	1.4	52.2	99.7
Dividend per share (cents)	-	-	30.0	30.0	40.0
Net asset value per share (MUR)	10.2	9.7	9.5	9.3	9.7
Share price to book value (times)	0.4	0.4	0.7	0.6	0.8
Dividend yield (%)	-	-	4.7	5.0	5.3
Earnings yield (%)	18.7	10.9	0.2	8.8	13.3
Total yield (cents)	67.0	(284.0)	78.0	(124.0)	126.0
Cumulative yield (cents)	886.5	819.5	1,103.5	1,025.5	1,149.5
Price earnings ratio (times)	5.4	9.2	470.7	11.4	7.5
Dividend cover (times)	-	-	0.0	1.7	2.5
Market capitalisation (MUR million)	12,970	10,935	19,561	18,103	22,781
Market price per share (MUR)	4.27	3.60	6.44	5.96	7.50
Highest	6.70	6.70	6.58	7.98	8.00
Lowest	3.08	3.01	5.46	5.90	6.50
Average	4.67	4.21	5.83	7.08	7.44
Value of shares trades (MUR million)	2,018	700	889	987	2580
Value of shares traded as a percentage of market (%)	0.8	4.5	6.4	7.4	7.7
Other key data					
Number of employees	2,870	2,845	2,717	2,541	1,889
Number of employees (Mauritius)	1,719	1,649	1,663	1,610	1,593
Number of employees (Overseas)	1,151	1,196	1,054	931	297
Number of branches and counterss	99	103	108	104	62
Exchange rate (USD : MUR)	43.6	39.5	36.6	34.3	33.4
Exchange rate (INR : MUR)	0.6	0.5	0.5	0.5	0.5
Exchange rate (100 MGA : MUR)	1.1	1.0	1.0	1.0	1.0
Exchange rate (KES : MUR)	0.4	0.4	0.4	0.3	0.3
Exchange rate (SCR : MUR)	3.3	1.7	2.7	-	-

^a Averages are calculated using year-end balances.



**STATEMENT OF DIRECTORS' RESPONSIBILITY
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS**

KEEP LOOKING
AT THE **BRIGHT**
SIDE
OF **LIFE** JUST LIKE
THE SUNFLOWER
ALWAYS TURNS
TOWARDS
THE SUN



Fascinating fact

The **sunflower** is the only flower with the word “flower” in its name.
There are more than 60 varieties of sunflowers in the world.



STATEMENT OF DIRECTORS' RESPONSIBILITY

For the year ended 31 December 2021

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/or 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, encountering 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.

STATEMENT OF DIRECTORS' RESPONSIBILITY

For the year ended 31 December 2021

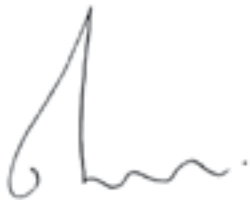
The structures, processes and methods through which the Board gains assurance that risk is effectively managed, are fully described in the Risk Management Report.

On behalf of the Board.



Abdul Sattar Adam Ali Mamode Hajee Abdoula
Chairman

30 March 2022



Dr. Subhas Thecka
Chairman, Audit Committee

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 222 to 390, which comprise the consolidated and separate statements of financial position as at 31 December 2021, 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 2021, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - credit impaired financial assets	
Provision for expected credit losses on credit-impaired loans and advances to non-bank customers and memorandum items at 31 December 2021 amount to MUR 12,324 million and the charge to profit or loss for the year amount to MUR 2,518 million.	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none">• Obtaining audit evidence in respect of key controls over the processes for identification of impaired assets and impairment assessment;• Inspecting the impairment events of Impaired Advances Review Forum, Management Credit Forum, 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.
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 8(c), 2 and 32 to the financial statements. The most significant judgements/matters 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.	

Key audit matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses, financial review assets which are not credit impaired	
<p>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:</p> <ul style="list-style-type: none">• Model estimations – the Group has used statistical models 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.• 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. <p>Due to the significance of the judgements and estimates applied in the computation of the expected credit losses, this item is considered as a key audit matter</p> <p>The details of the policies and processes followed for the determination of ECL are disclosed in Note 38 to the financial statements.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none">• Testing of the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs, and significant judgements, estimates and assumptions used in the models;• Evaluating controls over model monitoring and validation;• Using specialist team in performing certain procedures in relation to model validation;• 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;• 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.

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, financial review 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: Key Highlights, Message from the Chairman, About this Report, Corporate Profile, Leadership Insights, Delivering on our Strategy, 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.

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. 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
30 March 2022

LLK Ah Hee, FCCA
Licensed by FRC

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

Notes	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS						
Cash and cash equivalents	5	47,636,821	21,577,245	18,181,126	90,055	304,473
Mandatory balances with central banks		13,645,545	11,290,363	10,680,287	-	-
Loans to and placements with banks	6	837,970	3,130,387	6,942,745	-	-
Derivative financial instruments	7	784,250	809,211	936,093	-	-
Loans and advances to non-bank customers	8	130,393,807	119,857,873	109,198,564	-	-
Investment securities	9(a)	153,426,747	121,053,397	100,290,935	6,559,193	7,005,132
Investment in subsidiaries	9(b)	-	-	-	29,800,721	29,899,918
Investment in associate	9(c)	-	-	1,479,048	-	1,272,977
Property and equipment	10(a)	3,585,755	3,196,095	3,328,308	1,110	2,194
Right of use assets	10(b)	728,417	804,780	759,905	-	-
Intangible assets	11	1,963,123	2,296,694	2,729,474	609	883
Deferred tax assets	17 (d)	1,087,074	806,110	355,992	-	-
Other assets	12	3,578,472	3,218,451	3,235,998	150,966	49,719
Total assets		357,667,981	288,040,606	258,118,475	36,602,654	37,486,225
LIABILITIES						
Deposits from banks	14	2,770,002	1,403,315	907,521	-	-
Deposits from non-bank customers	15	298,580,858	226,862,221	199,397,188	-	-
Other borrowed funds	16	9,512,912	15,017,177	13,373,033	-	-
Derivative financial instruments	7	759,896	1,279,984	1,126,364	-	41,524
Lease liabilities	10(b)	740,902	804,407	795,345	-	-
Current tax liabilities	17 (a)	314,671	260,225	712,071	4,140	-
Pension liability	13	410,183	743,807	338,875	5,143	6,914
Other liabilities	18	8,322,917	6,330,356	7,179,977	163,001	211,206
Subordinated debts	19	9,877,346	10,142,786	9,739,981	9,877,346	10,142,786
Total liabilities		331,289,687	262,844,278	233,570,355	10,049,630	9,902,673

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

Notes	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
SHAREHOLDERS' EQUITY						
Stated capital	20	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204
Retained earnings		2,807,788	893,576	1,114,355	(26,698)	271,474
Other reserves		(4,054,667)	(3,322,421)	(4,191,408)	(1,045,451)	(821,818)
Treasury shares	20	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)
Total equity attributable to equity holders of the parent		26,378,294	25,196,328	24,548,120	26,553,024	27,583,552
Total equity and liabilities		357,667,981	288,040,606	258,118,475	36,602,654	37,486,225

Approved by the Board of Directors and authorised for issue on 30 March 2022.

Abdul Sattar Adam Ali Mamode Hajee Abdoula
Chairman

Dr. Subhas Thecka
Chairman, Audit Committee

The notes on pages 230 to 390 form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2021

Notes	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Continuing operations						
Interest income using the effective interest method	11,722,105	11,054,390	10,813,591	70,976	52,286	77,863
Other interest income	135,483	202,013	147,557	-	-	-
Interest expense using the effective interest method	(3,921,301)	(3,625,431)	(4,155,476)	(445,205)	(444,508)	(476,589)
Other interest expense	(395,716)	(434,831)	(163,906)	(30,575)	(50,728)	(9,784)
Net interest income/(expense)	7,540,571	7,196,141	6,641,766	(404,804)	(442,950)	(408,510)
Fee and commission income	1,763,384	1,451,371	1,476,544	-	-	-
Fee and commission expense	(79,610)	(57,312)	(43,508)	-	(13)	(150)
Net fee and commission income/(expense)	1,683,774	1,394,059	1,433,036	-	(13)	(150)
Other income						
Net trading income	1,491,013	1,051,394	1,237,411	-	-	-
Net gain/(losses) from financial assets at fair value through profit or loss	207,999	(45,669)	(153,946)	124,103	376,448	(8,422)
Net gains on derecognition of financial assets measured at amortised cost	5,890	180,325	27,110	5,890	2,372	6,396
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	720,847	1,245,740	231,379	-	-	371
Other operating income	145,056	199,571	225,145	628,274	274,467	1,570,456
Non-interest income	4,254,579	4,025,420	3,000,135	758,267	653,274	1,568,651
Total operating income	11,795,150	11,221,561	9,641,901	353,463	210,324	1,160,141
Personnel expenses	(3,389,361)	(2,842,316)	(2,837,621)	(107,496)	(56,026)	(80,140)
Depreciation of property and equipment	(288,042)	(290,350)	(268,967)	(969)	(1,671)	(2,142)
Depreciation of right of use assets	(212,381)	(183,480)	(204,214)	-	-	-
Amortisation of intangible assets	(488,986)	(575,386)	(616,923)	(274)	(274)	(208)
Other expenses	(2,763,180)	(2,259,397)	(2,184,754)	(413,866)	(529,904)	(341,201)
Impairment of investment in subsidiary	-	-	-	(130,000)	(124,000)	-
Non-interest expense	(7,141,950)	(6,150,929)	(6,112,479)	(652,605)	(711,875)	(423,691)
Profit/(loss) before credit loss expense	4,653,200	5,070,632	3,529,422	(299,142)	(501,551)	736,450
Credit loss (expense) /credit on financial assets and memorandum items	(2,474,893)	(3,757,402)	(2,916,209)	764	(217)	1,085

STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2021

Notes	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Operating profit/(loss)	2,178,307	1,313,230	613,213	(298,378)	(501,768)	737,535
Share of profit of associate	-	-	139,237	-	-	-
Profit/(loss) before income tax	2,178,307	1,313,230	752,450	(298,378)	(501,768)	737,535
Tax (expense)/income	(441,319)	(300,126)	(717,129)	(4,140)	336	(357)
Profit/(loss) for the year from continuing operations	1,736,988	1,013,104	35,321	(302,518)	(501,432)	737,178
Discontinued operations						
Profit/(loss) for the year from discontinued operations	1,881	7,906	(17,965)	-	-	-
Profit/(loss) for the year attributable to equity holders of the parent	1,738,869	1,021,010	17,356	(302,518)	(501,432)	737,178
Earnings per share:						
From continuing operations						
Basic (cents)	67.3	39.2	1.4			
Diluted (cents)	67.3	39.2	1.4			
From continuing and discontinued operations						
Basic (cents)	67.4	39.5	0.7			
Diluted (cents)	67.4	39.5	0.7			

The notes on pages 230 to 390 form an integral part of the financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

Notes	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit/(loss) for the year	1,738,869	1,021,010	17,356	(302,518)	(501,432)	737,178
Other comprehensive income :						
Items that will not be reclassified subsequently to profit or loss:						
Increase in revaluation of property	10(a)	-	754	255,148	-	-
Deferred tax on revaluation of property	17 (d)	-	-	(9,950)	-	-
Impact of change in deferred tax rate on revaluation of property		-	-	118,392	-	-
Remeasurement of defined benefit pension plan	13	377,899	(747,337)	(203,865)	4,346	(7,291)
Deferred tax on remeasurement of defined benefit pension plan	17 (d)	(25,667)	51,409	14,271	-	-
Impact of change in deferred tax rate on defined benefit pension plan		-	-	(7,923)	-	-
Share of associate-remeasurement of defined benefit pension plan	9(c)	-	-	(31,105)	-	-
Share of other comprehensive income of associate	9(c)	-	-	76,112	-	-
Net (loss)/gain on equity instruments designated at FVTOCI		367,885	(591,373)	45,277	367,482	(591,373)
		720,117	(1,286,547)	256,357	371,828	(598,664)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	37	518,515	88,906	327,378	-	-
Exchange differences resulting from share of associate		-	-	25,496	-	-
Recycling of reserves on derecognition of investment in associate		-	24,166	-	-	-
Reclassification of translation reserve to profit or loss on deconsolidation of subsidiary		(44,423)	-	-	-	-
Investment securities measured at FVTOCI (Debt instrument)						
Movement in fair value during the year		(1,036,779)	2,045,939	418,362	-	258
Reclassification of (losses)/gains included in profit or loss on derecognition		(720,847)	(1,245,740)	231,379	-	(9,145)
Movement in credit loss expense relating to debt instruments held at FVTOCI		6,514	474	(6,356)	-	-
		(1,277,020)	913,745	996,259	-	258
					(9,145)	
Total other comprehensive (loss)/income attributable to equity holders of the parent		(556,903)	(372,802)	1,252,616	371,828	(598,406)
						(9,145)
Total comprehensive income/(loss) for the year attributable to equity holders of the parent		1,181,966	648,208	1,269,972	69,310	(1,099,838)
						728,033

The notes on pages 230 to 390 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2021

Notes	Stated capital	Treasury shares	Statutory reserve	Retained earnings	Net property revaluation reserve	Other reserves*	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
THE GROUP							
At 01 January 2019	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	21	-	-	(903,632)	-	-	(903,632)
At 31 December 2019	32,500,204	(4,875,031)	687,074	1,114,355	383,615	(5,262,097)	24,548,120
At 01 January 2020	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
At 01 January 2021	32,500,204	(4,875,031)	693,783	893,576	333,149	(4,349,353)	25,196,328
Profit for the year	-	-	-	1,738,869	-	-	1,738,869
Other comprehensive income/(loss) for the year	-	-	-	352,232	-	(909,135)	(556,903)
Total comprehensive income for the year	-	-	-	2,091,101	-	(909,135)	1,181,966
Reclassification between reserves	-	-	-	38	(303)	265	-
Transfer from retained earnings to statutory reserve	-	-	108,303	(108,303)	-	-	-
Revaluation surplus realised on depreciation	-	-	-	51,960	(51,960)	-	-
Transfer from retained earnings to general reserve	-	-	-	(120,584)	-	120,584	-
At 31 December 2021	32,500,204	(4,875,031)	802,086	2,807,788	280,886	(5,137,639)	26,378,294

*Other reserves comprise of net unrealised investment fair value reserve, net translation reserve, general reserve, net other reserve, earnings reserve and restructure reserve (Note 37).

The notes on pages 230 to 390 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Notes	Stated capital	Treasury shares	Retained earnings	Net unrealised investment fair value reserve	Total equity
THE COMPANY		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2019		32,500,204	(4,875,031)	946,651	(812,673)	27,759,151
Profit for the year		-	-	737,178	-	737,178
Other comprehensive loss for the year		-	-	-	(9,145)	(9,145)
Total comprehensive income/(loss) for the year		-	-	737,178	(9,145)	728,033
Dividend	21	-	-	(903,632)	-	(903,632)
At 31 December 2019		32,500,204	(4,875,031)	780,197	(821,818)	27,583,552
At 01 January 2020		32,500,204	(4,875,031)	780,197	(821,818)	27,583,552
Loss for the year		-	-	(501,432)	-	(501,432)
Other comprehensive loss for the year		-	-	(7,291)	(591,115)	(598,406)
Total comprehensive loss for the year		-	-	(508,723)	(591,115)	(1,099,838)
At 31 December 2020		32,500,204	(4,875,031)	271,474	(1,412,933)	26,483,714
At 01 January 2021		32,500,204	(4,875,031)	271,474	(1,412,933)	26,483,714
Loss for the year		-	-	(302,518)	-	(302,518)
Other comprehensive income for the year		-	-	4,346	367,482	371,828
Total comprehensive (loss)/income for the year		-	-	(298,172)	367,482	69,310
At 31 December 2021		32,500,204	(4,875,031)	(26,698)	(1,045,451)	26,553,024

The notes on pages 230 to 390 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2021

	Notes	THE GROUP			THE COMPANY		
		31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net cash from/(used in) operating activities	34	33,070,280	2,197,241	2,405,916	493,877	(400,801)	895,232
Investing activities							
Acquisition of property and equipment	10(a)	(646,499)	(224,068)	(196,296)	(968)	-	(227)
Acquisition of intangible assets	11	(154,908)	(153,549)	(125,695)	-	-	(1,321)
Disposal of property and equipment		-	60,897	6,808	1,082	-	-
Investment in subsidiaries		-	-	-	(406,977)	(97,825)	(1,414,766)
Capital contribution repayment from subsidiaries	9(b)	-	-	-	-	350,000	-
Other dividend received	29	139,699	135,175	199,833	274,467	274,467	1,570,456
Net cash (used in)/generated from investing activities		(661,708)	(181,545)	(115,350)	(132,396)	526,642	154,142
Financing activities							
(Decrease)/increase in other borrowed funds		(5,504,265)	1,644,145	1,408,445	-	-	-
Repayment of subordinated debts		(2,575,899)	-	-	(2,575,899)	-	-
Proceeds from subordinated liabilities debts raised		2,000,000	-	-	2,000,000	-	-
Dividend paid on ordinary shares	21	-	-	(903,632)	-	-	(903,632)
Payment of principal portion of lease liabilities		(263,224)	(266,900)	(229,319)	-	-	-
Net cash flow (used in)/from financing activities		(6,343,388)	1,377,245	275,494	(575,899)	-	(903,632)
Net change in cash and cash equivalents		26,065,184	3,392,941	2,566,060	(214,418)	125,841	145,742
Expected credit loss allowance on cash and cash equivalents		(5,608)	3,178	(38,449)	-	-	-
Cash and cash equivalents at start of year		21,577,245	18,181,126	15,653,515	304,473	178,632	32,890
Cash and cash equivalents at end of year	5	47,636,821	21,577,245	18,181,126	90,055	304,473	178,632

The notes on pages 230 to 390 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

The COVID-19 pandemic has hit the world in unprecedented ways, while heightening business risks with prolonged uncertainties. Macroeconomic conditions around the globe have deteriorated. After its outbreak in March 2020, the COVID-19 pandemic has impacted SBM Group's market and business activities via several channels, in the wake of the persistent ramifications on presence countries.

The economies of the Group's presence countries (Mauritius, India, Kenya and Madagascar) have been sharply impacted by the direct and indirect ramifications of the pandemic, even if they have gradually been recovering in recent times. The Mauritian economy contracted by nearly 15% in 2020, with tourism and other key sectors posting negative expansion rates. The economy recorded a resilient upturn in 2021, with GDP growth anticipated to gather further momentum in 2022, even if key challenges to macroeconomic conditions subsist. In India, while GDP growth was already somewhat receding before the pandemic, the latter has led to an exceptional health and economic crisis across the country. The COVID-19 outbreak and stringent lockdowns made the Indian economy contract for the first time in more than 40 years. A progressive recovery has been witnessed last year, with activity picking up and broadening across sectors. As per the IMF, GDP growth is foreseen to further improve in the near term, notably due to support measures by the fiscal and monetary authorities, accelerated progress in terms of vaccination and the global recovery. In Kenya, GDP is estimated to have contracted by 0.3% in 2020 compared to a growth of 5.0% in 2019. The economy has rebounded in 2021, with economic growth foreseen to remain appreciable in 2022. Madagascar witnessed an economic contraction in 2020, but GDP growth is forecasted to progressively strengthen in 2022 and 2023.

The Group's operating conditions have been affected by strict controls and mobility containment measures adopted by the authorities across countries, including quarantines and other emergency public safety measures in an attempt to contain the contagion. Such circumstances impacted various economic sectors as well as the Group's individual, corporate and institutional clients, while demand for credit has been subject to marked downward pressures. The debt repayment capabilities of clients have, to various degrees, been impaired, thus leading the Group entities to reinforce their risk management and adopt customised measures to accompany their client base, in collaboration with the support and relief initiatives put in place by the monetary and fiscal authorities. Some industries like tourism, including SMEs linked to the hospitality sector, airlines, construction and real estate have been heavily impacted as these sectors have been exposed to confinements and mobility restriction measures as well as the dampened global context. With prolonged economic shocks, the credit quality of the entities' client base has deteriorated owing to the impact on their financial position, although various measures were taken to support different segments of the economy.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1B Impact of COVID 19 (cont'd)

In response to the operating and business-related challenges associated with the pandemic, the Group has taken prompt, proactive and robust measures to maintain its functioning, accompany its customers amidst testing times as well as uphold its relatively sound liquidity, funding, capital and asset quality positions, backed by an informed and systematic assessment of prevailing conditions and implications for the different Group entities.

Credit risk

As at 31 December 2021, the increase in the overall credit risk has been factored into the Group's yearly results, based on an assessment of key economic and market developments and dynamics, while factoring in the difficulty to ascertain trends given the nature and breadth of economic crisis. The environment remains very dynamic and any new information available is fed in the ECL models applied as and when available. The updated results are then reviewed by Management teams and communicated to the Boards on a regular basis.

As a key focus area, the Group exercised a close scrutiny of its overall capital adequacy and tier 1 ratios amidst the impacts of the pandemic on market conditions and the financial performance of its operating entities, alongside striving to ensure that the ratios are above regulatory thresholds and being guided by the support and relief measures put in place by the Central Banks across presence countries. In fact, the Group ensured that it continues to support customers without affecting its inherent capital positions. To achieve its objectives, the banking entities of the Group have run specific scenarios (in respect of economic conditions and dividend payout, specifically) to demonstrate how the regulatory ratios fluctuate based on different simulations. In the same spirit, the entities prepared appropriate capital plans, while standing ready to undertake necessary capitalisation exercises if ever need be, depending on unfolding operating conditions.

Group entities have considered the impact of COVID-19 on their financial statements within different segments (corporates and SMEs, retail, bank and sovereigns) by revisiting the ECL framework to cater for higher level of uncertainty in markets both locally, while remaining in line with the statements released by local and international bodies with regards to IFRS 9 in a COVID-19 environment. Group entities have 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 the relevant loan books.

Liquidity risk

Given the uncertainty of the pandemic, Group entities simulated stress scenarios based on assumptions of evolving economic and market conditions. They have continued to monitor the impact of COVID-19 by performing several stressed testing scenarios to demonstrate how liquidity ratios fluctuate based on different simulations in relation to outflow rate of depositors and haircut on liquidation of High Quality Liquid Assets (HQLA) and other financial assets. Group entities considered the potential impact of COVID-19 on their operations and business activities through discussions with relevant regulatory bodies. Notably they have, been monitoring their liquidity levels on a regular basis to ensure that, with the impact of COVID-19, there is no significant outflow other than the business as usual. So far, the deposit base of the banking entities of the Group has remained stable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1B Impact of COVID 19 (cont'd)

Capital adequacy ratio (CAR)

The Group achieved a CAR of 21.4% as at 31 December 2021 which is above the minimum requirement of 13.875%.

With respect to SBM Bank (Mauritius) Ltd, 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 0.625% to 01 April 2022. Thus, for financial year 2021, SBMBM is required to maintain a CCB of 1.875%. 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 Group 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 Group remains within the regulatory requirements in the Baseline, Moderate and Worst case Scenarios for FY2022 and FY2023 in the assumption of no dividend payout.

The Group continues to monitor the impact of COVID-19 by performing several stressed testing scenarios to demonstrate how the regulatory ratio fluctuate based on different ECL simulations.

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 2021.

(a) New and revised IFRSs and IFRICs

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.

IFRS 7 Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform

IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform

IFRS 16 Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification

IFRS 16 Leases - Amendments to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 Application of new and revised standard and interpretation (IFRS) (cont'd)

Impact of the initial application of Interest Rate Benchmark Reform

In the prior year, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Bank to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Both the Phase 1 and Phase 2 amendments are relevant to the Group because it applies hedge accounting to its interest rate benchmark exposures. However, in the current period no modifications in response to the reform have been made to the Group's derivative and non-derivative financial instruments that mature post 2021 (the date by which the reform is expected to be implemented) and hence there are no financial impact during the year ended 31 December 2021.

Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Group to manage the risks relating to the reform are disclosed in Note 38(d)(i).

The application of the amendments affects the Group's accounting in the following ways:

- The Group has issued USD and Euro denominated fixed rate debt that is subject to a fair value hedge using USD and Euro fixed to USD and EURO LIBOR interest rate swaps. The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rates, USD and Euro LIBOR, may no longer be separately identifiable and there is uncertainty about the replacement of the floating interest rates included in the interest rate swaps.
- The Group will not discontinue hedge accounting should the retrospective assessment of hedge effectiveness fall outside the 80-125 per cent range and the hedging relationship is subject to interest rate benchmark reforms. For those hedging relationships that are not subject to the interest rate benchmark reforms the entity continues to cease hedge accounting if retrospective effectiveness is outside the 80-125 per cent range.

As a result of the phase 2 amendments:

- When the contractual terms of the Group's financial instruments will be amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Group will change the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other changes.
- When changes will be made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Group will update the hedge documentation without discontinuing the hedging relationship.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 Application of new and revised standard and interpretation (IFRS) (cont'd)

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

IAS 1 presentation of Financial Statements - amendments to defer the effective date of January 2021 amendments (effective 01 January 2023)

IAS 1 presentation of Financial Statements - amendments regarding classification of liabilities (Amendments 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 12 income taxes - amendments regarding deferred tax on leases and decommissioning obligations (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)

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)

The directors anticipate that these amendments will be applied 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 application of these amendments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies

(a) *Basis of preparation*

The financial statements have been prepared on the historical cost basis, except for certain property and equipment and financial instruments that are measured at revalued amounts or fair value as explained in the accounting policies. The financial statements are presented in Mauritian Rupee, which is the Group's functional and presentation currency. All values are rounded to the nearest thousand (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 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 takes into account the characteristics of the asset or liability if market participants would take into account those characteristics when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these 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*

The 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, the Guidelines and Guidance Notes issued by the Group of Mauritius and the Financial Reporting Act 2004.

(c) *Presentation of financial statements*

The Group presents its statement of financial position broadly in order of liquidity. The recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented under each respective note.

(d) *Basis of consolidation*

The financial statements comprise the financial statements of SBM Holdings Ltd and its subsidiaries as at 31 December 2021 and with comparatives of 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(d) Basis of consolidation (cont'd)

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.

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 it ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the owners of the Company 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.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other of the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(d) Basis of consolidation (cont'd)

to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(e) Foreign currency translation (cont'd)

(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 2021	31 December 2020	31 December 2019
MUR/INR	0.59	0.54	0.51
MUR/100 MGA	1.10	1.03	1.01
MUR/KES	0.39	0.36	0.36
MUR/SCR	3.25	1.70	2.69

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 in the period in which the foreign entity is disposed of/derecognised.

The average rates for the following years are:

	31 December 2021	31 December 2020	31 December 2019
MUR/INR	0.57	0.53	0.51
MUR/100 MGA	1.08	1.04	0.98
MUR/KES	0.38	0.37	0.35
MUR/KES	-	2.24	2.64

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments

Financial assets and liabilities

Financial assets and financial liabilities (excluding regular way trades) are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Regular way trades are 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. These are recognised using trade date accounting and are applied both for financial assets mandatorily measured at fair value through profit or loss (FVTPL) and financial assets measured at amortised cost.

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

If the transaction price differs from fair value at initial recognition, the entity will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL.

Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statements of financial position represent all amounts receivable including interest accruals.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets as follows:

Financial assets (cont'd)

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal (SPPI) amount outstanding, are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI); and
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the entity may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- the entity may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Group has not designated any debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Debt instruments measured at amortised cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI. For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

Debt instruments measured at amortised cost or at FVTOCI (cont'd)

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The entity determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The entity's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing their financial instruments which reflect how they manage their financial assets in order to generate cash flows. The business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group considers all relevant information available when making the business model assessment.

However, this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available 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 in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses their business models at each reporting period to determine whether the business models have changed since the preceding period. When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets measured at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

Equity instruments designated at FVTOCI

On initial recognition, the entity may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the entity manages together and has evidence of a recent actual pattern of short-term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Cash and cash equivalents

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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 results 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.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss and other exchange differences are recognised in the OCI in fair value reserve;
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in the OCI in the fair value reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, Group guarantees and acceptances.

Financial guarantee contracts issued by an entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the entity's revenue recognition policies.

Any increase in the liability relating to financial guarantees is recorded in the statements of profit or loss and other comprehensive income. The premium received is recognised in the statements of profit or loss and other comprehensive income in 'Fees and commission income' on a straight-line basis over the life of the guarantee.

Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- loans and advances to banks and customers;
- loans to and placements with banks;
- investment securities measured at amortised cost;
- investment securities measured at FVTOCI;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments designated at FVTOCI.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instruments that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instruments (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 38 (b).

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the entity under the contract and the cash flows that the entity expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the entity if the holder of the commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down.

The Group measures ECL on an individual basis, or 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.

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the entity expects to receive from the holder, the debtor or any other party.

More information on measurement of ECLs is provided in Note 38.

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

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 impairment. 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 (see below) includes unlikelihood to pay indicators and a backstop if amounts are overdue for 90 days or more.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

The Group has not purchased or originated credit impaired financial assets.

Definition of default

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 (see Note 38).

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.

This definition of default is used by the Group for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types 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. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 38. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted asset given the definition of credit impaired is broader than the definition of default.

Significant increase in credit risk (SICR)

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts 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 a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default occurring 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

Significant increase in credit risk (SICR) (cont'd)

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

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, relevant think-tanks 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 for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour.

The Group allocates their 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 this 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 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. For corporate lending, there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Group considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, Groupruptcy and sale of assets.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 30 days past due, 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. In addition, loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted, if there is evidence of credit impairment, the assets are moved to stage 3 of the impairment model.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness), change in interest rates and amendments to covenants. The Group has a forbearance policy in place to cater for requests for restructuring of debts. When a financial asset is modified, the Group assesses whether this modification results in derecognition. In accordance with the Group's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest rate. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Group considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the entity considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation. In the case where the financial asset is derecognized, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, as if the borrower is in past due status under the new terms.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

Modification and derecognition of financial assets (cont'd)

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the entity determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the ability to collect the modified cash flows taking into account the previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Group performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk. Where a modification does not lead to derecognition, the Group calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account. Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group recognises their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss. On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECLs are presented in the statements of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve; and
- for loan commitments and financial guarantee contracts: as a provision where a financial instrument includes both a drawn and an undrawn component, and the entity cannot identify the ECL on the loan commitment component separately from those on the drawn component: the entity presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either the financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group are or may be obliged to deliver a variable number of their own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

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 the Group is recognised at the proceeds received, net of direct issue costs. Ordinary shares are classified as equity. Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

Financial liabilities

Financial liabilities include deposits from banks and non banks customers, due to Groups and other borrowed funds, and other liabilities and are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method (EIR). The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities measured at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability.

Derecognition and modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the entity exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different.

If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the Group recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

The Group recognises any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification. The financial liability modification gain/loss is not significant for the Group. Modification gains are presented in 'other operating income' and modification losses are presented in 'other operating expenses' in profit or loss.

Hedge accounting

The Group enters into 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.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair value hedges

In accordance with its wider risk management, as set out in Note 38(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

Hedge accounting (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 FVTOCI, 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.

(g) Derivative financial instruments

The Group enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Derivative held include forward contracts, spot position, swaps and option contracts. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(h) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(i) Provisions and other contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, they are involved in various litigation, arbitration and regulatory investigations and proceedings both in local and in other jurisdictions, arising in the ordinary course of the Group's business. When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosures in their financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(j) Foreign currency translation

The financial statements are presented in Mauritian Rupees ('MUR').

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date and all differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statements of financial position.

Income and expense will not be offset in the statements of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies.

The accounting policies of each relevant line item are included in the respective notes.

(l) Dividend income

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.

(m) Recognition of income and expenses

(i) Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'net interest income' as 'interest income' and 'interest expense' in profit or loss using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the year in 'net trading income'. Interest on derivatives in economic hedge relationship is included in other interest income/expense.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(m) Recognition of income and expenses (cont'd)

(i) Net interest income (cont'd)

For all financial instruments measured at amortised cost and interest-earning financial instruments classified as investment securities measured at FVTOCI, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

For financial assets at FVTPL, transaction costs are recognised in profit or loss at initial recognition. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the year in other interest income/expense. Interest on derivatives in economic hedge relationship is included in other interest income/expense.

(ii) Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR. The Group earns fee and commission income from a diverse range of services being provided to its customers. Fee income can be categorised as follows:

Fee income earned from services provided

Fee and commission income and expense include fees other than those that are an integral part of EIR. The Bank earns fee and commission income from a diverse range of services being provided to its customers. Fee income can be categorised as follows:

"These fees include commission income, asset management, custody and other management and advisory fees. The fees are recognised as the related services are provided. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis. A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual."

Fee income from providing transaction services

Commission and fees arising from negotiation of transactions with third parties, or participating in the negotiation of a transaction for a third party is recognised on completion of the underlying transaction.

Fee and commission expense

Fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Summary of significant accounting policies (cont'd)

(m) *Recognition of income and expenses* (cont'd)

(iii) *Net trading income*

Results arising from trading activities include profit arising on dealings in foreign currencies; all gains and losses from changes in fair value and related interest income and expense and dividend for financial assets and financial liabilities held-for-trading.

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.

(iv) *Other gains and losses from financial assets measured at FVTPL*

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 on those items designated as fair value through profit or loss.

(n) *Comparative figures*

Where necessary, comparative figures are reclassified to conform to the current year's presentation and to the changes in accounting policies.

The accounting policies of each relevant line item not disclosed above are included included in the respective notes.

4 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 amounts 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

4 Significant accounting estimates and judgements (cont'd)

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 summarised below with respect to judgements/estimates involved.

(a) *Judgements*

4.1 Going concern

Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Hence, the financial statements continue to be prepared on the going concern basis.

4.2 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. 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.

4.3 Calculation of ECL allowance

Significant increase of credit risk: ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group take into account qualitative and quantitative reasonable and supportable forward-looking information.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 39 for details of the characteristics considered in this judgement. The Group monitor the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

4.3 Calculation of ECL allowance (cont'd)

- Models and assumptions used: the Group use various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

4.4 Deferred tax assets

Recognition of deferred tax assets depends on management's intention of the Group to generate future taxable profits which will be used against temporary differences and to obtain tax benefits thereon. The outcome of their actual utilisation may be different.

(b) *Estimates*

4.5 Expected credit losses on financial assets

The 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 applied by the subsidiaries that are considered accounting judgements and estimates include:

- The internal credit grading model, which assigns PDs to the individual grades;
- The 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.

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 judgemental 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. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

4.6 Fair values of financial instruments

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.

4.7 Assessment of useful lives of property and equipment and intangible assets

The Group reviews the estimated useful lives of property and equipment and intangible assets at the end of each reporting period. The cost of the property and equipment and intangible assets are depreciated and amortised over the estimated useful life of the asset. The estimated life is based on expected usage of the asset and expected physical wear and tear which depends on operational factors.

The Group cannot readily determine the interest rate implicit in 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 have 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.

4.8 Pension benefits

The Group operates a defined benefit pension plan for its employees as well as provide for retirement gratuities under the Workers' Rights Act. The amount shown in the statement of financial position in respect of retirement benefit obligations is subject to estimates in respect of periodic costs which would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan. The value of the defined benefit pension fund plans is based on report submitted by an independent actuarial firm on an annual basis. Management considers that they have used their best estimates to value the retirement benefit obligation provisions. Actual results may be different from their estimates.

4.9 Provisions and other contingent liabilities

Provision is recognised in the financial statements when the Group have met the recognition criterion. The directors measure the provision at the best estimate of the amount required to settle the obligation at the reporting date. Actual results may be different from their estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

4.9 Provisions and other contingent liabilities (cont'd)

In specific circumstances, significant judgement is required from directors to identify the financial effects to be disclosed attributable to the uncertainties inherent in contingent liabilities.

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.

5 Cash and cash equivalents

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 Statements 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.

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash in hand	2,200,298	2,016,632	2,884,293	-	-	-
Foreign currency notes and coins	1,070,999	1,318,174	33,579	-	-	-
Unrestricted balances with central banks ¹	36,611,395	11,290,418	4,480,589	-	-	-
Loans to and placements with banks ²	3,291,517	2,543,251	2,215,105	-	-	-
Balances with banks	4,469,891	4,410,441	8,572,409	90,055	304,473	178,632
	47,644,100	21,578,916	18,185,975	90,055	304,473	178,632
Less: allowance for credit losses	(7,279)	(1,671)	(4,849)	-	-	-
	47,636,821	21,577,245	18,181,126	90,055	304,473	178,632

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

5 Cash and cash equivalents (cont'd)

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

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Stage 1	Stage 1	Stage 1	Stage 1
ECL allowance as at 01 January	1,671	4,849	43,298
Net remeasurement of loss allowance	7,226	1,671	4,849
Assets repaid	(1,671)	(4,282)	(43,298)
Translation adjustment	54	(567)	-
ECL allowance as at 31 December	7,279	1,671	4,849

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 ².

6 Loans to and placements with banks

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
At amortised cost			
Loans to and placements with banks			
- In Mauritius	-	353,508	2,482,043
- Outside Mauritius	843,079	2,797,237	4,486,183
	843,079	3,150,745	6,968,226
	(5,109)	(20,358)	(25,481)
	837,970	3,130,387	6,942,745
Remaining term to maturity			
Up to 3 months	-	47,293	2,158,912
Over 3 months and up to 6 months	-	1,257,394	2,637,285
Over 6 months and up to 12 months	-	1,008,868	1,119,602
Over 1 year and up to 2 years	653,378	-	1,052,427
Over 2 years and up to 5 years	189,701	837,190	-
	843,079	3,150,745	6,968,226

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

6 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 38.

Internal rating grade

Performing

High grade

Standard grade

Sub-standard grade

Total

31 December 2021	31 December 2020	31 December 2019
Total	Total	Total
Stage 1	Stage 1	Stage 1
MUR' 000	MUR' 000	MUR' 000
189,701	-	2,003,522
653,378	2,807,724	3,719,888
-	343,021	1,244,816
843,079	3,150,745	6,968,226

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

31 December 2021	31 December 2020	31 December 2019
Total	Total	Total
Stage 1	Stage 1	Stage 1
MUR' 000	MUR' 000	MUR' 000
3,150,745	6,968,226	8,619,381
-	2,698,297	4,535,728
(2,371,933)	(6,589,629)	(6,342,254)
64,267	73,851	155,371
843,079	3,150,745	6,968,226

31 December 2021	31 December 2020	31 December 2019
Total	Total	Total
Stage 1	Stage 1	Stage 1
MUR' 000	MUR' 000	MUR' 000
20,358	25,481	36,967
-	18,004	5,801
(15,249)	(22,614)	(17,394)
-	(513)	-
-	-	107
5,109	20,358	25,481

ECL allowance as at 01 January

Net remeasurement of loss allowance

Assets repaid (excluding write offs)

Discontinued operations of SBMBS

Foreign exchange adjustments

ECL allowance as at 31 December

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

7 Derivative financial instruments

Trading assets

Derivative assets

Trading liabilities

Derivative liabilities

THE GROUP		
31 December 2021	31 December 2020	31 December 2019
MUR' 000	MUR' 000	MUR' 000
784,250	809,211	936,093
759,896	1,279,984	1,126,364

Trading liabilities

Derivative liabilities

THE COMPANY		
31 December 2021	31 December 2020	31 December 2019
MUR' 000	MUR' 000	MUR' 000
-	41,524	47,645

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

THE GROUP

31 December 2021

Derivatives held for trading

Foreign exchange contracts*

Cross currency swaps

Other derivative contracts

Derivatives held for risk management purposes

Foreign exchange contracts*

Derivatives used as micro fair value hedges

Interest rate swap contracts

Notional principal amount	Fair values	
	Assets	Liabilities
MUR' 000	MUR' 000	MUR' 000
34,245,364	256,311	(225,124)
2,017,833	209,838	(208,317)
2,728,546	199,196	(198,081)
-	-	-
4,901,874	118,906	(128,374)
43,893,617	784,251	(759,896)

NOTES TO THE FINANCIAL STATEMENTS

7 Derivative financial instruments (cont'd)

THE GROUP (cont'd)	Notional principal amount	Fair values	
		Assets	Liabilities
	MUR' 000	MUR' 000	MUR' 000
31 December 2020			
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)
	<u>66,978,011</u>	<u>809,379</u>	<u>(1,279,984)</u>
31 December 2019			
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	30,472	(418,433)
	<u>83,227,992</u>	<u>936,093</u>	<u>(1,126,364)</u>
THE COMPANY			
Derivatives held for risk management purpose			
31 December 2021			
Interest rate swap contracts	-	-	-
31 December 2020			
Interest rate swap contracts	2,571,602	-	(41,524)
31 December 2019			
Interest rate swap contracts	2,380,835	-	(47,645)

* Foreign exchange contracts include foreign swaps, forward and spot contracts.

NOTES TO THE FINANCIAL STATEMENTS

8 Loans and advances to non-bank customers

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Retail customers	45,490,284	41,305,180	39,363,941
Credit cards	492,464	510,114	583,205
Mortgages	30,632,959	27,555,755	25,487,999
Other retail loans	14,364,861	13,239,311	13,292,737
Corporate customers	48,202,633	47,880,434	46,530,244
Governments	9,713	7,705	8,515
Entities outside Mauritius (including offshore/global business licence holders)	51,383,170	46,408,128	35,552,853
	145,085,800	135,601,447	121,455,553
Less allowance for credit impairment Note 8 (c)	(14,691,993)	(15,743,574)	(12,256,989)
	130,393,807	119,857,873	109,198,564
a. Remaining term to maturity			
Up to 3 months	16,666,053	11,940,304	12,521,968
Over 3 months and up to 6 months	4,686,846	4,181,143	3,982,537
Over 6 months and up to 12 months	10,666,350	10,873,128	7,758,109
Over 1 year and up to 2 years	7,695,942	12,402,657	8,086,141
Over 2 years and up to 5 years	31,371,521	25,566,946	23,822,145
Over 5 years	73,999,088	70,637,269	65,284,653
	145,085,800	135,601,447	121,455,553

Out of the Gross advances of MUR 145.09 billion, there is an amount of MUR 4.63 billion (2020: MUR 6.2 billion and 2019: MUR 8.2 billion) relating to loans where fair value hedge accounting has been applied. Refer to note 38(d) (ii) for more details.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

b. Net investment in finance leases

Net investment in finance leases is measured at amortised cost

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 75.00 million (2020: MUR 69.26 million and 2019: MUR 87.32 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 2021				
Gross investment in finance leases	(70,036)	(113,421)	(4,969)	(188,426)
Less: Unearned finance income	-	-	-	-
Present value of minimum lease payments	(70,036)	(113,421)	(4,969)	(188,426)
Credit loss expense				-
Net investment in finance lease				(188,426)
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	1,406,070
Credit loss expense				(45,769)
Net investment in finance lease				1,360,301

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

c. Impairment losses on loans and advances to non-bank customers

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 set out in note 38.

	31 December 2021			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Internal rating grade				
Performing				
High grade	51,102,560	964,551	-	52,067,111
Standard grade	42,153,534	7,770,281	-	49,923,815
Sub-standard grade	6,471,531	15,605,720	-	22,077,251
Past due but not impaired	-	4,421,051	-	4,421,051
Non-performing				
Individually impaired	-	-	16,596,572	16,596,572
Total	99,727,625	28,761,603	16,596,572	145,085,800

	31 December 2020			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Internal rating grade				
Performing				
High grade	41,810,646	1,441,207	-	43,251,853
Standard grade	44,765,531	8,832,917	-	53,598,448
Sub-standard grade	10,980,787	7,327,338	-	18,308,125
Past due but not impaired	-	1,731,527	-	1,731,527
Non-performing				
Individually impaired	-	-	18,711,494	18,711,494
Total	97,556,964	19,332,989	18,711,494	135,601,447

	31 December 2019			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Internal rating grade				
Performing				
High grade	38,335,023	857,934	239,536	39,432,493
Standard grade	34,920,776	5,943,635	293,978	41,158,389
Sub-standard grade	8,730,183	9,059,493	-	17,789,676
Past due but not impaired	-	7,062,859	-	7,062,859
Non-performing				
Individually impaired	-	167,846	15,844,290	16,012,136
Total	81,985,982	23,091,767	16,377,804	121,455,553

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

8 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:

At 31 December 2021:

Gross carrying amount

As at 01 January

Financial assets originated or purchased
Assets derecognised or repaid (excluding write offs)
Transfers to stage 1
Transfers to stage 2
Transfers to stage 3
Changes to contractual cash flows due to modifications not resulting in derecognition
Amounts written off
Foreign exchange adjustments
Translation adjustments

As at 31 December

THE GROUP			
Stage 1	Stage 2	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
97,556,964	19,332,989	18,711,494	135,601,447
33,196,264	3,406,763	56,161	36,659,188
(21,695,658)	(5,305,711)	(1,184,246)	(28,185,615)
1,804,123	(1,766,644)	(37,479)	-
(13,168,056)	13,237,925	(69,869)	-
(310,058)	(640,751)	950,809	-
143,957	(313,180)	785,157	615,934
-	-	(4,117,246)	(4,117,246)
752,158	767,697	1,087,149	2,607,004
1,447,931	42,515	414,642	1,905,089
99,727,625	28,761,603	16,596,572	145,085,800

At 31 December 2020:

Gross carrying amount

As at 01 January

Financial assets originated or purchased
Assets derecognised or repaid (excluding write offs)
Transfers to stage 1
Transfers to stage 2
Transfers to stage 3
Changes to contractual cash flows due to modifications not resulting in derecognition
Amounts written off
Foreign exchange adjustments
Translation adjustments

As at 31 December

THE GROUP			
Stage 1	Stage 2	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
81,985,982	23,091,767	16,377,804	121,455,553
32,482,676	4,355,281	10,710	36,848,667
(21,161,948)	(5,226,186)	(5,166,160)	(31,554,294)
5,462,444	(5,534,518)	72,074	-
(5,837,787)	5,901,721	(63,934)	-
(103,550)	(3,908,187)	4,011,737	-
2,110,013	(318,251)	2,475,216	4,266,978
-	-	(8,904)	(8,904)
726,253	462,554	112,828	1,301,635
1,892,881	508,808	890,123	3,291,812
97,556,964	19,332,989	18,711,494	135,601,447

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

At 31 December 2019:

Gross carrying amount

As at 01 January

Financial assets originated or purchased
Assets derecognised or repaid (excluding write offs)
Assets impaired during the year
Transfers to stage 1
Transfers to stage 2
Transfers to stage 3
Changes to contractual cash flows due to modifications not resulting in derecognition
Amounts written off
Foreign exchange adjustments
Translation adjustments

As at 31 December

THE GROUP			
Stage 1	Stage 2	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
61,266,857	32,926,111	18,233,075	112,426,043
31,192,083	7,498,932	473,898	39,164,913
(17,116,706)	(11,427,112)	(2,362,197)	(30,906,015)
-	-	-	-
11,357,786	(11,031,690)	(326,096)	-
(5,950,563)	6,026,778	(76,215)	-
(312,532)	(1,083,518)	1,396,050	-
498,461	(342,182)	(36,968)	119,311
-	-	(1,438,755)	(1,438,755)
726,253	462,554	112,828	1,301,634
324,343	61,894	402,184	788,421
81,985,982	23,091,767	16,377,804	121,455,553

An analysis of changes in ECL allowances by staging are as follows:

ECL allowance as at 01 January 2021

Movement for the year
Allowance on new financial assets
Assets derecognised or repaid (excluding write offs)
Transfers to stage 1
Transfers to stage 2
Transfers to stage 3
Remeasurement of loss allowance
Amounts written off
Translation adjustments

At 31 December 2021

31 December 2021			
Stage 1	Stage 2	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
966,197	1,034,867	13,742,510	15,743,574
196,233	907,956	2,657,907	3,762,096
106,321	111,417	-	217,738
(485,892)	(324,150)	(633,805)	(1,443,847)
175,845	(175,561)	(284)	-
(86,189)	91,861	(5,672)	-
(29,225)	(116,466)	145,691	-
(38,372)	3,361	342,765	307,754
-	-	(4,125,608)	(4,125,608)
23,889	5,426	200,971	230,286
828,807	1,538,711	12,324,475	14,691,993

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

8 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 are as follows (cont'd):

	THE GROUP			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2020	725,919	1,887,794	9,643,276	12,256,989
Movement for the year	373,554	726,758	3,755,117	4,855,429
Allowance on new financial assets	96,919	57,310	-	154,229
Assets derecognised or repaid (excluding write offs)	(471,231)	(275,141)	(1,036,393)	(1,782,765)
Transfers to stage 1	234,020	(204,911)	(29,109)	-
Transfers to stage 2	(56,871)	57,859	(988)	-
Transfers to stage 3	2,336	(1,161,098)	1,158,762	-
Changes to contractual cash flows due to modifications not resulting in derecognition	(33,625)	(60,550)	439,347	345,172
Remeasurement of loss allowance	95,686	(1,496)	-	94,190
Amounts written off	-	-	(219,973)	(219,973)
Translation adjustments	(510)	8,342	32,471	40,303
At 31 December 2020	966,197	1,034,867	13,742,510	15,743,574

	THE GROUP			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2019	605,878	1,175,955	8,536,035	10,317,868
Movement for the year	512,205	1,488,206	3,685,092	5,685,503
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)
Translation adjustments	8,963	14,663	278,530	302,156
At 31 December 2019	725,919	1,887,794	9,643,276	12,256,989

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

d. Impairment losses on loans and advances to non-bank customers by industry sectors

	THE GROUP				
	31 December 2021				
	Gross amount of loans	Credit impaired loans	Stage 3 allowance for credit impairment	Stage 1 & stage 2 for credit allowance	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	2,844,733	1,005,981	551,971	26,572	578,543
Manufacturing	13,066,783	1,046,896	497,363	102,260	599,623
<i>of which EPZ</i>	1,421,007	21,156	21,156	2,867	24,023
Tourism	15,711,976	235,377	83,096	764,545	847,641
Transport	3,493,859	1,082,661	719,648	21,363	741,011
Construction	14,941,089	776,505	624,935	425,621	1,050,556
Financial and business	9,072,836	157,044	120,733	95,333	216,066
Traders	13,082,193	7,763,792	6,165,405	130,422	6,295,827
Personal	50,293,090	1,730,479	1,282,209	551,410	1,833,619
<i>of which credit cards</i>	3,013,197	268,683	241,343	41,559	282,902
Professional	279,551	82,760	82,752	6,238	88,989
Global Business Licence holders	9,754,671	1,372,644	1,371,147	40,901	1,412,048
Others	12,545,019	1,342,436	825,217	202,852	1,028,069
	145,085,800	16,596,575	12,324,476	2,367,517	14,691,993

	THE GROUP				
	31 December 2020				
	Gross amount of loans	Credit impaired loans	Stage 3 allowance for credit impairment	Stage 1 & stage 2 for credit allowance	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	4,881,222	916,528	407,511	35,986	443,497
Manufacturing	12,254,721	1,246,358	838,904	144,637	983,541
<i>of which EPZ</i>	1,778,397	26,531	3,942	22,840	26,782
Tourism	16,320,868	267,751	90,110	365,930	456,040
Transport	3,733,064	1,398,448	1,037,958	33,866	1,071,824
Construction	11,700,345	805,954	607,453	399,245	1,006,698
Financial and business services	9,382,406	808,945	728,601	111,011	839,612
Traders	14,674,924	7,337,548	5,298,519	168,214	5,466,733
Personal	42,839,018	1,730,230	1,223,038	532,278	1,755,316
<i>of which credit cards</i>	577,282	65,439	64,140	6,202	70,342
Professional	379,744	82,718	82,718	8,913	91,631
Global business licence holders	8,561,145	1,248,424	1,096,615	14,089	1,110,704
Others	10,873,990	2,878,938	2,331,083	186,895	2,517,978
	135,601,447	18,721,842	13,742,510	2,001,064	15,743,574

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

d. Impairment losses on loans and advances to non-bank customers by industry sectors (cont'd)

	THE GROUP				
	31 December 2019				
	Gross amount of loans	Impaired loans	Stage 3 allowance for credit impairment	Stage 1 & stage 2 for credit allowance	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	4,164,442	73,571	56,223	117,110	173,333
Manufacturing	8,085,702	1,211,337	905,635	154,316	1,059,951
of which EPZ	1,811,805	28,053	4,141	31,192	35,333
Tourism	12,063,809	226,433	130,143	144,781	274,924
Transport	3,742,076	1,345,010	1,009,414	150,088	1,159,502
Construction	9,937,058	444,383	325,468	115,677	441,145
Financial and business services	9,858,185	749,797	534,231	96,410	630,641
Traders	15,347,403	9,249,445	4,576,544	160,349	4,736,893
Personal	39,643,527	1,543,864	1,107,690	533,968	1,641,658
of which credit cards	583,248	81,055	41,997	6,258	48,255
Professional	179,735	73,872	73,872	2,532	76,404
Global business licence holders	10,104,245	286,541	144,822	501,775	646,597
Others	8,329,371	1,174,801	779,234	636,707	1,415,941
	121,455,553	16,379,054	9,643,276	2,613,713	12,256,989

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9(a) Investment securities

Remaining term to maturity

THE GROUP

(i) Investment securities measured at FVTPL

Trading investment:

Government bonds and treasury notes

Treasury bills

Bank of Mauritius bills/notes

Bank bonds

Corporate bonds

Other investments:

Investment in mutual funds

Equity investments

(ii) Debt securities measured at FVTOCI

Government bonds

Treasury bills/notes

Bank of Mauritius bills

Bank bonds

Corporate paper and preference shares

Corporate bonds

(iii) Debt securities measured at amortised cost

Government bonds and treasury notes

Treasury bills

Bank of Mauritius bills

Bank bonds

Corporate bonds

(iv) Equity securities designated at FVTOCI

Equity shares of companies:

- Equity investments

Total gross investment securities

Less: allowance for credit losses

Total investment securities

31 December 2021								
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

-	-	-	1,869,314	106	821,169	372,268	-	3,062,857
-	827,391	-	1,706,626	-	-	-	-	2,534,017
509,376	153,920	-	-	504	-	-	-	663,800
-	-	-	-	85,250	-	-	-	85,250
-	-	-	-	85,734	-	-	-	85,734
-	-	-	-	-	-	-	2,363,796	2,363,796
-	-	-	-	-	-	-	1,669,600	1,669,600
509,376	981,311	-	3,575,940	171,594	821,169	372,268	4,033,396	10,465,054

2,764,049	653,527	96,821	1,957,990	3,009,594	6,398,638	13,837,612	-	28,718,231
4,507,328	8,271,746	2,339,543	4,728,520	-	-	-	-	19,847,137
999,416	257,162	-	-	-	-	-	-	1,256,578
1,135,094	157,488	4,116,867	536,971	6,547,107	3,837,908	-	-	16,331,435
-	518,753	601,460	43,067	1,738,889	4,394,559	2,898,700	-	10,195,428
-	-	-	-	-	-	-	-	-
9,405,887	9,858,676	7,154,691	7,266,548	11,295,590	14,631,105	16,736,312	-	76,348,809

1,499,553	3,973,911	747,934	667,145	1,951,612	13,663,864	23,077,152	-	45,581,171
291,204	205,776	85,424	199,289	-	-	-	-	781,693
114,167	557	172,780	-	3,231,062	5,471,076	4,979,621	-	13,969,263
-	-	-	-	-	551,616	84,932	-	636,548
-	-	-	148,401	36,287	-	100,346	-	285,034
1,904,924	4,180,244	1,006,138	1,014,835	5,218,961	19,686,556	28,242,051	-	61,253,709

-	-	-	-	-	-	-	5,416,262	5,416,262
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11,820,187	15,020,231	8,160,829	11,857,323	16,686,145	35,138,830	45,350,631	9,449,658	153,483,834
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(57,087)

153,426,747

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9(a) Investment securities (cont'd)

Remaining term to maturity		31 December 2020							
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
(i) Investment securities measured at FVTPL									
Trading investments:									
Government bonds and treasury notes	15	-	-	-	-	-	706	-	721
Treasury bills	799,645	876,539	1,976,073	-	-	-	-	-	3,652,258
Bank of Mauritius bills/notes	1,537,842	1,498,127	541,717	-	-	762,825	-	-	4,340,511
Bank bonds secured by government	-	-	-	-	-	-	-	1,356,130	1,356,130
Other investments:									
Other investment securities	-	-	-	-	-	-	-	230,749	230,749
Equity investments	-	-	-	-	-	-	-	1,622,852	1,622,852
	2,337,502	2,374,666	2,517,791	-	-	762,825	706	3,209,731	11,203,220
(ii) Debt securities measured at FVTOCI									
Government bonds	995,332	313,326	-	1,852,056	1,657,444	5,116,989	10,897,184	-	20,832,331
Treasury bills/notes	9,242,582	-	528,846	1,756,622	-	-	-	-	11,528,050
Bank of Mauritius bills	100	-	-	896,766	1,018,377	2,453,980	-	-	4,369,223
Other investment	-	-	-	238,428	9,014	-	-	-	247,442
Bank bonds	786,223	416,735	1,114,654	587,681	5,210,501	6,499,153	312,759	-	14,927,706
Corporate paper and preference shares	43,250	174,219	39,943	203,803	738,559	3,609,441	1,872,842	-	6,682,057
Corporate bonds	134,710	-	-	-	-	-	177,928	-	312,638
	11,202,197	904,280	1,683,443	5,535,356	8,633,895	17,679,563	13,260,713	-	58,899,447
(iii) Debt 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
Treasury bills	938,378	1,684,042	180,685	-	-	-	-	-	2,803,105
Bank of Mauritius bills	1,315	50,168	989,847	-	152,052	5,183,483	4,976,466	-	11,353,331
Bank bonds	-	-	-	-	105,675	386,265	-	-	491,940
Corporate bonds	-	41,127	-	-	135,996	33,519	-	-	210,642
	969,325	2,404,066	1,781,913	89,897	7,454,912	14,977,330	18,223,803	-	45,901,246
Total gross investment securities	14,509,024	5,683,012	5,983,147	5,625,253	16,088,807	33,419,718	31,485,222	3,209,731	116,003,913
Less: allowance for credit losses									(131,871)
Total gross investment securities after allowance for credit losses									115,872,042
(iv) Equity designated at FVTOCI									
Equity shares of companies:									
- Equity investments	-	-	-	-	-	-	-	5,181,355	5,181,355
	-	-	-	-	-	-	-	5,181,355	5,181,355
Total investment securities									121,053,397

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9(a) Investment securities (cont'd)

Remaining term to maturity		31 December 2019								
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	
(i) Investment securities mandatorily measured at FVTPL										
Trading investments:										
Government bonds and treasury notes	-	-	-	-	212,779	2,014,088	232,849	-	2,459,716	
Treasury bills	1,800,754	1,017,626	874,265	327,225	-	-	-	-	4,019,870	
Bank of Mauritius bills/notes	2,482,402	866,386	123,368	780,168	-	-	-	-	4,252,324	
Bank bonds	-	-	-	-	-	493,666	-	-	493,666	
Bank bonds secured by government	-	-	-	-	-	-	-	549,309	549,309	
Other investments:										
Other investment securities	-	-	-	-	-	-	220,233	-	220,233	
	4,283,156	1,884,012	997,633	1,107,393	212,779	2,507,754	453,082	549,308	11,995,118	
(ii) Debt securities measured at FVTOCI										
Government bonds	7,083	955	303,925	503,108	680,191	10,742,520	7,296,622	-	19,534,404	
Treasury bills/notes	7,501,499	1,827,606	2,544,975	870,067	-	-	-	-	12,744,147	
Bank of Mauritius bills	3,431,679	891,955	3,791	832,769	76,055	435,332	-	-	5,671,581	
Other investment	-	-	-	-	-	-	-	-	-	
Bank bonds	1,511,872	62,265	484,089	-	1,121,357	7,206,266	572,576	-	10,958,425	
Corporate paper and preference shares	375,346	-	-	-	-	-	-	-	375,346	
Corporate bonds	83,231	55,425	-	26,221	809,925	2,611,632	1,515,168	-	5,101,602	
	12,910,710	2,838,206	3,336,780	2,232,165	2,687,528	20,995,750	9,384,366	-	54,385,505	
(iii) Debt securities measured at amortised cost										
Government bonds and treasury notes	1,219,545	88,316	202,421	387,912	2,837,684	7,703,694	12,254,898	-	24,694,470	
Treasury bills	205,839	-	161,894	-	231,281	-	102,286	-	701,300	
Bank of Mauritius bills	1,248,969	53,085	-	100,000	50,257	151,779	-	-	1,604,090	
Bank bonds	-	-	-	-	361,602	399,239	-	-	760,841	
Corporate bonds	-	-	-	-	-	-	-	-	-	
	2,674,353	141,401	364,315	487,912	3,480,824	8,254,712	12,357,184	-	27,760,701	
Total gross investment securities	19,868,219	4,863,619	4,698,728	3,827,470	6,381,131	31,758,216	22,194,632	549,309	94,141,324	
Less: allowance for credit losses									(166,435)	
Total gross investment securities after allowance for credit losses									93,974,889	
(iv) Equity designated at FVTOCI										
Equity shares of companies:	-	-	-	-	-	-	-	6,316,046	6,316,046	
Equity investments	-	-	-	-	-	-	-	6,316,046	6,316,046	
Total investment securities									100,290,935	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9(a) Investment securities (cont'd)

<u>Remaining term to maturity</u>		31 December 2021			
		2-5 years	Over 5 years	No specific maturity	Total
THE COMPANY		MUR' 000	MUR' 000	MUR' 000	MUR' 000
(i)	Investment securities measured at FVTPL				
	Redeemable participating shares	-	-	289,049	289,049
	Equity investments	-	-	1,669,600	1,669,600
		-	-	1,958,649	1,958,649
(ii)	Debt securities measured at amortised cost				
	Government bonds and treasury notes	-	587,215	-	587,215
		-	587,215	-	587,215
(iii)	Debt securities measured at FVTOCI				
	Corporate bonds	8,981	-	-	8,981
		8,981	-	-	8,981
	Total gross investment securities	8,981	587,215	1,958,649	2,554,845
	Less: allowance for credit losses				(14)
	Total gross investment securities after allowance for credit losses				2,554,831
(iv)	Equity securities designated at FVTOCI				
	Equity shares of companies	-	-	4,004,362	4,004,362
	Total investment securities				6,559,193

<u>Remaining term to maturity</u>		31 December 2020								
		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
THE COMPANY		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(i)	Investment securities measured at FVTPL									
	Redeemable participating shares	-	-	-	-	-	-	-	661,057	661,057
	Equity shares of companies-measured at FVTPL	-	-	-	-	-	-	-	1,622,331	1,622,331
		-	-	-	-	-	-	-	2,283,388	2,283,388
(ii)	Debt securities measured at FVTOCI									
	Corporate bonds	-	-	-	-	-	8,637	-	-	8,637
		-	-	-	-	-	8,637	-	-	8,637
(ii)	Debt securities measured at amortised cost									
	Government bonds and treasury notes	-	139,613	-	-	149,273	203,830	584,860	-	1,077,577
	Bank of Mauritius bills/notes	-	-	-	-	-	-	-	-	-
		-	139,613	-	-	149,273	203,830	584,860	-	1,077,577
	Total gross investment securities	-	139,613	-	-	149,273	212,468	584,860	661,057	3,369,602
	Less: allowance for credit losses									(778)
	Total gross investment securities after allowance for credit losses									3,368,825
(iv)	Equity designated at FVTOCI									
	Equity shares of companies-measured at FVTOCI	-	-	-	-	-	-	-	3,636,307	3,636,307
		-	-	-	-	-	-	-	3,636,307	3,636,307
	Total investment securities									7,005,132

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9(a) Investment securities (cont'd)

<u>Remaining term to maturity</u>		31 December 2019								
		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
THE COMPANY		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(i)	Investment securities measured at FVTPL									
	Redeemable participating shares	-	-	-	-	-	-	-	598,699	598,699
(iii)	Debt securities measured at amortised cost									
	Government bonds and treasury notes	-	15,003	-	-	205,298	172,808	431,649	-	824,758
	Bank of Mauritius bills/notes	239,844	-	-	-	-	-	-	-	239,844
	Bank bonds	-	-	-	-	-	7,738	-	-	7,738
		239,844	15,003	-	-	205,298	180,546	431,649	-	1,072,340
	Total gross investment securities	239,844	15,003	-	-	205,298	180,546	431,649	598,699	1,671,039
	Less: allowance for credit losses									(561)
	Total gross investment securities									1,670,478
(ii)	Equity securities designated at FVTOCI									
	Equity shares	-	-	-	-	-	-	-	4,227,683	4,227,683
		-	-	-	-	-	-	-	4,227,683	4,227,683
	Total investment securities									5,898,161

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9(a) Investment securities (cont'd)

The Group

The table shows the credit quality and the maximum exposure to credit risk as well as year end stage classification. The amount presented are gross of impairment allowance

	31 December 2021	31 December 2020	31 December 2019
	Stage 1	Stage 1	Stage 1
	MUR' 000	MUR' 000	MUR' 000
High grade	8,492,563	10,584,921	7,377,774
Standard grade	50,811,558	33,636,087	19,681,628
Sub Standard grade	1,949,588	1,680,238	701,299
Total gross carrying amount	61,253,709	45,901,246	27,760,701
Credit loss allowance	(57,087)	(131,871)	(166,435)
Carrying amount	61,196,622	45,769,375	27,594,267

An analysis of changes in gross carrying amount and the corresponding ECLs is as follows:

	31 December 2021	31 December 2020	31 December 2019
	Stage 1	Stage 1	Stage 1
	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January	45,901,246	27,752,964	29,662,805
New financial assets originated	21,659,290	39,304,331	12,313,483
Financial assets that have been repaid	(7,370,035)	(21,461,797)	(14,988,490)
Other movements	(111,716)	314,211	(140,292)
Translation adjustment	1,174,923	(8,463)	913,195
Gross carrying amount as at 31 December	61,253,709	45,901,246	27,760,701

	Total Stage 1	Total Stage 1	Total Stage 1
	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January	131,871	166,338	60,916
Net remeasurement of loss allowance	1,929	63,235	31,724
Assets derecognised or repaid (excluding write offs)	(11,631)	(100,062)	(2,243)
Impact on year end ECL of exposures	-	-	5,102
Amounts written off	(70,000)	-	63,114
Translation adjustment	4,918	2,360	7,822
At 31 December	57,087	131,871	166,435

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9(a) Investment securities (cont'd)

Debt securities at FVTOCI

THE GROUP

	31 December 2021			31 December 2020	31 December 2019
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Total	Total Stage 1	Total Stage 1
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
High grade	57,146,642	-	57,146,642	38,093,070	30,942,979
Standard grade	18,127,590	513,374	18,640,964	19,288,208	22,685,597
Sub standard grade	169,377	391,826	561,202	1,518,169	756,930
Total gross carrying amount	75,443,609	905,200	76,348,809	58,899,447	54,385,505

THE COMPANY

Debt investment securities at amortised cost

	31 December 2021	31 December 2020	31 December 2019
	Stage 1 Total	Stage 1 Total	Stage 1 Total
	MUR' 000	MUR' 000	MUR' 000
Standard grade	587,215	1,077,577	1,064,602
Credit loss allowance	(14)	(778)	(561)
Carrying amount	587,201	1,076,799	1,064,041

THE COMPANY

ECL allowance as at 01 January

At 01 January	561	561	1,638
New assets originated or purchased	(547)	216	-
Assets derecognised or repaid (excluding write offs)	-	-	(1,077)
At 31 December	14	778	561

Debt investment securities at FVTOCI

	Stage 1 Total	Stage 1 Total	Stage 1 Total
	MUR' 000	MUR' 000	MUR' 000
Standard grade	8,981	8,637	7,738
Total gross carrying amount	8,981	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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9(a) Investment securities (cont'd)

THE GROUP

ECL allowance on debt instruments at FVOCI

As at 01 January
Net remeasurement of loss allowance
Assets derecognised or repaid (excluding write offs)
Transfers to stage 2

As at 31 December

ECL allowance on debt instruments at FVOCI

As at 01 January
Net remeasurement of loss allowance
Assets derecognised or repaid (excluding write offs)
Transfers to stage 2

As at 31 December

ECL allowance on debt instruments at FVOCI

As at 01 January
Net remeasurement of loss allowance
Assets derecognised or repaid (excluding write offs)

As at 31 December

31 December 2021			
Stage 1	Stage 2	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
29,118	24,664	-	53,782
11,178	24,086	-	35,264
(27,552)	(1,198)	-	(28,750)
(664)	664	-	-
12,080	48,216	-	60,296

31 December 2020			
Stage 1	Stage 2	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
53,308	-	-	53,308
23,082	21,937	-	45,019
(44,545)	-	-	(44,545)
(2,727)	2,727	-	-
29,118	24,664	-	53,782

31 December 2019			
Stage 1	Stage 2	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
59,678	-	-	59,678
44,533	-	-	44,533
(50,903)	-	-	(50,903)
53,308	-	-	53,308

9(b) Investments 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9(b) Investment in subsidiaries (cont'd)

Accounting policy (cont'd)

Financial statements of the Company (cont'd)

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

Investment in subsidiaries

Equity shares
Capital contribution

Total investment in subsidiaries

Investment reconciliation is as follows:

Opening balance
Investments during the year
Capital contribution granted during the year
Surplus funds distributed on winding up of subsidiary
Impairment losses
Closing balance

Details of subsidiaries are as follows:

				Carrying Amount		
	Country of Incorporation and operation	Business activity	Effective % holding	31 December 2021	31 December 2020	31 December 2019
				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

¹Following an assessment of the recoverable value based on the net asset value, an impairment loss of MUR 130 million (2020: MUR 124 million) is recorded with respect to the investment in SBM (NFC) Holdings Ltd.

²The investment in subsidiaries is classified as non current assets.
The directors believe that no additional impairment need to be recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9(c) Investment in associate (cont'd)

	Country of Incorporation and operation	Business activity	% holding
State Insurance Company of Mauritius Ltd (SICOM)	Mauritius	Long term insurance business and pensions	20

	THE GROUP 31 December 2019 MUR' 000	THE COMPANY 31 December 2019 MUR' 000
At 01 January	1,308,157	1,272,977
Share of profit	139,237	-
Share of associate-remeasurement of defined benefit pension plan	(31,105)	-
Share of other comprehensive income	76,112	-
Exchange differences resulting from share of associate	25,496	-
Dividend income from associate (Note 27)	(38,849)	-
Carrying amount at 31 December	1,479,048	1,272,977

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

	THE GROUP 31 December 2019 MUR' 000
Total assets	21,880,172
Total liabilities	15,684,648
Total revenue	1,238
Total profit for the period	696
Share of profit	139
Share of other comprehensive income	(26,944)
Share of net assets	1,239,105
Carrying amount	1,479,048

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 31 December 2020 MUR' 000	THE COMPANY 31 December 2020 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	1,622,331	1,622,331

The investment in associate was classified as non current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10(a) 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
- 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*.

Depreciation on revalued buildings is charged to profit or loss. A transfer is made from the revaluation reserve to retained earnings as the asset is used (representing difference between depreciation based on revalued amount and depreciation based on original cost). On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10(a) Property and equipment (cont'd)

THE GROUP	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total
Cost or valuation	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2019	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	213	13,604
At 31 December 2020	1,114,667	1,437,877	3,157,362	61,235	5,771,141
Additions	-	-	155,647	-	155,647
Disposals	-	-	(178,519)	(10,553)	(189,072)
Translation adjustment	23,199	-	51,381	1,845	76,425
At 31 December 2021	1,137,866	1,437,877	3,185,871	52,527	5,814,141

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10(a) Property and equipment (cont'd)

THE GROUP	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total
Cost or valuation	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<u>Accumulated depreciation</u>					
At 01 January 2019	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 (Note 40)	-	-	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 (Note 40)	-	-	1,597	-	1,597
Translation adjustment	12,747	-	989	4	13,740
Transfer	1,157	-	(1,157)	-	-
At 31 December 2020	87,142	59,662	2,443,633	46,523	2,636,960
Charge for the year	17,446	57,721	203,671	9,205	288,043
Disposals	-	-	(172,059)	(9,471)	(181,530)
Translation adjustment	4,611	-	31,720	1,346	37,677
At 31 December 2021	109,199	117,383	2,506,965	47,603	2,781,150
<u>Net book value</u>					
At 31 December 2021	1,028,667	1,320,494	678,906	4,924	3,032,991
Progress payments on tangible fixed assets					552,764
					3,585,755
At 31 December 2020	1,027,525	1,378,215	713,729	14,712	3,134,181
Progress payments on tangible fixed assets					61,914
					3,196,095
At 31 December 2019	1,087,689	1,418,455	718,510	24,756	3,249,410
Progress payments on tangible fixed assets					78,898
					3,328,308

Other tangible fixed assets, included within property and equipment consist of equipment, furniture, fittings and computer equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10(a) 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 2019	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
Additions	968	-	968
Disposals	-	(10,553)	(10,553)
At 31 December 2021	1,275	-	1,275
<u>Accumulated depreciation</u>			
At 01 January 2019	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 2020	102	8,564	8,666
Charge for the year	63	906	969
Disposals	-	(9,470)	(9,470)
At 31 December 2021	165	-	165
<u>Net book value</u>			
At 31 December 2021	1,110	-	1,110
At 31 December 2020	205	1,989	2,194
At 31 December 2019	266	3,599	3,865

The property and equipment are classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10(a) 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 (2020 and 2019: nil).

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

		THE GROUP		
		31 December 2021	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000
Freehold land	Level 2	485,001	485,001	485,001
Freehold buildings	Level 3	652,865	629,666	650,620
Buildings on leasehold land	Level 3	1,437,877	1,437,877	1,421,050
		2,575,743	2,552,544	2,556,671

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 2021	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings		738,290	718,378	779,955
Building on leasehold land		319,351	333,426	347,500
		1,057,641	1,051,804	1,127,455

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.

The directors have assessed the fair value of the properties at 31 December 2021 and 2020 and have estimated the fair value to approximate the carrying value as at that date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10(b) Right of use assets and lease liabilities

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as printers). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10(b) Right of use assets and lease liabilities (cont'd)

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of non-financial assets' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'other operating expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The lease contracts do not have lease and non-lease components and hence the Group has not used this practical expedient.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(a) Right-of-use assets

Cost

	Land and buildings MUR' 000	Other tangible fixed assets MUR' 000	Total 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	133,049	38,189	171,238
Termination	(69,936)	(8,733)	(78,669)
Discontinued operations (Note 40)	(6,009)	-	(6,009)
Translation adjustment	23,683	-	23,683
At 31 December 2020	764,031	317,108	1,081,139
Additions	118,749	2,714	121,463
Termination	(54,615)	(121)	(54,736)
Translation adjustment	45,148	-	45,148
At 31 December 2021	873,313	319,701	1,193,014

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10(b) Right of use assets and lease liabilities (cont'd)

Accumulated depreciation

At 01 January 2019	-	-	-
Charge for the year	158,762	45,452	204,214
Discontinued operations (Note 40)	-	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
Termination	(113,379)	(8,759)	(122,138)
Discontinued operations (Note 40)	2,277	-	2,277
Translation adjustment	1,749	-	1,749
At 31 December 2020	217,751	58,608	276,359
Charge for the year	182,912	29,469	212,381
Termination	(38,778)	(121)	(38,900)
Translation adjustment	14,756	-	14,756

At 31 December 2021

Net book value

At 31 December 2021

At 31 December 2020

At 31 December 2019

Land and buildings MUR' 000	Other tangible fixed assets MUR' 000	Total right-of-use assets MUR' 000
-	-	-
158,762	45,452	204,214
-	2,847	2,847
3,956	(26)	3,930
162,718	48,273	210,991
164,386	19,094	183,480
(113,379)	(8,759)	(122,138)
2,277	-	2,277
1,749	-	1,749
217,751	58,608	276,359
182,912	29,469	212,381
(38,778)	(121)	(38,900)
14,756	-	14,756
376,641	87,956	464,597
496,672	231,745	728,417
546,280	258,500	804,780
520,526	239,379	759,905

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10(b) Right of use assets and lease liabilities (cont'd)

(a) Right-of-use assets (cont'd)

The following are the amounts recognised in statement of profit or loss:

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Depreciation expense on right-of-use assets	212,382	183,481	204,214
Interest expense on lease liability (Note 27)	64,905	60,093	57,750
Expense relating to leases of low-value assets (included in other operating expenses)	5,711	7,156	6,801
Discontinued operations of SBMBS (Depreciation/interest expenses)	-	2,277	2,847
Gain on contract termination of right-of-use asset	(1,495)	-	(344)
Total amount recognised in profit or loss	281,503	253,007	271,268

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 (2020: nil).

The Group leases several assets including land, buildings and equipment. The average lease term is 3-6 years.

(b) Lease liabilities

Maturity analysis of lease liability are as follows:

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Up to 1 year	142,915	237,099	238,255
1 to 5 years	547,937	699,057	755,584
5 to 25 years	129,209	28,414	140,234
	820,061	964,570	1,134,073
	(79,159)	(160,163)	(338,728)
	740,902	804,407	795,345
Less unearned interest			
Further analysed into:			
Non current	564,838	699,257	694,245
Current	176,064	105,150	101,100
	740,902	804,407	795,345

The Group does not face significant liquidity risk with regards to its lease liabilities. All the lease obligations are denominated in Mauritian Rupees or functional currency of the subsidiaries.

The Group had a total cash outflow for leases of MUR 281.2 million (2020: MUR 266.9 million; 2019:MUR 229 million)

At 31 December 2021, the Group does not have any commitment for short term leases.

There are no variable lease payment in the lease contracts of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

11 Intangible assets

Accounting policy

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.

(b) Intellectual property rights

The Group entered into an agreement in respect of business process engineering and business transformation initiatives to align both its strategies and processes with the technology transformation initiative namely 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.

(c) 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.

THE GROUP

	software MUR' 000	WIP software MUR' 000	Intellectual property MUR' 000	Total MUR' 000
Cost				
At 01 January 2019	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

11 Intangible assets (cont'd)

THE GROUP (cont'd)

Translation adjustment

Additions

Write off

Transfer

At 31 December 2021

Accumulated amortisation

At 01 January 2019

Translation adjustment

Discontinued operations (Note 40)

Charge for the year

At 31 December 2019

Translation adjustment

Charge for the year

Write off

Disposal

At 31 December 2020

Translation adjustment

Charge for the year

Write off

At 31 December 2021

Net book value

At 31 December 2021

At 31 December 2020

At 31 December 2019

	Software MUR' 000	WIP Software MUR' 000	Intellectual Property MUR' 000	Total MUR' 000
Translation adjustment	56,846	1,629	-	58,475
Additions	57,200	97,707	-	154,907
Write off	(7,967)	(6,503)	-	(14,470)
Transfer	107,550	(107,550)	-	-
At 31 December 2021	5,075,196	94,232	284,915	5,454,343
At 01 January 2019	1,664,759	-	170,949	1,835,708
Translation adjustment	35,648	-	-	35,648
Discontinued operations (Note 40)	910	-	-	910
Charge for the year	559,940	-	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	(110,157)	-	-	(110,157)
At 31 December 2020	2,673,822	-	284,915	2,958,737
Translation adjustment	51,127	-	-	51,127
Charge for the year	488,986	-	-	488,986
Write off	(7,630)	-	-	(7,630)
At 31 December 2021	3,206,305	-	284,915	3,491,220
At 31 December 2021	1,868,891	94,232	-	1,963,123
At 31 December 2020	2,187,745	108,949	-	2,296,694
At 31 December 2019	2,584,405	88,086	56,983	2,729,474

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

11 Intangible assets (cont'd)

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 (2020 and 2019: nil). The intangible assets are non-current assets whose maturity are more than one year.

THE COMPANY

Cost or valuation

At 01 January 2019

Additions

At 31 December 2019

Additions

At 31 December 2020

Additions

At 31 December 2021

Accumulated depreciation

At 01 January 2019

Charge for the year

At 31 December 2019

Charge for the year

At 31 December 2020

Charge for the year

At 31 December 2021

Net book value

At 31 December 2021

At 31 December 2020

At 31 December 2019

Software MUR' 000	Total MUR' 000
50	50
1,321	1,321
1,421	1,421
-	-
1,371	1,371
-	-
1,371	1,371
6	6
208	208
214	214
274	274
488	488
274	274
762	762
609	609
883	883
1,157	1,157

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

12 Other assets

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	<i>Restated</i> MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accounts receivable ¹	2,785,274	2,561,957	2,689,697	150,343	48,900	231,000
Balances due in clearing	6,804	9,999	118,917	-	-	-
Tax paid in advance ²	113,653	106,316	97,127	-	-	-
Dividend receivable	-	-	62,092	-	-	-
Prepayment ³	306,987	223,411	187,255	513	513	509
Others	387,204	333,182	81,290	110	306	6
	3,599,922	3,234,865	3,236,378	150,966	49,719	231,515
Less: allowance for credit losses	(21,450)	(16,414)	(380)	-	-	-
	3,578,472	3,218,451	3,235,998	150,966	49,719	231,515

An analysis of changes in the corresponding ECL pertaining to trade receivables for one of the subsidiaries is as follows:

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
	Stage 1	Stage 1	Stage 1
ECL allowance as at 01 January	16,414	380	(95)
Movement for the year	23,436	16,414	380
Assets repaid	(16,414)	(380)	95
Amount written off	(1,986)	-	-
ECL allowance as at 31 December	21,450	16,414	380

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 Pension liability

Accounting policy

(i) Pension benefits for eligible participating employees

Eligible participating employees are entitled to retirement pensions under the SBM Group Pension Fund, a defined benefit scheme. The average retirement age is 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 statements of profit or loss on a straight-line and undiscounted basis over the remaining periods until the benefits are payable.

Defined benefit plan (note 13 (a))

Residual retirement gratuities (note 13 (b))

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Defined benefit plan (note 13 (a))	304,970	579,836	241,628	1,428	2,231	1,363
Residual retirement gratuities (note 13 (b))	105,213	163,971	97,247	3,715	4,683	1,096
	410,183	743,807	338,875	5,143	6,914	2,459

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 Pension liability (cont'd)

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 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Reconciliation of net defined benefit liability						
Present value of funded defined benefit obligation	1,895,096	1,944,808	1,315,862	11,798	11,137	7,425
Fair value of planned assets	(1,590,126)	(1,364,972)	(1,074,234)	(10,370)	(8,906)	(6,062)
Net liability arising from defined benefit obligation	304,970	579,836	241,628	1,428	2,231	1,363
Reconciliation of net defined benefit liability						
Balance at start of the year	579,836	241,628	109,621	2,231	1,363	-
Amount recognised in statements of profit or loss (Note30)	60,905	39,545	34,166	404	292	1,363
Amount recognised in other comprehensive income	(289,726)	601,282	204,365	(737)	3,189	-
Less employer contributions	(46,045)	(302,619)	(106,524)	(470)	(2,613)	-
Balance at end of the year	304,970	579,836	241,628	1,428	2,231	1,363
Reconciliation of fair value of planned assets						
Balance at start of the year	1,364,972	1,074,234	935,095	8,906	6,062	-
Interest income	39,341	60,273	59,075	265	361	-
Employer contributions	46,045	299,815	106,524	469	2,612	-
Transfer from another entity	-	-	-	-	-	6,062
Benefits paid	(62,891)	(46,149)	(38,813)	(9)	(8)	-
Return on planned assets excluding interest income	202,659	(23,201)	12,353	739	(121)	-
Balance at end of the year	1,590,126	1,364,972	1,074,234	10,370	8,906	6,062
Reconciliation of present value of defined benefit obligation						
Balance at start of the year	1,944,807	1,315,862	1,044,716	11,137	7,425	-
Current service cost	44,752	31,285	30,680	346	260	-
Past service cost	-	-	-	-	-	1,363
Interest expense	55,494	68,533	62,561	323	393	-
Other benefits paid	(62,890)	(46,149)	(38,813)	(9)	(8)	-
Transfer from another entity	-	-	-	-	-	6,062
Liability experience loss	-	-	226,181	-	-	-
Liability gain due to change in demographic assumptions	(7,253)	-	-	-	-	-
Liability (gain)/loss due to change in financial assumptions	(79,814)	575,277	(9,463)	1	3,067	-
Balance at end of the year	1,895,096	1,944,808	1,315,862	11,798	11,137	7,425

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 Pension liability (cont'd)

(a) Defined benefit plans

Components of amount recognised in statements of profit or loss

Service cost

Net interest on net employee defined benefit liability

Total expense (Note 30)

Components of amount recognised in other comprehensive income

Return on planned assets below/(above) interest income

Liability experience loss

Change in effect of asset ceiling

Liability (gain)/loss due to change in demographic assumptions

Liability experience (gain)/loss due to change in financial assumptions

Total

Allocation of plan assets at end of year

Equity - overseas quoted

Equity - overseas unquoted

Equity - local quoted

Equity - local unquoted

Debt - overseas quoted

Debt - overseas unquoted

Debt - local quoted

Debt - local unquoted

Cash and other

Total

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Service cost	44,752	31,285	30,680	346	260	1,363
Net interest on net employee defined benefit liability	16,153	8,260	3,486	58	32	-
Total expense (Note 30)	60,905	39,545	34,166	404	292	1,363
Components of amount recognised in other comprehensive income						
Return on planned assets below/(above) interest income	(202,659)	23,201	(12,353)	(739)	121	-
Liability experience loss	-	-	226,181	-	-	-
Change in effect of asset ceiling	-	578,081	-	-	-	-
Liability (gain)/loss due to change in demographic assumptions	(7,253)	-	-	-	-	-
Liability experience (gain)/loss due to change in financial assumptions	(79,814)	-	(9,463)	1	3,067	-
Total	(289,726)	601,282	204,365	(738)	3,188	-

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	%	%	%	%	%	%
Equity - overseas quoted	36	26	23	36	26	23
Equity - overseas unquoted	3	5	8	3	5	8
Equity - local quoted	18	25	26	18	25	26
Equity - local unquoted	4	5	7	4	5	7
Debt - overseas quoted	-	-	1	-	0	1
Debt - overseas unquoted	-	-	-	-	-	-
Debt - local quoted	10	6	6	10	6	6
Debt - local unquoted	15	10	15	15	10	15
Cash and other	14	23	14	14	23	14
Total	100	100	100	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 Pension liability (cont'd)

(a) Defined benefit plans (cont'd)

	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
Allocation of planned assets at end of year						
Reporting entity's own transferable financial instruments	3%	2%	3%	3%	2%	3%
Principal assumptions used at end of year						
Discount rate based on government bonds	4.7%	2.9%	5.3%	4.7%	2.9%	5.3%
Rate of salary increases	5.2%	2.6%	3.1%	5.2%	5.0%	3.1%
Rate of pension increases	1.5%	1.0%	0.8%	1.5%	1.0%	0.8%
Average retirement age (ARA)	65	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	15.9 years
- Female at ARA	20 Years	20.0 years	20.0 years	20.0 years	20.0 years	20.0 years

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.

	31 December 2021	31 December 2020	31 December 2019	31 December 2021	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	MUR' 000
Increase due to 1% decrease in discount rate	303,278	350,141	205,990	1,652	1,782	1,157
Decrease due to 1% increase in discount rate	246,439	272,348	167,365	1,416	1,448	962

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.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit asset as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 Pension liability (cont'd)

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 47.52 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 13 years.

The Company expects to make a contribution of around MUR 430,000 to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 15 years.

The most recent actuarial valuation of the defined benefit plan was carried out at 31 December 2021 by AON Hewitt Ltd, actuaries and consultants.

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.

(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 liability relates to residual retirement gratuities payable under the Workers' Rights Act 2019 and is unfunded.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 Pension liability (cont'd)

(b) Residual retirement gratuities (cont'd)

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Reconciliation of net defined benefit liability						
Balance at start of the year	163,971	97,247	63,434	4,683	1,096	-
Amount recognised in statements of profit or loss (Note 32)	30,172	(79,331)	34,313	2,641	(515)	1,096
Amount recognised in other comprehensive income	(88,173)	146,055	(500)	(3,609)	4,102	-
Less employer contributions	(757)	-	-	-	-	-
Balance at end of the year	105,213	163,971	97,247	3,715	4,683	1,096
Reconciliation of present value of defined benefit obligation						
Balance at start of the year	163,971	97,247	63,434	4,683	1,096	-
Current service cost	25,380	7,525	3,700	1,909	523	-
Interest expense	4,792	5,155	3,869	156	58	-
Past service cost	-	(92,011)	26,744	576	(1,096)	1,096
Liability experience (gain)/loss	(23,072)	(1,594)	2,612	(1,414)	(122)	-
Liability (gain)/loss due to change in financial assumptions	(65,101)	147,649	(3,112)	(2,195)	4,224	-
Benefits paid	(757)	-	-	-	-	-
Balance at end of the year	105,213	163,971	97,247	3,715	4,683	1,096
Components of amount recognised in statements of profit or loss						
Service cost	25,380	(84,486)	30,444	1,909	(573)	1,096
Past service cost				576		
Net interest on net defined benefit liability	4,792	5,155	3,869	156	58	-
Total expense as Above	30,172	(79,331)	34,313	2,641	(515)	1,096
Components of amount recognised in other comprehensive income						
Liability experience (gain)/loss	(23,072)	(1,594)	2,612	(1,414)	(122)	-
Liability experience gain due to change in demographic assumptions	(29,982)	-	-			
Liability (gain)/loss/ due to change in financial assumptions	(35,119)	147,649	(3,112)	(2,195)	4,224	-
Total	(88,173)	146,055	(500)	(3,609)	4,102	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 Pension liability (cont'd)

	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
Principal assumptions used at end of year						
Discount rate	4.7%	2.9%	5.3%	4.7%	2.9%	5.3%
Rate of salary increases	5.2%/6%	5.0%	3.1%	5.2%/6%	5.0%	3.1%
Rate of pension increases	1.5%	1.0%	0.8%	1.5%	0.0%	0.8%
Average retirement age (ARA)	60/65	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	37,711	55,857	13,458	1,521	1,797	471
Decrease due to 1% increase in discount rate	30,995	44,150	9,002	1,258	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.

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 10.79 million for the next financial year and the weighted average duration of the defined benefit obligation is 19 years.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

14 Deposits from banks

Demand deposits

15 Deposits from non-bank customers

- (i) Retail customers
- Current accounts
 - Savings accounts
 - Time deposits with remaining term to maturity:
 - Up to 3 months
 - Over 3 months and up to 6 months
 - Over 6 months and up to 12 months
 - Over 1 year and up to 5 years
 - Over 5 years
 - Total time deposits
 - Total deposits from retail customers**

- (ii) Corporate customers
- Current accounts
 - Savings accounts
 - Time deposits with remaining term to maturity:
 - Up to 3 months
 - Over 3 months and up to 6 months
 - Over 6 months and up to 12 months
 - Over 1 year and up to 5 years
 - Over 5 years
 - Total time deposits
 - Total deposit from corporate customers**

THE GROUP		
31 December 2021	31 December 2020	31 December 2019
MUR' 000	MUR' 000	MUR' 000
2,770,002	1,403,315	907,521

THE GROUP		
31 December 2021	31 December 2020	31 December 2019
MUR' 000	MUR' 000	MUR' 000
27,384,014	23,620,520	19,411,521
70,842,599	62,410,927	55,538,113
8,992,165	6,086,658	4,687,493
3,835,300	2,795,976	2,146,348
4,638,675	4,056,610	4,464,390
5,048,058	5,404,438	5,033,085
15,332	12,571	2,297,269
22,529,530	18,356,253	18,628,585
120,756,142	104,387,700	93,578,219
115,265,924	72,477,613	56,596,878
4,189,782	4,538,500	3,993,407
18,560,078	15,889,458	12,901,434
6,855,530	3,898,494	4,306,609
9,903,545	8,192,992	5,780,107
3,919,863	1,534,469	2,607,327
38,668	1,024	1,033
39,277,687	29,516,437	25,596,510
158,733,393	106,532,550	86,186,795

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

15 Deposits from non-bank customers (cont'd)

- (iii) Government
- Current accounts
 - Savings accounts
 - Time deposits with remaining term to maturity:
 - Up to 3 months
 - Over 3 months and up to 6 months
 - Over 6 months and up to 12 months
 - Over 1 year and up to 5 years
 - Over 5 years

Total time deposits
Total deposit from the Government
Total deposit from non-bank customers

THE GROUP		
31 December 2021	31 December 2020	31 December 2019
MUR' 000	MUR' 000	MUR' 000
10,851,448	8,639,186	8,756,331
4,530,341	3,855,442	3,441,526
126,022	43,313	6,918,163
1,600	130,443	1,600
3,304,792	3,273,488	260,191
277,000	99	254,363
120	-	-
3,709,534	3,447,343	7,434,317
19,091,323	15,941,971	19,632,174
298,580,858	226,862,221	199,397,188

16 Other borrowed funds

- Borrowings from central banks
 - For refinancing
- Other financial institutions
 - For refinancing
- Borrowings from banks
 - In Mauritius
 - Abroad

Remaining term to maturity
 Up to 3 months
 Over 3 months and up to 6 months
 Over 6 months and up to 12 months
 Over 1 year and up to 5 years
 Over 5 years

THE GROUP		
31 December 2021	31 December 2020	31 December 2019
MUR' 000	MUR' 000	MUR' 000
3,576,334	5,558,836	3,334,663
1,456,416	3,518,739	2,718,585
4,358,708	3,927,866	2,448,757
121,454	2,011,736	4,871,028
9,512,912	15,017,177	13,373,033
7,594,918	4,750,571	7,901,991
-	3,049,797	1,162,205
58,427	989,158	36,353
1,365,947	5,742,128	3,611,155
493,620	485,523	661,329
9,512,912	15,017,177	13,373,033

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

17 Taxation

Accounting policy

Income tax

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

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). A communique issued by BOM in 2020 clarified that Special Levy should be treated as a tax expense.

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 43.26% (2020: 43.26% and 2019: 43.26%), whereas that of Madagascar is 20% (2020: 20% and 2019: 20%) and Kenya is 30% (2020: 30% and 2019: 30%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

17 Taxation (cont'd)

17(a) Current tax liabilities

Current tax liabilities can be analysed as follows:

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Statement of financial position						
At 01 January	260,225	712,071	502,109	-	-	503
Income tax expenses	431,289	421,064	784,562	4,140	-	-
Corporate Social Responsibility contribution	74,655	70,257	43,597	-	-	860
Underprovision/(overprovision) in prior years	29,207	24,948	3,940	-	(336)	(503)
Paid during the year	(667,121)	(1,140,644)	(800,502)	-	336	(860)
Exchange difference	-	1,161	6,997	-	-	-
Bank levy payable	186,416	171,368	171,368	-	-	-
At 31 December	314,671	260,225	712,071	4,140	-	-

Current tax liabilities will repay within the next one year and is classified as a current liabilities.

17 Taxation (cont'd)

17(b) Taxation expense

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

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
In Mauritius	459,622	191,466	1,069,241	4,140	(336)	357
Overseas	(18,303)	108,660	(352,112)	-	-	-
Total tax expense	441,319	300,126	717,129	4,140	(336)	357
Income tax expense	471,052	445,615	803,719	4,140	(336)	(503)
Deferred income tax (Note 17b)	(291,506)	(398,481)	(301,792)	-	-	-
Corporate Social Responsibility contribution	74,655	70,266	43,597	-	-	860
Special levy on banks	186,416	171,368	171,211	-	-	-
Withholding tax	702	11,358	394	-	-	-
Total tax expense	441,319	300,126	717,129	4,140	(336)	357

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

17 Taxation (cont'd)

17(c) Tax reconciliation

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit/(loss) before income tax from continuing operations	2,178,307	1,313,230	752,450	(298,381)	(501,768)	737,535
Tax on accounting profit at applicable tax rates	142,640	210,194	102,216	(44,757)	(75,265)	110,630
Under/(Over) provision in previous periods	29,197	26,111	10,396	-	(337)	(503)
Non allowable expenses	249,393	153,114	679,277	162,496	101,024	122,863
Exempt income	(234,122)	(205,341)	(351,277)	(102,352)	(41,425)	(235,229)
Corporate social responsibility contribution	74,655	70,266	43,597	-	-	860
Special levy on banks	186,416	171,368	171,211	-	-	-
Deferred tax assets not recognised	(53)	(153,781)	95,676	(11,247)	15,667	1,736
Deferred tax on bargain purchase	(12,610)	-	-	-	-	-
Effect of tax rates in foreign jurisdiction	19,604	16,837	16,937	-	-	-
Tax loss utilised	(14,505)	-	(1,787)	-	-	-
Withholding tax	704	11,358	394	-	-	-
	441,319	300,126	766,640	4,140	(336)	357
Foreign tax credit	-	-	(49,511)	-	-	-
Total tax expense/(income)	441,319	300,126	717,129	4,140	(336)	357

17(d) 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

17 Taxation (cont'd)

17(d) Deferred tax assets/(liabilities) (cont'd)

Accounting policy (cont'd)

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 (2020: 7% & 5% and 2019: 7% & 3%). The change in the rate resulted in a tax credit of MUR 112.59 million in the statement of profit or loss and MUR 110.47 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.

Reconciliation of deferred tax assets/(liabilities)

	THE GROUP MUR' 000	THE COMPANY MUR' 000
At 01 January 2019	70,037	-
Exchange difference	(9,447)	-
Deferred income tax (Note 17a)	(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 17a)	(112,587)	-
	(355,992)	-
At 31 December 2019	(355,992)	-
At 01 January 2019	(355,992)	-
Exchange difference	(5,440)	-
Deferred income tax (Note 17a)	(398,481)	-
Deferred tax on retirement benefit obligations	(51,409)	-
Underprovision of deferred tax assets in prior years	5,212	-
	(806,110)	-
At 31 December 2020	(806,110)	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

17 Taxation (cont'd)

17(d) Deferred tax assets/(liabilities) (cont'd)

Reconciliation of deferred tax assets/(liabilities) (cont'd)

	THE GROUP	THE COMPANY
	MUR' 000	MUR' 000
At 01 January 2021	(806,110)	-
Exchange difference	(15,125)	-
Deferred income tax (Note 17a)	(291,506)	-
Deferred tax on retirement benefit obligations	25,667	-
At 31 December 2021	(1,087,073)	-

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Deferred tax assets	1,087,074	806,110	355,992	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
	1,087,074	806,110	355,992	-	-	-
Analysed as follows:						
Mauritius operations	521,576	497,123	219,302	-	-	-
Indian operations	-	-	-	-	-	-
Kenya operations	565,498	308,987	136,690	-	-	-
	1,087,074	806,110	355,992	-	-	-
Analysed as resulting from:						
Accelerated capital allowances	(29,892)	(142,376)	(201,527)	-	-	-
Allowances for credit impairment	663,072	667,424	525,758	-	-	-
Carried forward losses	-	(459,521)	137,828	-	-	-
Revaluation of property	(77,709)	-	(160,247)	-	-	-
Defined benefit plans and retirement residual gratuity	-	50,686	23,380	-	-	-
Bargain purchase	-	3,821	(374,805)	-	-	-
Interest payable	85,166	-	-	-	-	-
Other provisions	450,922	686,076	405,605	-	-	-
Exchange differences	(4,485)	-	-	-	-	-
	1,087,074	806,110	355,992	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

18 Other liabilities

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Statement of financial position						
Bills payable	322,231	230,908	381,142	-	-	-
Accruals for expenses	1,554,887	1,086,191	953,880	37,431	14,502	16,516
Accounts payable	4,952,612	3,629,367	4,406,467	125,570	196,704	96,072
Deferred income	49,976	60,863	56,795	-	-	-
Balance due in clearing	2,908	473	15,762	-	-	-
Balances in transit	971,013	862,905	899,888	-	-	-
ECL on memorandum Items (Note 22)	329,498	368,722	156,426	-	-	-
Others	139,792	90,927	309,617	-	-	-
	8,322,917	6,330,356	7,179,977	163,001	211,206	112,588

Deferred income has a maturity of over more than one year and is treated as non-current liabilities.

19 Subordinated debts

	THE GROUP AND THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Subordinated Bonds:			
Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024	1,514,667	1,514,667	1,521,542
Class B 1 series bond of USD floating interest rate senior unsecured bonds maturing in 2021	-	2,575,899	2,388,057
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	3,295,374	2,991,700	2,769,862
Class A 3 series bond of MUR fixed interest rate senior unsecured bonds maturing in 2031	1,003,452	-	-
Class B 3 series bond of MUR floating interest rate senior unsecured bonds maturing in 2031	1,003,333	-	-
	9,877,346	10,142,786	9,739,981

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

19 Subordinated debts (cont'd)

The public offer for the issue of subordinated senior unsecured multicurrency floating interest rate bonds for Class A 1 series Bond of MUR 1,000 million opened on 20 December 2013. 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 respectively 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 A2 and B2 Series Bonds of MUR 2 Billion and USD 50 Million respectively opened on 29 May 2018. Class A2 Series Bonds were oversubscribed and a maximum amount of MUR 3.06 Billion, of MUR 10,000 bonds with half yearly fixed coupon payment of 5.75% per annum maturing in 2028, was retained including the optional amount. Similarly an amount of USD 75.66 Million, of USD 1,000 bonds with half yearly payment of fixed coupon rate of 4.75% 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 million has matured in May 2021. This was fully repaid during the year.

Private placement of Subordinated Tier II bonds amounting to MUR 2 Bilion at a price of MUR 10,000 per bond maturing 2031, issued in two series: Series A3 and Series B3, at the rate of 4.2% and 4.0%.

20 Stated capital and treasury shares

Authorised, issued and paid up share capital

At 31 December 2021

At 31 December 2020

At 31 December 2019

Treasury shares held

At 31 December 2021

At 31 December 2020

At 31 December 2019

THE GROUP		THE COMPANY	
Number	MUR' 000	Number	MUR' 000
3,037,402,230	32,500,204	3,037,402,230	32,500,204
3,037,402,230	32,500,204	3,037,402,230	32,500,204
3,037,402,230	32,500,204	3,037,402,230	32,500,204
455,610,330	4,875,031	455,610,330	4,875,031
455,610,330	4,875,031	455,610,330	4,875,031
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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

21 Dividend

Accounting policy

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

	THE GROUP			THE COMPANY		
	31 December 2021 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2021 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000
Dividend declared after the reporting date: 2020: nil; 2019: nil; 2018: 5 cents per share of nominal 10 cents	-	-	-	-	-	-
Dividend declared in preceeding year and paid in current year: 2019: nil 2018: 5 cents; 2017: 10 cents	-	-	129,090	-	-	129,090
Dividend declared and paid in current year: 2020: nil; 2019: 30 cents; 2018: 25 cents	-	-	774,542	-	-	774,542
	-	-	903,632	-	-	903,632
Less dividend declared and paid during the year	-	-	(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

22 Memorandum items

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

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Acceptances on account of customers	1,878,468	361,590	792,774
Guarantees on account of customers	13,377,544	11,433,868	8,037,776
Letters of credit and other obligations on account of customers	3,196,187	3,974,549	760,345
Other contingent items	2,706,038	202,295	185,584
	21,158,237	15,972,302	9,776,479
	21,042,819	15,342,522	13,675,505
	319,258	227,129	195,680
	2,003,361	1,584,874	982,276
	2,322,619	1,812,003	1,177,956
Total Note 38b(iii)	44,523,675	33,126,827	24,629,940

b. Commitments

Undrawn credit facilities

c. Other

Inward bills held for collection

Outward bills sent for collection

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

22 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.

Internal rating grade

Performing

High grade

Standard grade

Sub-standard grade

Past due but not impaired

Non-performing

Individually impaired

Total Note(40 b(i))

Internal rating grade

Performing

High grade

Standard grade

Sub-standard grade

Past due but not impaired

Non-performing

Individually impaired

Total Note(40 b(i))

Internal rating grade

Performing

High grade

Standard grade

Sub-standard grade

Non-performing

Individually impaired

Total Note(40 b(i))

31 December 2021			
Stage 1 Individual	Stage 2 Individual	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
21,213,380	1,255	-	21,214,636
14,276,586	707,855	-	14,984,442
6,731,992	1,431,873	-	8,163,864
-	-	-	-
-	-	160,734	160,734
42,221,958	2,140,983	160,734	44,523,675

31 December 2020			
Stage 1 Individual	Stage 2 Individual	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
16,897,993	8,047	-	16,906,040
8,939,807	334,060	-	9,273,867
5,652,053	1,050,224	-	6,702,277
-	54,140	-	54,140
-	-	190,503	190,503
31,489,853	1,446,471	190,503	33,126,827

31 December 2019			
Stage 1 Individual	Stage 2 Individual	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
10,172,295	73,281	-	10,245,576
4,891,646	1,196,573	-	6,088,219
7,306,494	988,646	-	8,295,140
-	-	1,005	1,005
22,370,435	2,258,500	1,005	24,629,940

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

22 Memorandum items (cont'd)

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

	31 December 2021			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January 2021	31,489,853	1,446,471	190,503	33,126,827
New exposures	22,975,389	906,474	16,127	23,897,990
Exposures derecognised or matured/lapsed	(12,373,901)	(1,073,030)	(47,009)	(13,493,939)
Transfers to stage 1	285,413	(285,413)	-	-
Transfers to stage 2	(1,132,617)	1,132,617	-	-
Transfers to stage 3	-	(1,020)	1,020	-
Translation adjustments	977,821	14,884	93	992,798
Gross carrying amount as at 31 December 2021	42,221,958	2,140,983	160,734	44,523,675

	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	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	-
Translation adjustments	121,181	1,294	-	122,475
Gross carrying amount as at 31 December 2020	31,489,853	1,446,471	190,503	33,126,827

	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 2019	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	-
Translation adjustments	157,886	416	-	158,302
Gross carrying amount as at 31 December 2019	22,370,435	2,258,500	1,005	24,629,940

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

22 Memorandum items (cont'd)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows: (cont'd)

	31 December 2021			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2021	106,503	111,407	150,812	368,722
New exposures	70,059	22,429	28,533	121,022
Exposures derecognised or repaid	(66,650)	(78,972)	(16,974)	(162,596)
Transfers to stage 1	244	(244)	-	-
Transfers to stage 2	(3,139)	3,139	-	-
Transfers to stage 3	-	(1)	1	-
Foreign exchange adjustments	2,143	158	49	2,350
At 31 December 2021	109,160	57,916	162,421	329,497

	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	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	525	-	-	525
At 31 December 2020	106,503	111,407	150,812	368,722

	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	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	3,720	-	98	3,818
At 31 December 2019	132,462	15,508	8,455	156,425

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

22 Memorandum items (cont'd)

The Group is subject to various legal claims from former employees and customers with claims totaling MUR 741.9 million (2020: MUR 724.8 million; 2019: MUR 932.8 million). Out of these, the Group has made a provision of only MUR 50.9 million as at 31 December 2021 while for the remaining amount of MUR 696 million, the Group has not made any provision on the basis that so far there is no indication that the claims would succeed in court.

In 2019, Kenya Revenue Authority (KRA) demanded from SBM Bank (Kenya)Ltd ("SBMBK"), excise duty on gain on business combination that was recognized in the financial statements for the period ended 31 December 2018. This demand notice was disputed by SBMBK and an appeal lodged at the Tax Tribunal through the services of a tax consultant. The appeal was not granted by the Tax Tribunal citing gaps in documentation provided by SBMBK. The latter has appealed against the decision of the Tax Tribunal in the High Court. The hearing and determination of the appeal is being awaited. The directors, in consideration of the underlying facts about the demand notice, are confident that SBMBK is not liable for payment of this tax. Consequently, no provision has been made in these financial statements for the principal tax, penalties and interest totaling KShs 400 millon (MUR 154 million).

23 Assets pledged

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

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Treasury bills/Government bonds	4,461,014	9,470,767	3,638,940
Other	-	5,704,231	-
	4,461,014	15,174,998	3,638,940
Analysed as:			
- In Mauritius	4,076,830	6,555,000	70,000
- Overseas	384,184	8,619,998	3,568,940
	4,461,014	15,174,998	3,638,940

24 Capital commitments

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Approved and contracted for	253,748	101,081	187,111
Approved and not contracted for	219,599	282,953	402,998

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

25 Net interest income/(expenses)

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest Income using the effective interest method						
Cash and cash equivalents	107,187	120,984	264,649	-	-	-
Loans to and placements with banks	124,105	133,551	229,843	-	-	-
Loans and advances to non-bank customers	7,318,631	6,782,849	6,592,597	-	-	-
Investment securities at amortised cost	3,317,068	2,942,378	2,529,391	70,976	51,929	76,627
Investment securities at FVTOCI	855,114	1,051,956	1,197,111	-	357	1,236
Other	-	22,672	-	-	-	-
	11,722,105	11,054,390	10,813,591	70,976	52,286	77,863
Interest income on financial instruments at fair value						
Investment securities at FVTPL	(19,676)	13,591	24,771	-	-	-
Derivatives held for risk management	155,159	188,422	122,786	-	-	-
	135,483	202,013	147,557	-	-	-
Total interest income	11,857,588	11,256,403	10,961,148	70,976	52,286	77,863
Interest expense using the effective interest method						
Deposits from non-bank customers	(2,914,145)	(2,450,927)	(2,971,139)	-	-	-
Other borrowed funds	(497,524)	(669,903)	(650,468)	-	-	-
Subordinated debts	(444,726)	(444,508)	(476,589)	(445,205)	(444,508)	(476,589)
Interest expense on lease liabilities	64,906	(60,093)	(57,280)	-	-	-
Total interest expense	(3,921,301)	(3,625,431)	(4,155,476)	(445,205)	(444,508)	(476,589)
Other interest expense						
Derivatives held for risk management	(395,716)	(434,831)	(163,906)	(30,575)	(50,728)	(9,784)
Total interest expense	(4,317,017)	(4,060,262)	(4,319,382)	(475,780)	(495,236)	(486,373)
Net interest income/(expense)	7,540,571	7,196,141	6,641,766	(404,804)	(442,950)	(408,510)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

26 Net fee and commission income/(expense)

	THE GROUP			THE COMPANY		
	31 December 2021 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000 <i>Restated</i>	31 December 2021 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000
Fee and commission income						
Retail banking customer fees	408,224	331,815	340,641	-	-	-
Corporate banking customer fees	611,354	461,586	472,319	-	-	-
Brokerage income	75,511	43,213	44,272	-	-	-
Asset management fees	59,347	40,684	42,956	-	-	-
Card income	370,937	370,742	411,385	-	-	-
Other*	238,011	203,331	164,971	-	-	-
Total fee and commission income	1,763,384	1,451,371	1,476,544	-	-	-
Fee and commission expense						
Interbank transaction fees	(41,695)	(37,467)	(2,344)	-	-	-
Brokerage	-	(1,042)	(18,719)	-	-	-
Other	(37,915)	(18,803)	(22,445)	-	(13)	(150)
Total fee and commission expense	(79,610)	(57,312)	(43,508)	-	(13)	(150)
Net fee and commission income/(expense)	1,683,774	1,394,059	1,433,036	-	(13)	(150)

* Out of the other fee and commission income (2021: MUR'000 238,011); ((2020: MUR'000 203,331) and ((2019: MUR'000 164,971) an amount of MUR'000 108,112; MUR'000 103,284 pertain to revenue from contract with customers disclosed in note 26.a.(i).

26(a) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

26(a) Revenue from contracts with customers (cont'd)

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.

Determine the transaction price

SBM Mauritius Asset Managers Ltd

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

26(a) Revenue from contracts with customers (cont'd)

Accounting policy (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

26(a) Revenue from contracts with customers (cont'd)

Accounting policy (cont'd)

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.

SBM Factors Ltd

Factoring fees are allocated to each batch of invoices being financed.

Signing fee is fixed amount charged to the client.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

26(a) Revenue from contracts with customers (cont'd)

Accounting policy (cont'd)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

26(a) Revenue from contracts with customers (cont'd)

Accounting policy (cont'd)

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

26(a)(i) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	THE GROUP		
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
	MUR' 000	MUR' 000	MUR' 000
<u>SBM Mauritius Asset Managers Ltd</u>			
Management fees	42,337	37,444	36,781
Retrocession fees	-	-	2,682
Entry and exit fees	4,364	2,628	3,387
Arranger fees	314	612	-
Commission from structured products	-	-	106
Asset management fees	47,015	40,684	42,956
<u>SBM Capital Markets Ltd</u>			
Commission income - local equity	20,065	5,709	21,597
Commission income - foreign equity	40,160	26,299	9,421
Commission income - local bonds	985	1,180	793
Commission income - foreign bonds	20,114	10,025	12,461
Brokerage income	81,324	43,213	44,272
<u>SBM Capital Markets Ltd</u>			
Entry and exit fees	1,126	1,822	612
Management fees	19,946	12,488	2,871
Retrocession fees	6,782	5,469	1,659
Advisory fees	5,509	4,121	8,596
<u>SBM Fund Services Ltd</u>			
Registry fees from Funds	5,434	4,784	3,569
Registry fees from other clients	5,725	4,886	4,357
Trustee fees	902	903	942
Debenture holder representative fees	300	-	-
Administrative fees	6,162	5,455	5,176

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

26(a)(i) Disaggregated revenue information (cont'd)

	THE GROUP		
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
	MUR' 000	MUR' 000	MUR' 000
<u>SBM Factors Ltd</u>			
Factoring fees	4,868	21,055	17,862
Signing fees	-	75	96
<u>SBM E-Business Ltd</u>			
Setup fee	118	296	-
Network fee	3,065	-	-
Administrative fee	2,139	-	-
<u>SBM Insurance Agency Ltd</u>			
Life commission	14,072	12,797	12,845
General commission	5,424	2,741	2,394
DTA commission	26,539	26,392	23,103
Others	108,111	103,284	84,082
Total revenue from contracts with customers	236,450	187,181	171,310
<u>Geographical markets</u>			
Mauritius	169,393	145,092	145,090
Europe	11,604	5,469	12,399
US	54,247	21,972	8,538
Asia Pacific	603	6,225	2,244
Africa	603	8,423	3,039
Total revenue from contracts with customers	236,450	187,181	171,310
<u>Timing of revenue recognition</u>			
Services transferred at a point in time	148,862	115,752	111,158
Services transferred over time	87,588	71,429	60,152
Total revenue from contracts with customers	236,450	187,181	171,310

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

27 Net trading income

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit arising from dealing in foreign currencies	1,344,118	734,553	641,117	-	-	-
Debt securities	83,840	179,722	443,234	-	-	-
Other interest rate instruments	63,055	137,119	153,060	-	-	-
	1,491,013	1,051,394	1,237,411	-	-	-

28(a) Net gain/(losses) from financial assets at fair value through profit or loss

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets measured at fair value through profit or loss	163,246	(63,755)	(94,902)	88,596	366,601	-
Derivatives held for risk management purposes	44,753	18,086	(59,044)	35,507	9,847	(8,422)
	207,999	(45,669)	(153,946)	124,103	376,448	(8,422)

28(b) Net gains on derecognition of financial assets measured at amortised cost

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets measured at amortised cost	5,890	180,325	27,110	5,890	2,372	6,396
	5,890	180,325	27,110	5,890	2,372	6,396

Disposal of financial assets in SBM Holdings was made for capital injection purposes in the subsidiaries of the group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

28(c) Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Debt securities measured at FVTOCI	720,847	1,245,740	231,379	-	-	371
	720,847	1,245,740	231,379	-	-	371

The Group has realised significant gains during the year which was driven by the Group's treasury management operation.

29 Other operating income

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gain on disposal of property and equipment	925	90,482	4,493	2,013	-	-
Dividend income from financial assets measured at FVTOCI	139,699	133,255	220,652	52,345	54,467	187,581
Dividend income from investment in subsidiaries	-	-	-	500,000	220,000	1,382,875
Others	4,432	(24,166)	-	73,916	-	-
	145,056	199,571	225,145	628,274	274,467	1,570,456

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

30 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 13 for accounting policy on defined benefit plans.

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Salaries	2,660,365	2,340,238	2,304,430	89,942	48,566	67,826
Other social security obligations	23,821	20,214	31,130	895	652	831
Contributions to defined contribution plans	219,589	181,161	187,188	9,414	3,359	7,117
Defined benefit plans (Notes 13 (a))	60,905	39,545	34,166	3,045	(223)	1,363
Residual retirement gratuities (Notes 13 (b))	30,172	(79,331)	34,313	-	-	-
Staff welfare cost	394,509	340,489	246,394	4,200	3,672	3,003
	3,389,361	2,842,316	2,837,621	107,496	56,026	80,140

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

31 Other expenses

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	947,171	783,999	692,661	1,033	2,571	73
Utilities	76,233	71,470	88,161	91	185	-
Professional charges	412,512	203,596	236,595	22,020	14,478	22,420
Marketing costs	102,558	84,403	124,161	5,333	1,563	6,555
Rent, repairs and maintenance	254,265	193,090	168,030	4	-	-
Licence and other registration fees	148,066	37,334	60,332	26,609	8,188	15,249
Other*	822,375	885,505	814,814	358,776	502,918	296,904
	2,763,180	2,259,397	2,184,754	413,866	529,904	341,201

* Includes mainly printing,stationary,subscription and other operational cost

32 Credit loss expense on financial assets and memorandum item

The table below shows the impairment charges recorded in the statements of profit or loss under IFRS 9 during 2021:

THE GROUP	31 DECEMBER 2021			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	(161,280)	498,418	2,506,602	2,843,740
Loans and placements with banks*	(9,695)	-	-	(9,695)
Debt instruments measured at amortised cost and FVTOCI**	(96,740)	23,552	-	(73,188)
Other receivables	7,022	-	-	7,022
Loan commitments	17,885	-	-	17,885
Off balance sheet items (guarantees, letters of credit, acceptances)	(17,370)	(53,649)	11,560	(59,459)
Total credit loss expense under IFRS 9	(260,178)	468,321	2,518,162	2,726,305
Write off	-	-	-	163,082
Bad debts recovered	-	-	-	(414,494)
	(260,178)	468,321	2,518,162	2,474,893

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

32 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 2021: (cont'd)

THE COMPANY	31 DECEMBER 2021			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
	(764)	-	-	(764)
Debt instruments measured at amortised cost	(764)	-	-	(764)
Total credit loss expense under IFRS 9				
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	240,788	(861,269)	4,286,736	3,666,255
Loans and placements with banks*	(7,734)	-	-	(7,734)
Debt instruments measured at amortised cost and FVTOCI**	(61,017)	24,664	-	(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	142,357	226,526
Total credit loss expense under IFRS 9	155,294	(740,706)	4,429,093	3,843,681
Write off	-	-	-	185,372
Bad debts recovered	-	-	-	(271,651)
	155,294	(740,706)	4,429,093	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

32 Credit loss expense on financial assets and memorandum item (cont'd)

THE GROUP	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
	(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.

33 Earnings per share

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

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	1,736,988	1,013,104	35,321
	1,738,869	1,021,010	17,356
Profit for the year from continuing operations	2,581,792	2,581,792	2,581,792
Profit attributable to equity holders of the parent			
Number of shares entitled to dividend (thousands)			
From continuing operations			
Basic and diluted earnings per share (cents)	67.3	39.2	1.4
From continuing and discontinued operations			
Basic and diluted earnings per share (cents)	67.4	39.5	0.7

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

34 Net cash from operating activities

Notes	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash flows from operating activities						
Profit for the year	1,738,869	1,021,010	17,356	(302,518)	(501,432)	737,178
Adjustments to determine net cash flows:						
Depreciation of property and equipment	10(a) 288,042	290,350	268,967	969	1,671	2,142
Depreciation of right of use assets	10(b) 212,381	183,480	204,214	-	-	-
Amortisation of intangible assets	11 488,986	575,386	616,923	274	274	208
Impairment of equity investment	-	-	-	130,000	124,000	-
Write off of property plant and equipment	10(a) -	37	10,293	-	-	-
Pension expense	30 91,077	(39,786)	68,479	3,045	(223)	-
Net impairment loss on financial assets	2,474,897	3,757,401	2,916,209	(764)	217	(1,085)
Write off of intangible assets	11 14,470	14,099	15,240	-	-	-
Exchange difference	715,966	481,978	641,350	(134,267)	369,616	335,824
Net gain from dealings in trading securities	29 (1,344,118)	(1,049,474)	(1,234,987)	-	-	-
Net (gain)/loss on disposal of property and equipment	29 (7,630)	4,017	(4,493)	-	-	-
Net gain on financial assets at amortised cost	28 (b) (5,890)	(180,325)	(27,110)	(5,890)	(2,372)	(6,396)
Investment securities at fair value through profit or loss	(124,103)	(18,086)	59,043	(124,103)	(376,448)	8,422
Interest income	(11,857,588)	(11,256,403)	(10,666,034)	(70,976)	(52,286)	(77,863)
Interest expense	4,317,017	4,000,169	4,262,102	475,780	495,236	476,589
Interest on lease liabilities	10(b) 60,093	60,093	57,280	-	-	-
Tax expense	17 b 430,061	300,126	717,129	4,140	(336)	357
Share of profit of associate	9(c) -	-	(139,236)	-	-	-
Dividend income	29 (139,699)	(135,175)	(223,076)	(274,467)	(274,467)	(1,570,456)
Operating (loss)/profit before working capital changes	(2,647,169)	(1,991,103)	(2,440,351)	(298,777)	(216,550)	(95,080)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

34 Net cash from operating activities (cont'd)

Notes	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Change in operating assets and liabilities						
Increase/(decrease) in trading assets	1,369,079	1,176,189	1,178,636	(72,099)	(6,121)	(28,289)
Decrease in loans to and placements with banks	2,307,720	3,816,911	1,728,743	-	-	-
Increase in loans and advances to non bank customers	(13,128,266)	(14,343,348)	(10,387,568)	-	-	-
(Increase)/decrease in gilt-edged investment securities	(33,553,396)	(18,839,350)	(22,308,819)	973,467	(17,218)	1,432,088
Increase in mandatory balances with central banks	(2,355,182)	(610,076)	(703,027)	-	-	-
(Increase)/decrease in other assets	(367,043)	17,766	(1,495,004)	(101,247)	181,796	(78,206)
(Decrease)/increase in trading liabilities	(520,089)	153,620	117,193	-	-	-
Increase in deposits from banks	1,366,687	495,793	190,819	-	-	-
Increase in deposits from non-bank customers	71,718,637	27,465,033	30,012,707	-	-	-
Increase/(decrease) in other liabilities	1,992,561	(957,165)	1,015,681	(48,684)	98,618	80,150
Pension contribution paid	13 (a) (46,802)	(302,619)	(106,524)	(470)	(2,613)	-
Interest received	11,857,588	11,256,403	10,666,034	41,687	22,997	70,537
Interest paid	(4,256,924)	(4,000,169)	(4,262,102)	-	(462,046)	(485,108)
Income tax (paid)/received	17 c (667,121)	(1,140,644)	(800,502)	-	336	(860)
Net cash from/(used in) operating activities	33,070,280	2,197,241	2,405,916	493,877	(400,801)	895,232

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

35 Related party disclosures

Accounting policy

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

THE GROUP

	Key management personnel including directors			Associates and other entities in which the Group has significant influence			Entities under common control		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Credit facilities									
<i>(i) Loans</i>									
Balance at beginning of year	347,588	137,288	209,711	-	2,828,699	2,589,191	(12,974)	1,417,901	1,687,766
Loans to directors/entities who ceased to be related parties during the year	(916)	(56,568)	(49,167)	-	-	-	-	(1,417,901)	(256,891)
Existing loans of new related parties	29,894	34,669	24,067	-	-	-	-	-	-
Exchange difference	55	25	3,578	-	-	-	-	-	-
Other net movements	99,027	115,216	11,709	-	(2,828,699)	239,508	12,974	(12,974)	(12,974)
Balance at end of year	475,648	230,630	199,898	-	-	2,828,699	-	(12,974)	1,417,901
<i>(ii) Off-balance sheet obligations</i>									
Balance at end of year	-	-	-	-	-	720,982	165,360	165,360	42,235
(b) Deposits at end of year	217,575	242,961	225,959	-	-	2,031,404	59,581	59,581	696,682
(c) Interest income	7,527	7,432	11,904	-	-	84,331	15,027	15,027	73,085
(d) Interest expense	2,139	1,692	1,720	-	-	29,358	9	9	968
(e) Other income	423	186	51	-	-	12,548	5,882	5,882	29,876
(f) Dividend income	-	-	-	-	-	-	-	-	-
(g) Purchase of goods and services	-	-	12,549	-	-	-	602	602	-
(h) Emoluments	89,703	53,096	166,466	-	-	-	-	-	-

Short term benefits amounted to MUR 59.3 million at the reporting date (2019: MUR 59.3 million and 2018: MUR 56.8 million) and long term benefits was nil at the reporting date (2019 and 2018: nil)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

35 Related party disclosures (cont'd)

THE COMPANY

- (a) Cash and Cash equivalents at year end
- (b) Derivative financial liability
- (c) Payables
- (d) Interest expense
- (e) Dividend income
- (f) Services recharged
- (g) Management support cost

Entities in which the company has control		
31 December 2021	31 December 2020	31 December 2019
MUR' 000	MUR' 000	MUR' 000
90,055	304,473	178,632
-	41,524	47,645
91,645	168,468	75,026
30,575	50,728	9,784
500,000	220,000	1,382,875
73,851	90,007	1,314
14,495	-	-

Related party transactions in relation to Post employment benefit plans are as follows:

- Deposits at end of year
- Interest expense
- Other income
- Contributions paid

THE GROUP		
31 December 2021	31 December 2020	31 December 2019
MUR' 000	MUR' 000	MUR' 000
313,666	188,549	211,640
1,587	1	216
4	4	-
161,360	132,322	172,701

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

36 Capital management

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

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

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.

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Tier 1 capital	21,906,513	20,626,490	19,944,878
Eligible capital	32,730,005	30,669,954	30,175,351
Risk weighted assets	153,042,844	148,284,367	136,015,554
Capital adequacy ratio (%)	21.39	20.68	22.19

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).

37 Other reserves

	Net unrealised investment fair value reserve	Net translation reserve	General reserve	Net other reserve	Earnings reserve	Restructure reserve	Total
THE GROUP	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
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	352,874	-	-	-	-	1,117,648
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)	267,386	-	-	2,935,807	(8,316,147)	(5,262,097)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

37 Other reserves (cont'd)

	Net unrealised investment fair value reserve	Net translation reserve	General reserve	Net other reserve	Earnings reserve	Restructure reserve	Total
THE GROUP (CONT'D)	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2020	(149,143)	267,386	-	-	2,935,807	(8,316,147)	(5,262,097)
Other comprehensive income for the year	209,300	113,072	-	-	-	-	322,372
Reclassification of reserves	-	-	1,131	-	-	-	1,131
Transfer from retained earnings to general reserve	-	-	589,241	-	-	-	589,241
At 31 December 2020	60,157	380,458	590,372	-	2,935,807	(8,316,147)	(4,349,353)
At 01 January 2021	60,157	380,458	590,372	-	2,935,807	(8,316,147)	(4,349,353)
Other comprehensive income for the year	(1,383,227)	474,092	-	-	-	-	(909,135)
Transfer from retained earnings	-	-	120,584	-	-	-	120,584
Reclassification of reserves	-	265	-	-	-	-	265
At 31 December 2021	(1,323,070)	854,815	710,956	-	2,935,807	(8,316,147)	(5,137,639)

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.

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 accounted for as an appropriation of retained profits and the reserve for reduction.

Earnings reserve

The earnings reserve has arisen due to the fair value of assets and liabilities during the restructuring exercise done in October 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 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 approve the risk policies and a set of prudential limits and risk tolerance limits, besides regulatory limits, within which the Group operates. The Senior Management team monitors risks 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 (i) 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	Classification and measurement category	31 December 2021	31 December 2020	31 December 2019
Financial assets		MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	Amortised cost	47,636,821	21,577,245	18,181,126
Mandatory balances with central banks	Amortised cost	13,645,545	11,290,363	10,680,287
Derivative financial instruments	Fair value through P&L	784,250	809,211	936,093
Loans to and placements with banks	Amortised cost	837,970	3,130,387	6,942,745
Loans and advances to non-bank customers	Amortised cost	130,393,807	119,857,873	109,198,564
Investment securities	Amortised cost	61,196,622	45,769,375	27,594,362
Investment securities	Fair value through OCI	76,348,809	58,899,447	54,385,410
Investment securities	Fair value through P&L	8,795,454	9,580,368	11,995,117
Equity investment	Fair value through OCI	5,416,262	5,181,355	6,316,046
Equity investment	Fair value through P&L	1,669,600	1,622,852	-
Other assets	Amortised Cost	2,878,828	2,650,217	2,797,855
Total financial assets		349,603,968	280,368,693	249,027,605
Financial liabilities				
Deposits from banks	Amortised Cost	2,770,002	1,403,315	907,521
Deposits from non-bank customers	Amortised Cost	298,580,858	226,862,221	199,397,188
Derivative financial instruments	Fair value through P&L	759,896	1,279,984	1,126,364
Other borrowed funds	Amortised Cost	9,512,912	15,017,177	13,373,033
Lease liabilities	Amortised Cost	740,902	804,407	795,345
Other liabilities	Amortised Cost	7,738,986	6,009,465	7,191,434
Subordinated debts	Amortised Cost	9,877,346	10,142,786	9,739,981
Total financial liabilities		329,980,902	261,519,355	232,530,866

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

THE COMPANY	Classification and measurement category	31 December 2021	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000
Financial assets				
Cash and cash equivalents	Amortised cost	90,055	304,473	178,632
Investment securities	Amortised cost	587,201	1,076,799	1,064,041
Investment securities	Fair value through P&L	289,049	661,057	598,699
Investment securities	Fair value through OCI	8,981	8,637	7,738
Equity investment	Fair value through OCI	4,004,362	3,636,307	4,227,683
Equity investment	Fair value through P&L	1,669,600	1,622,331	-
Other assets	Amortised Cost	150,966	48,900	231,000
Total financial assets		6,800,214	7,358,505	6,307,793
Financial liabilities				
Derivative financial instruments	Fair value through P&L	-	41,524	47,645
Other liabilities	Amortised Cost	163,001	211,206	112,588
Subordinated debts	Amortised Cost	9,877,346	10,142,786	9,739,981
Total financial liabilities		10,040,347	10,395,516	9,900,214

An amount of MUR 700 million pertaining to security deposits, prepayments and taxes has been excluded from other assets under the above section. (2020: MUR 568 million; 2019: MUR 438 million)

An amount of MUR 584 million pertaining to taxes has been excluded from other liabilities under the above section. (2020: MUR 321 million; 2019: MUR 11 million)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

a (i) Fair values

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 38a (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.

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

	31 December 2021		31 December 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
THE GROUP	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets						
Cash and cash equivalents	47,636,821	47,636,821	21,577,245	21,577,245	18,181,126	18,181,126
Mandatory balances with central banks	13,645,545	13,645,545	11,290,363	11,290,363	10,680,287	10,680,287
Loans to and placements with banks	837,970	837,970	3,130,387	3,130,387	6,942,745	6,942,745
Derivative financial instruments	784,250	784,250	809,211	809,211	936,093	936,093
Loans and advances to non-bank customers	130,393,807	130,100,343	119,857,873	119,670,345	109,198,564	108,953,890
Investment securities	153,426,747	151,905,238	121,053,397	123,216,788	100,290,935	100,937,032
Other assets	2,878,828	2,878,828	2,650,217	2,650,217	2,797,855	2,797,855
	349,603,968	347,788,995	280,368,693	282,344,556	249,027,605	249,429,028
Financial liabilities						
Deposits from banks	2,770,002	2,770,002	1,403,315	1,403,315	907,521	907,521
Deposits from non-bank customers	298,580,858	298,596,843	226,862,221	226,889,978	199,397,188	199,396,303
Other borrowed funds	9,512,912	9,512,912	15,017,177	15,017,177	13,373,033	13,373,033
Derivative financial instruments	759,896	759,896	1,279,984	1,279,984	1,126,364	1,126,364
Lease liabilities	740,902	740,902	804,407	804,407	795,345	795,345
Other liabilities	7,738,986	7,738,986	6,009,465	6,009,465	7,191,434	7,191,434
Subordinated debts	9,877,346	9,877,346	10,142,786	10,142,786	9,739,981	9,739,981
	329,980,902	329,996,887	261,519,355	261,547,112	232,530,866	232,529,981

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

a (i) Fair values (cont'd)

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

	31 December 2021		31 December 2020		31 December 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
COMPANY	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets						
Cash and cash equivalents	90,055	90,055	304,473	304,473	178,632	178,632
Investment securities	6,559,193	6,545,068	7,005,132	7,519,611	5,898,161	6,298,302
Other assets	150,966	150,966	48,900	48,900	231,000	231,000
	6,800,214	6,786,089	7,358,505	7,872,984	6,307,793	6,707,934
Financial liabilities						
Derivative financial instruments	-	-	41,524	41,524	47,645	47,645
Other liabilities	163,001	163,001	211,206	211,206	112,588	112,588
Subordinated debts	9,877,346	9,877,346	10,142,786	10,142,786	9,739,981	9,739,981
	10,040,347	10,040,347	10,395,516	10,395,516	9,900,214	9,900,214

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

Deposits from non-bank customers

a (ii) Fair value measurement hierarchy

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.

Except for the levels in which the financial assets and financial liabilities are shown in table 38 (a)(iii), the fair values of the other financial assets and financial liabilities are categorised in level 3.

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 Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2021								
Derivative financial assets	-	784,250	-	784,250	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	8,229,271	-	566,183	8,795,454	289,049	-	-	289,049
Equity securities	-	1,669,600	-	1,669,600	-	1,669,600	-	1,669,600
Investments at FVTOCI (debt and equity instruments)								
Debt securities	69,304,669	5,449,990	1,594,150	76,348,809	8,981	-	-	8,981
Equity securities	82,693	628,394	4,705,174	5,416,261	-	-	4,004,362	4,004,362
Total assets	77,616,633	8,532,234	6,865,507	93,014,373	298,030	1,669,600	4,004,362	5,971,992
Derivative financial liabilities	-	759,896	-	759,896	-	-	-	-

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For the year ended 31 December 2021

38 Risk Management (cont'd)

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

	THE GROUP				THE COMPANY			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020								
Derivative financial assets	-	809,211	-	809,211	-	-	-	-
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	54,193,777	3,805,254	900,416	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	63,845,104	6,932,521	5,315,608	76,093,233	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
31 December 2019								
Derivative financial assets	-	936,093	-	936,093	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	11,445,809	-	549,308	11,995,117	598,699	-	-	598,699
Equity securities	-	-	-	-	-	-	-	-
Investments at FVTOCI (debt and equity instruments)								
Debt securities	50,494,293	2,999,631	891,486	54,385,410	7,738	-	-	7,738
Equity securities	384,887	802,826	5,128,333	6,316,046	-	-	4,227,683	4,227,683
Total assets	62,324,989	4,738,550	6,569,126	73,632,666	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

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

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)	369,852,131	(369,852,131)

Reconciliation of level 3 assets:

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Balance at start of year	5,315,608	6,569,126	5,469,102	3,636,307	4,227,683	4,227,683
Additions	1,853,822	419,855	1,486,216	-	-	-
Disposals	(656,982)	(1,037,314)	(2,493)	-	-	-
Exchange difference	(16,653)	77,081	(11,436)	-	-	-
Movement in fair value	369,712	(713,140)	(372,263)	368,055	(591,376)	-
Balance at end of year	6,865,507	5,315,608	6,569,126	4,004,362	3,636,307	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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

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

(i) Maximum credit exposure

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

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<u>Fund-based exposures:</u>						
Cash and cash equivalents	44,372,803	18,244,110	15,268,102	90,055	304,473	178,632
Mandatory balances with Central Banks	13,645,545	11,290,363	10,680,287	-	-	-
Loans to and placements with banks	843,079	3,150,745	6,968,226	-	-	-
Derivative financial instruments	784,250	809,211	936,093	-	-	-
Loans and advances to non-bank customers	145,085,800	135,601,447	121,455,553	-	-	-
Investment securities	153,483,834	121,185,269	100,457,370	6,559,207	1,738,633	1,671,039
Other assets	2,878,828	2,650,217	2,797,855	150,966	48,900	231,000
	361,094,139	292,931,362	258,563,486	6,800,227	2,092,006	2,080,671
<u>Non-fund based exposures:</u>						
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	23,480,856	17,784,305	10,954,435	-	-	-
Credit commitments	21,042,819	15,342,522	13,675,505	-	-	-
	44,523,675	33,126,827	24,629,940	-	-	-

An analysis of the Group's maximum exposure to credit risk per class of financial asset, internal rating and 'stage', at the reporting date, without taking account of any collateral held and other credit enhancements have been disclosed in the respective notes 8 and 9.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 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 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Grades:			
1 to 3 - High grade	67,461,972	29,605,582	43,942,917
4 to 6 - standard	53,838,713	43,604,083	46,220,106
7 to 10 (including unrated) - sub standard	40,850,474	73,785,457	31,136,274
	162,151,159	146,995,122	121,299,297

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 2021		31 December 2020		31 December 2019	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Modified loans	14,877,456	726,931	25,441,261	353,714	12,494,575	326,436

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

(ii) Credit risk assessment

The credit risk management framework is further supported by the policies and procedures in place to appropriately maintain and validate models to assess and measure ECL.

The Group uses a combination of credit rating (internal and external) and statistical regression analyses to determine the probability of default. Statistical regression is derived using an analysis of historical data, whereby the Group has estimated relationships between macro-economic variables, credit risk and credit losses. Country rating is also factored in ECL computation for non-resident counterparties.

Governance and post model adjustments

The IFRS 9 PD, EAD and LGD models are subject to SBM'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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (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.

Bank's credit risk grades	BOM external rating grade	Standard & Poor's rating services	Moody's Investors rating	Moody's Investors rating	Description
1 - 3	1	AAA to AA-	Aaa to Aa3	AAA to AA-	High grade
4	2	A+ to A -	A1 to A3	A+ to A -	Standard
5	3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	Standard
6	4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	Standard
7	5	B+ to B-	B1 to B3	B+ to B-	Sub-standard
8 - 10	6	CCC+ to D	Caa1 to D	CCC+ to D	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 ECL

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 below. The 12mECL is a compounded element of the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

Internal credit risk ratings (cont'd)

1. Inputs, assumptions and techniques used in estimating ECL (cont'd)

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.

The Group calculates ECLs based on three scenarios (baseline, upside and down side) 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.

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.

Loan commitments are assessed along with the category of loan the Group is committed to provide, i.e. commitments to provide corporate loans are assessed using similar criteria to corporate loans.

The Group has monitoring procedures in place to make sure that the quantitative and qualitative criteria used to identify significant increases in credit risk are effective, meaning SICR is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represents 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%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

Internal credit risk ratings (cont'd)

2. 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:

- 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.

In light of COVID-19, SBM reviewed its ECL framework so as to cater for the higher level of uncertainty in markets, both local and across borders. The Group ensured that in doing so, it remains in line with the many guiding principles released by local and international body on IFRS9 in a COVID-19 context. Adjusting for forward looking information during this unprecedented event, the Group has factored in post model adjustment to take into account the unlikelihood to pay criteria on certain sectors impacted by COVID-19. The adjustment is based on borrowers' non-payment behaviors observed in the current economic environment which may result in an increasing amount of balances becoming past due and having a higher probability of default in the future. The Group has also considered the recent Russia/Ukraine war and the impact on the macro-economic variables. As these were not captured in the models, an overlay was estimated to measure the increasing uncertainty in the local and international markets triggered by the war.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

Internal credit risk ratings (cont'd)

2. Incorporation of forward-looking information (cont'd)

The overlays determined by the Group are based on the following:

- COVID impacted sectors/facilities (tourism as well as other restructured debts due to COVID-19)
- An analysis of downgrading of ratings as a result of COVID-19 and the recent war
- Recoverability assessment considering the unlikelihood to pay and longer days past due triggered by COVID-19 and the Ukraine war.

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 occurring 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

Internal credit risk ratings (cont'd)

2. Incorporation of forward-looking information (cont'd)

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.

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.

3. Measurement of ECL

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.

The key inputs into the measurement of ECL are the following:

(i) probability of default (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 under measurement of ECL.

(ii) loss given default (LGD);

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 measurement of ECL.

(iii) exposure at default (EAD).

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 measurement of ECL.

These parameters are derived from trusted external sources based on internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

Internal credit risk ratings (cont'd)

3. Measurement of ECL (cont'd)

PD Estimates

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.

Retail, Corporate and SME PD models all use the logistic regression framework to model monthly 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 Groups, 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 matrix using the Vasicek Transformation.

LGD

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 as well as cure rates. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. 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.

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 are used for the LGD parameter.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

Internal credit risk ratings (cont'd)

3. Measurement of ECL (cont'd)

EAD

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.

For corporates, segmentation has been done based on local and cross-border categories with credit rating as internal variable. SME has been modelled separately with industry and line of business as internal parameters. Retail on the other hand has been segmented at a product level with different internal parameters such as month-on-book and line of business as suited by the models.

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 are 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.

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 cashflows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

Internal credit risk ratings (cont'd)

3. Measurement of ECL (cont'd)

EAD (cont'd)

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 statement 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.

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.

Individually assessed allowances

The Group determines the allowances to be appropriate for each facility assessed on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should Groupruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

Internal credit risk ratings (cont'd)

3. Measurement of ECL (cont'd)

Regulatory provision

Regulatory provision is conducted in accordance with the Group of Mauritius Guideline on 'Credit Impairment Measurement and Income Recognition (April 2016)' and 'Additional Macroprudential Measures For the Grouping Sector (January 2015)' which require the Group to take a minimum portfolio provision of 1% on standard credits and an additional portfolio provision as a macroprudential policy measure ranging between 0.5% to 1% depending on the sectors. The stage 1 and 2 provision on loans and advances was higher than the minimum regulatory provision.

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 Group's statement 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 statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

Internal credit risk ratings (cont'd)

4. 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.

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 Impairment Measurement and Income Recognition (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 lifetime 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

(iii) Collateral and other credit enhancements

The use of credit risk mitigants is an integral part of the credit risk management process and is documented in the Group Credit Risk policy. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types taken include:

- Fixed/floating charge on assets of borrowers;
- Pledge of deposits/securities/life insurance policy/shares;
- Government guarantee/bank guarantee/corporate guarantee/personal guarantee;
- Lien on vehicle; 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 2021	31 December 2020	31 December 2019	Principal Type of collateral held
	MUR' 000	MUR' 000	MUR' 000	
Fund-based exposures:				
Cash and cash equivalents	44,372,803	18,244,110	15,268,102	Unsecured
Mandatory balances with Central Banks	13,645,545	11,290,363	10,680,287	Unsecured
Loans to and placements with banks	843,079	3,150,745	6,968,226	Unsecured
Derivative financial instruments	784,250	809,211	936,093	Unsecured
Loans and advances to non-bank customers	145,085,800	135,601,447	121,455,553	Residential property
Investment securities	153,483,834	121,185,269	100,457,370	Unsecured
Other assets	2,878,828	2,650,217	2,797,855	Unsecured
Non-fund based exposures:				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	23,480,856	17,784,305	10,954,435	Residential property
Credit commitments	21,042,819	15,342,722	13,675,505	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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

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

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Up to 1 month	714,421	233,890	183,537
Over 1 month and up to 3 months	558,886	579,223	389,921
	1,273,307	813,113	573,458

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 December 2021		31 December 2020		31 December 2019	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
0-30 days (stage 1)	99,727,625	828,806	97,556,964	966,197	81,985,982	725,919
31-89 days (stage 2)	28,761,603	1,538,711	19,332,989	1,034,867	23,091,767	1,887,794
Total	128,489,228	2,367,517	116,889,953	2,001,064	105,077,749	2,613,713

(v) Impaired financial assets

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

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

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 8d)	16,596,572	18,711,494	16,377,804
Specific allowance held in respect of impaired advances (Note 8d)	12,324,475	13,742,510	9,643,276
Fair value of collaterals of impaired advances	3,419,555	8,176,210	7,461,298

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

b Credit risk (cont'd)

(vi) Credit concentration of risk by industry sectors

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

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Portfolio	2,843,509	3,227,632	2,319,392
Agriculture	9,227,334	8,042,135	9,646,283
Traders	5,921,847	5,704,924	5,150,442
Real estate	-	2,397,744	2,201,073
Financial institutions	-	-	2,543,437
Services	5,848,610	8,389,473	4,889,755
Tourism			
	23,841,300	27,761,908	26,750,382

(vii) Offsetting financial instruments

Loans and advances to customers

The Bank holds cash collateral and marketable securities to mitigate the credit risk of securities lending.

Derivative financial instruments

The Bank enters into derivatives bilaterally under International Swaps and Derivatives Association (ISDA) master netting agreements. ISDA Master Netting agreements give either party the legal right of offset on termination of the contract or on default of the other party. The Bank executes a credit support annex in conjunction with each ISDA agreement, which requires the Bank and each counterparty to post collateral to mitigate credit risk. Collateral is also posted as per terms of Credit Support Annex (CSA) in respect of derivatives transacted on exchanges.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

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.

(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.

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket *	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
THE GROUP								
31 December 2021								
<u>Financial assets</u>								
Cash and cash equivalents	47,644,101	-	-	-	-	-	(7,280)	47,636,821
Mandatory balances with central banks	3,704,569	863,306	401,928	795,710	501,526	7,378,506	-	13,645,545
Loans to and placements with banks	-	-	992	-	653,330	188,757	(5,109)	837,970
Derivative financial instruments	-	-	-	-	-	-	784,250	784,250
Loans and advances to non-bank customers	5,987,984	9,587,920	8,302,849	15,738,540	27,754,331	63,321,893	(299,710)	130,393,807
Investment securities	50,917,806	3,337,909	6,180,847	6,497,331	17,810,072	61,389,502	7,293,280	153,426,747
Other assets	-	-	-	-	-	-	2,878,828	2,878,828
	108,254,460	13,789,135	14,886,616	23,031,581	46,719,259	132,278,658	10,644,259	349,603,968
<u>Financial liabilities</u>								
Deposits from banks	1,483,194	292,239	95,040	526,199	373,330	-	-	2,770,002
Deposits from non-bank customers	44,871,525	22,934,634	11,893,972	20,154,103	526,199	185,986,658	-	298,580,858
Other borrowed funds	661,178	4,410,688	22,901	74,766	3,825,327	518,052	-	9,512,912
Derivative financial instruments	-	-	-	-	-	-	759,896	759,896
Subordinated debts	-	-	21,258	-	1,500,000	8,356,088	-	9,877,346
Lease liabilities	-	-	-	-	-	-	740,902	740,902
Other liabilities	-	-	-	-	-	-	7,738,986	7,738,986
	47,015,898	27,637,561	12,033,171	20,755,068	18,438,623	194,860,798	9,239,784	329,980,902
Total financial liabilities	47,015,898	27,637,561	12,033,171	20,755,068	18,438,623	194,860,798	9,239,784	329,980,902
Liquidity gap	61,238,563	(13,848,426)	2,853,445	2,276,513	28,280,636	(62,582,140)	1,404,475	19,623,066

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket *	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
THE GROUP								
31 December 2020								
<u>Financial assets</u>								
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	-	-	-	-	-	-	809,212	809,212
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	699,175	119,857,873
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	10,754,264	280,368,694
<u>Financial liabilities</u>								
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	30,545,737	(8,687,257)	1,527,475	(1,851,123)	33,156,294	(39,306,602)	3,464,815	18,849,339

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket *	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
THE GROUP								
31 December 2019 (as restated)								
<u>Financial assets</u>								
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	3,084,095	109,198,564
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	13,630,495	249,027,605
<u>Financial liabilities</u>								
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	(45,089,641)	(352,276)	16,496,739

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket *	Total
THE COMPANY	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2021								
Financial assets								
Cash and cash equivalents	90,055	-	-	-	-	-	-	90,055
Investment securities	-	-	52,509	-	8,711	535,000	5,962,973	6,559,193
Other assets	-	-	-	-	-	-	150,966	150,966
	90,055	-	52,509	-	8,711	535,000	6,113,939	6,800,214
Financial liabilities								
Subordinated debts	-	-	21,258	-	1,500,000	8,356,088	-	9,877,346
Other liabilities	-	-	-	-	-	-	163,001	163,001
	-	-	21,258	-	1,500,000	8,356,088	163,001	10,040,347
Liquidity Gap	90,055	-	31,251	-	(1,491,289)	(7,821,088)	5,950,938	(3,240,133)

*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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket *	Total
THE COMPANY	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	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)
31 December 2019								
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)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

c Liquidity risk (cont'd)

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

	On Demand	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
GROUP							
Financial liabilities							
Deposits	233,737,420	23,181,669	15,338,295	16,150,827	12,197,473	745,176	301,350,860
Derivative financial instruments	759,896	-	-	-	-	-	759,896
Other borrowed funds	-	5,071,866	22,901	74,766	3,825,327	518,052	9,512,912
Subordinated debts	-	-	21,258	-	1,500,000	8,356,088	9,877,346
Lease liabilities	-	-	-	-	-	740,902	740,902
Other liabilities	7,738,986	-	-	-	-	-	7,738,986
31 December 2021	242,236,302	28,253,535	15,382,454	16,225,593	17,522,800	10,360,218	329,980,902
Financial liabilities							
Deposits	176,942,836	22,650,827	7,137,145	15,090,185	5,673,965	770,577	228,265,535
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	9,693,840	261,519,354
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

c Liquidity risk (cont'd)

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

	On Demand	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
COMPANY							
Financial liabilities							
Subordinated debts	-	-	21,258	-	1,500,000	8,356,088	9,877,346
Other liabilities	163,001	-	-	-	-	-	163,001
31 December 2021	163,001	-	21,258	-	1,500,000	8,356,088	10,040,347
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	160,233	-	28,764	-	2,380,835	7,330,382	9,900,214

d Market risk

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

(i) Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

GROUP	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
31 December 2021	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	3,291,256	-	-	-	-	-	44,345,566	47,636,821
Mandatory balances with central banks	-	-	-	-	-	-	13,645,543	13,645,544
Loans to and placements with banks	653,330	-	-	-	188,757	-	(4,116)	837,970
Derivative financial instruments	-	-	-	-	-	-	784,250	784,250
Loans and advances to non-bank customers	106,456,902	3,673,010	3,782,356	10,820,993	7,525,910	10,053,180	(11,918,546)	130,393,807
Investment securities	19,374,817	15,034,649	18,628,830	17,925,328	33,508,083	40,395,488	8,559,554	153,426,747
Other assets	-	-	-	-	-	-	2,878,828	2,878,828
Total assets	129,776,305	18,707,659	22,411,186	28,746,321	41,222,750	50,448,668	58,291,079	349,603,968
Liabilities								
Deposits from banks	1,789	-	-	-	-	-	2,768,213	2,770,002
Deposits from non-bank customers	120,032,082	10,599,419	16,410,952	6,273,186	2,344,615	778	142,919,826	298,580,858
Other borrowed funds	5,811,831	-	-	3,576,334	-	121,454	3,293	9,512,912
Derivative financial instruments	-	-	-	-	-	-	759,896	759,896
Lease liabilities	-	-	-	-	-	-	740,902	740,902
Subordinated debts	1,500,000	-	-	-	3,295,568	5,060,520	21,258	9,877,346
Other liabilities	-	-	-	-	-	-	7,738,986	7,738,986
Total liabilities	127,345,702	10,599,419	16,410,952	9,849,520	5,640,183	5,182,752	154,952,374	329,980,902
On balance sheet interest rate sensitivity gap	2,430,601	8,108,239	6,000,232	18,896,800	35,582,568	45,265,916	(96,661,295)	19,623,066
Off balance sheet interest rate sensitivity gap	8,793,601	(3,568,124)	(838,111)	(2,510,099)	(951,516)	(921,239)	-	4,512
	11,224,202	4,540,116	5,162,122	16,386,701	34,631,052	44,344,677	(96,661,295)	19,627,578
31 December 2020								
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	-	-	-	-	-	-	809,211	809,211
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	(7,162,416)	119,857,873
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	37,453,150	280,368,693

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

GROUP (CONT'D)	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
31 December 2020 (cont'd)	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
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
Subordinated debts	-	-	-	-	-	-	804,407	804,407
Lease liabilities	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	(73,622,576)	18,849,338
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	(73,622,576)	18,853,850
31 December 2019 (as restated)								
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	(8,278,053)	109,198,564
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	29,625,617	249,027,605
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	(54,851,693)	16,496,739
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	(54,851,693)	27,518,732

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2021								
Assets								
Cash and cash equivalents	-	-	-	-	-	-	90,055	90,055
Investment securities	-	-	-	8,711	-	535,000	6,015,482	6,559,193
Other assets	-	-	-	-	-	-	150,966	150,966
Total assets	-	-	-	8,711	-	535,000	6,256,502	6,800,214
Liabilities								
Subordinated debts	1,500,000	-	-	-	3,295,568	5,060,520	21,258	9,877,346
Other liabilities	-	-	-	-	-	-	163,001	163,001
Total liabilities	1,500,000	-	-	-	3,295,568	5,060,520	184,259	10,040,347
On balance sheet interest rate sensitivity gap	(1,500,000)	-	-	8,711	(3,295,568)	(4,525,520)	6,072,243	(3,240,133)
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	(1,500,000)	-	-	8,711	(3,295,568)	(4,525,520)	6,072,243	(3,240,133)
31 December 2020								
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)
Off 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)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019								
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)
Off 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)

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 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Increase in profit	408,271	341,700	249,404

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

Interest rate benchmark reform

As listed in note 2, the Group has non derivative financial instruments and fair value hedge relationships affected by the interest rate benchmark reform.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators. The Financial Conduct Authority (FCA) has confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- Immediately after 31 December 2021, in the case of all Sterling, Euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings
- Immediately after 30 June 2023, in the case of the remaining US dollar settings

In response to the announcements, the Group has set up an IBOR Transition Working Group comprising of the following work streams: risk Risk Management, Treasury, Legal, Credit Services Unit, Asset and Liability Team, Finance and IT Team. The working group reporting to the Executive Forum was chaired by the Acting Chief Risk Officer.

Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate basis risk: If the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply.

Liquidity risk: There are fundamental differences between LIBORs and the various alternative benchmark rates which the Group will be adopting. LIBORs are forward-looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-Group credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management.

Other operational risks to which the Group is exposed include updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

Progress towards implementation of alternative benchmark interest rates

All newly transacted floating rate financial assets and liabilities as from 01 January 2022 will be linked to an alternative benchmark rate as follows:

Currency	New rates
USD	Term SOFR (1m, 3m, and 6m)
GBP	Daily SONIA
EUR	EURIBOR (1m, 3m and 6m)

The Group's team is currently focusing on converting existing contracts in EURO and GBP. Thereafter, the Group will address the USD exposures.

The Group is planning to transition the majority of its LIBOR-linked contracts to alternative rates through amendments of existing contracts. There are no changes made in existing contracts at 31 December 2021. The amendments are expected to be implemented as from 01 January 2022.

Interest rate benchmark transition for non-derivative financial instruments

Non derivative financial instrument prior to transition	Hedge accounting	Transition progress
Floating rate financial assets		
Loan and advances to customers linked to EURO	N/A	Expected to transition to EURIBOR in quarter March 2022
Loan and advances to customers linked to GBP	-	Expected to transition to SONIA in quarter March 2022
Loan and advances to customers linked to USD	-	Transition discussion in progress
Loan and advances to customers linked to EURO	Designated in fair value hedge	Expected to transition to EURIBOR in quarter March 2022
Trading assets		- Expected to transition to SOFR by June 2023
Floating rate financial liabilities		
Term deposits linked to USD (USD)		- Transitioned in January 2022
Term deposits linked to USD (USD)		- Transitioned in January 2022
Term deposits linked to EURO (EUR)		- Transitioned in January 2022
Term deposits linked to GBP (GBP)		- Transitioned in January 2022

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

Interest rate benchmark reform (cont'd)

Interest rate benchmark transition for derivatives and hedge relationships

The Group has in issue fixed rate financial instruments which were in a fair value hedge using fixed to floating interest rate swap (IRS) contracts:

Financial instrument	IRS contracts
Loan and advances to customers (Euro fixed rate)	Fixed to floating 3 mths Euro EURIBOR
Bonds	Fixed to floating USD SOFR
Deposits (USD fixed rate)	Fixed to floating 6 mths USD LIBOR

The Group have not yet transitioned the interest rate swaps to alternative risk-free rate, which would be as per ISDA Protocol. However, the Phase 1 amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate is no longer considered to be separately identifiable.

For Group’s derivatives with nominal amount MUR 2.5 billion that reference to USD LIBOR maturing up to March 2034 but were not designated in hedge relationships, the International Swaps and Derivatives Association’s (ISDA) fallback clauses were made available in the first quarter of 2021 and the Group has signed up to the protocol, along with each of the Group’s counterparties. This ensures all legacy trades will, on cessation of IBOR, follow the fallback clause provided in the protocol.

The Group will continue to apply the amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed ends. The Group expects this uncertainty will continue until the Group’s contracts that reference LIBORs are amended to specify the date on which the interest rate benchmark will be replaced, the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 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 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Mauritius	519,877	520,801	(340,216)
India	(65,569)	68,681	(154,673)
Madagascar	(2,055)	(2,080)	(2,414)
Kenya	(204,601)	(173,454)	80,371
Others	(43,515)	(72,251)	59,929
	204,137	341,697	(357,003)

(ii) Fair value hedges

At 31 December 2021:

Micro fair value hedges

Fixed rate corporate loans
Fixed rate debt instrument
Fixed rate non-bank deposits

At 31 December 2020:

Micro fair value hedges

Fixed rate corporate loans
Fixed rate debt instrument
Fixed rate non-bank deposits

At 31 December 2019:

Micro fair value hedges

Fixed rate corporate loans
Fixed rate debt instrument
Fixed rate non-bank deposits

Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
Assets	Liabilities	Assets	Liabilities
MUR' 000	MUR' 000	MUR' 000	MUR' 000
4,629,903	-	81,206	-
1,102,733	-	-	3,761
-	-	-	-

Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
Assets	Liabilities	Assets	Liabilities
MUR' 000	MUR' 000	MUR' 000	MUR' 000
6,213,147	-	215,796	-
2,398,849	-	21,439	-
-	135,996	-	-

Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
Assets	Liabilities	Assets	Liabilities
MUR' 000	MUR' 000	MUR' 000	MUR' 000
8,179,583	-	145,936	-
2,220,898	-	51,242	-
-	153,751	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 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:

	31 December 2021			31 December 2020			31 December 2019		
	Notional amount	Carrying amount		Notional amount	Carrying amount		Notional amount	Carrying amount	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Micro fair value hedges									
Interest rate swaps	3,106,810	3,761	80,718	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:

Hedged items	Hedging instruments	31 December 2021			31 December 2020			31 December 2019		
		Gain/(loss) attributable to the hedged risk			Gain/(loss) attributable to the hedged risk			Gain/(loss) attributable to the hedged risk		
		Hedged items	Hedging instruments	Hedge ineffectiveness	Hedged items	Hedging instruments	Hedge ineffectiveness	Hedged items	Hedging instruments	Hedge ineffectiveness
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Micro fair value hedge relationships hedging assets										
Fixed rate corporate loans	Interest rate swaps	81,206	(80,718)	488	215,796	(214,464)	1,332	145,936	(263,848)	(117,912)
Fixed rate debt instrument	Interest rate swaps	(3,761)	3,761	-	21,439	(21,439)	-	51,242	(17,145)	34,097
Micro fair value hedge relationships hedging liabilities										
Fixed rate non-bank deposits	Interest rate swaps	-	-	-	-	393	393	-	367	367
Total micro fair value hedge relationship		77,445	(76,957)	488	237,235	(235,510)	1,725	197,178	(280,626)	(83,448)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 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:

GROUP	MUR	USD	GBP	EUR	INR	KES	OTHER	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2021								
ASSETS								
Cash and cash equivalents	2,488,125	39,164,775	738,085	861,469	37,031	462,357	3,884,979	47,636,821
Mandatory balances with Central Banks	9,716,310	928,952	142,879	395,785	1,249,195	956,816	255,608	13,645,545
Loans to and placements with banks	(5,109)	653,378	-	189,701	-	-	-	837,970
Derivative financial instruments	319,077	242,117	24	17	211,801	-	11,214	784,250
Loans and advances to non-bank customers	62,630,532	22,612,267	1,232,102	14,618,460	21,295,380	7,367,386	637,680	130,393,807
Investment securities	74,404,251	49,638,260	-	1,686,823	12,951,787	13,990,344	755,282	153,426,747
Other assets	1,944,241	397,712	(333)	17,827	628,336	335,662	(444,617)	2,878,828
Total monetary financial assets	151,497,427	113,637,461	2,112,757	17,770,082	36,373,530	23,112,565	5,100,146	349,603,968
LIABILITIES								
Deposits from banks	494,500	374,597	3,251	435,949	1,408,683	14,644	38,378	2,770,002
Deposits from non-bank customers	121,242,234	107,348,520	3,885,737	17,452,969	28,478,931	17,519,766	2,652,701	298,580,858
Other borrowed funds	-	4,358,708	-	916,692	121,454	4,116,058	-	9,512,912
Derivative financial instruments	214,408	318,027	24	6,497	217,878	-	3,062	759,896
Subordinated debts	7,307,917	2,569,429	-	-	-	-	-	9,877,346
Lease liabilities	740,902	-	-	-	-	-	-	740,902
Other liabilities	4,117,480	2,835,771	5,383	121,935	-	-	658,417	7,738,986
Total monetary financial liabilities	134,117,441	117,805,052	3,894,395	18,934,042	30,226,946	21,650,468	3,352,558	329,980,902
On balance sheet position	17,379,986	(4,167,595)	(1,781,636)	(1,163,959)	6,146,582	1,462,097	1,747,587	19,623,066
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	17,379,986	(3,580,720)	(1,781,636)	(1,163,959)	5,559,708	1,462,097	1,747,587	19,623,066

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

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	-	9,570	809,212
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	125,347	119,857,873
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	2,317,726	280,368,693
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	(142,567)	18,849,338
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	(142,567)	18,849,338

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

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	425,768	109,198,564
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	2,992,992	249,027,605
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	998,743	16,496,739
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	998,743	16,496,739

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 916.33 million (2019: MUR 616.18 million and 2018 MUR 181.26) and subordinated debts (financial liabilities) amounting to MUR 5,760.82 million (2019: MUR 5,157.93 million and 2018: MUR 4,829.93 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

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.

	Impact on Group's profit after tax and Equity					
	USD	GBP	EUR	INR	KES	OTHER
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020						
5%	(208,380)	(89,082)	(58,198)	307,329	73,105	87,379
-5%	208,380	89,082	58,198	(307,329)	(73,105)	(87,379)
31 December 2019 (as restated)						
5%	(843,442)	(11,194)	(52,714)	298,188	58,424	(7,128)
-5%	843,442	11,194	52,714	(298,188)	(58,424)	7,128
31 December 2018(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)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 Risk Management (cont'd)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

The Group's VAR amounted to:

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	694,978	580,912	850
Maximum for the year	28,323,690	9,792,592	19,588
Year end	3,136,074	2,231,943	3,271

(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 *statement of profit or loss*. Changes in prices of held-for-trading investments are reflected in the *statement of profit or loss*.

A 5% increase in the price of equities held at the reporting date would have resulted in an unrealised gain to the statement of comprehensive income or 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 2021	31 December 2020	31 December 2019	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Statements of comprehensive income	270,813	259,068	315,802	200,218	181,815	211,384
	270,813	259,068	315,802	200,218	181,815	211,384

(e) Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability and equity instruments are disclosed in *Note 3* to the financial statements (summary of accounting policies).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

39 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 Deputy 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.

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

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

	Banking	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
31 December 2021						
Interest income from external customers	11,709,928	76,685	-	70,976	-	11,857,588
Non-interest income from external customers	3,806,934	262,632	364	264,260	-	4,334,190
Revenue from external customers	15,516,862	339,317	364	335,236	-	16,191,779
Interest income from internal customers	61,251	-	-	-	(61,251)	-
Non interest income from internal customers	400,000	235,293	-	510,000	(1,145,294)	(2)
Revenue from other segments of the entity	461,251	235,293	-	510,000	(1,206,545)	-1,634
Total gross revenue	15,978,113	574,610	364	845,236	(1,206,545)	16,191,777

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

39 Segment information - THE GROUP (cont'd)

	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 and fee and commission expense to external customers	(3,947,911)	(34,186)	-	(475,782)	-	(4,457,880)
Interest expense to internal customers	-	-	-	2	61,251	61,253
	(3,947,911)	(34,186)	-	(475,780)	61,251	(4,396,627)
Operating income	12,030,202	540,424	364	369,454	(1,145,294)	11,795,150
Depreciation and amortisation	(975,560)	(12,071)	(461)	(1,317)	-	(989,408)
Other non-interest expenses	(5,505,806)	(238,537)	(2,387)	(538,730)	132,920	(6,152,541)
Net impairment loss on financial assets	(2,468,638)	(7,020)	-	764	-	(2,474,893)
	3,080,198	282,795	(2,482)	(169,829)	(1,012,376)	2,178,308
Share of profit of associate	-	-	-	-	-	-
	3,080,198	282,795	(2,482)	(169,829)	(1,012,376)	2,178,308
Profit before income tax	(429,908)	(6,710)	(561)	(4,140)	-	(441,318)
Tax expense	2,650,290	276,086	(3,043)	(173,969)	(1,012,375)	1,736,990
Profit for the year						
Segment assets	377,405,175	3,543,422	163,733	36,605,702	(60,050,051)	357,667,980
Segment liabilities	321,628,534	1,504,311	929	10,051,184	(1,895,271)	331,289,687
Additions to tangible and intangible assets	287,658	7,909	-	968	-	296,535

31 December 2020

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 from internal customers	81,294	-	-	-	(81,294)	-
Non interest income from internal customers	80	398,178	-	260,000	(658,258)	-
Revenue from other segments of the entity	81,374	398,178	-	260,000	(739,552)	-
Total gross revenue	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 to internal customers	(301)	(30,516)	-	(50,728)	81,545	-
	(3,670,833)	(33,037)	-	(495,249)	81,545	(4,117,574)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

39 Segment information - THE GROUP (cont'd)

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

	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
<u>31 December 2020 (cont'd)</u>						
Operating income	11,129,657	508,421	27,524	213,965	(658,007)	11,221,561
Depreciation and amortisation	(1,035,564)	(11,075)	(557)	(2,019)	-	(1,049,215)
Other non-interest expenses	(4,384,274)	(168,465)	(3,311)	(591,899)	46,235	(5,101,714)
Net impairment loss on financial assets	(3,743,848)	(13,338)	-	(217)	-	(3,757,403)
Operating profit	1,965,971	315,543	23,656	(380,169)	(611,772)	1,313,229
Share of profit of associate	-	-	-	-	-	-
Profit before income tax	1,965,971	315,543	23,656	(380,169)	(611,772)	1,313,229
Tax expense	(291,634)	(4,941)	(3,887)	336	-	(300,126)
Profit for the year	1,674,337	310,602	19,769	(379,833)	(611,772)	1,013,103
Segment assets	307,261,407	3,981,468	169,995	36,889,453	(60,261,717)	288,040,607
Segment liabilities	253,359,061	1,432,582	3,853	10,403,064	(2,354,282)	262,844,279
Additions to tangible and intangible assets	383,278	11,323	-	-	-	394,601

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

39 Segment information - THE GROUP (cont'd)

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

	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
<u>31 December 2019 (restated)</u>						
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	155,952	-	3,043,643
Revenue from external customers	13,460,321	307,034	3,621	233,815	-	14,004,791
Interest income from internal customers	38,251	-	-	-	(38,251)	-
Non interest income from internal customers	1,327,881	121,277	-	1,412,849	(2,862,008)	-
Revenue from other segments of the entity	1,366,132	121,277	-	1,412,849	(2,900,258)	-
Total gross revenue	14,826,453	428,312	3,621	1,646,663	(2,900,258)	14,004,791
Interest and fee and commission expense to external customers	(3,882,224)	5,857	-	(486,523)	-	(4,362,890)
Interest expense to internal customers	(8,011)	(30,240)	-	-	38,251	-
	(3,890,234)	(24,383)	-	(486,523)	38,251	(4,362,890)
Operating income	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 expenses	(4,441,128)	(152,519)	(2,763)	(421,546)	(4,419)	(5,022,375)
Net impairment loss on financial assets	(2,917,193)	-	(284)	1,085	183	(2,916,209)
Operating profit	2,501,089	240,933	177	737,254	(2,866,243)	613,213
Share of profit of associate	-	-	-	139,237	-	139,237
Profit before income tax	2,501,089	240,933	177	876,490	(2,866,243)	752,450
Tax expense	(694,805)	(21,797)	(169)	(357)	(1)	(717,130)
Profit for the year	1,806,284	219,136	7	876,133	(2,866,244)	35,320
Segment assets	275,856,713	4,159,936	650,743	37,486,471	(60,035,388)	258,118,475
Segment liabilities	224,028,961	1,590,353	213	9,903,341	(1,952,512)	233,570,356
Additions to tangible and intangible assets	311,953	8,490	-	1,548	-	321,992

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

39 Segment information - THE GROUP (cont'd)

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

Revenue from external customers arising from the following products and services:

Loans and advances to non-bank customers
Loans to and placements with banks
Exchange income
Card income
Trade finance services
Deposit and other products/services

	Banking	
Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
MUR' 000	MUR' 000	MUR' 000
480,051	373,181	395,101
107,187	254,535	494,492
1,342,332	708,977	628,068
(378,908)	293,826	387,850
1,868,423	509,655	756,581
950,285	235,440	174,528
4,369,370	2,375,614	2,836,620

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

31 December 2021

Revenue from external customers
Tangible and intangible assets

Banking		
Mauritius	Other countries	Total
6,661,074	8,843,502	15,504,576
4,983,214	1,278,199	6,261,414

31 December 2020

Revenue from external customers
Tangible and intangible assets

7,364,856 7,354,260 14,719,116
4,983,214 1,278,199 6,261,414

31 December 2019

Revenue from external customers
Tangible and intangible assets

7,825,550 5,634,771 13,460,321
5,372,893 1,360,438 6,733,331

(d) The amendments are relevant for the following types of hedging relationships and financial instruments of the Group, all of which extend beyond 2021:

- Fair value hedges where LIBOR-linked derivatives are designated as a fair value hedge of fixed rate debt in respect of the USD LIBOR and Euro LIBOR risk component
- Term deposits and loan to customers which reference LIBORs and are subject to the interest rate benchmark reform
- Interest rate swaps and cross currency swaps linked with USD LIBOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

40 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 and it has submitted its banking license to the Central Bank of Seychelles on 18 December 2020. The winding up of SBMBS was concluded on 24 May 2021. The results of the foreign subsidiary for the year ended 31 December 2021 are presented below:

Interest income using the effective interest income method
Interest expense using the effective interest income method
Net interest income

Fee and commission income
Fee and commission expense
Net fee and commission income

Other income

Net trading income
Other operating income

Non-interest income

Operating income

Personnel expenses
Depreciation of property, equipment
Depreciation right-of-use assets
Amortisation of intangible assets
Other expenses
Non- interest expense

Audited Year ended 31 December 2021	Audited Year ended 31 December 2020	Audited Year ended 31 December 2019
MUR' 000	MUR' 000	MUR' 000
24	5,141	1,976
-	(311)	-
24	4,830	1,976
-	87	16
-	(2)	-
-	85	16
1,857	52,084	436
-	-	-
1,857	52,084	436
1,857	52,169	452
1,881	56,999	2,428
-	(243)	(910)
-	(36,675)	(10,142)
-	-	-
-	(49,079)	(19,807)
-	-	-
-	(85,997)	(30,859)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

40 Discontinued operations (cont'd)

	Audited year ended 31 December 2021	Audited year ended 31 December 2020	Audited year ended 31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Profit/loss before credit loss expense on financial assets and memorandum items	1,881	-	-
Credit loss expense on financial assets and memorandum items	-	(484)	-
Profit/loss before income tax	1,881	(484)	-
Tax expense	-	-	-
Profit/loss for the year from discontinuing operations	1,881	(484)	-

The net cash flows incurred by SBMBS are as follows:

	Audited year ended 31 December 2021	Audited year ended 31 December 2020	Audited year ended 31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Operating activities	(109,896)	60,252	(204,423)
Investing activities	-	30,175	(29,009)
	(109,896)	90,427	(233,432)

ADDITIONAL INFORMATION

WHERE
FLOWERS
BLOOM,
SO DOES
HOPE



Fascinating fact

*You can find **tulips** in almost any colour and their flower buds are known for being almost perfectly symmetrical.*

DIRECTORS OF SBM HOLDINGS LTD AND ITS SUBSIDIARIES

Holding entity	Bank holding entity
SBM Holdings Ltd	SBM (Bank) Holdings Ltd
Mr Sattar Hajee Abdoula (<i>Chairman</i>) Mr Jean Paul Emmanuel Arouff Ms Shakilla Bibi Jhungeer Mr Ramprakash Maunthrooa Mr Roodesh Muttylall Ms Sharon Ramdenee Mr Visvanaden Soondram Dr Subhas Thecka	Mr Nayen Koomar Ballah, G.O.S.K. (<i>Chairman</i>) Mr Jean Paul Emmanuel Arouff Mr Raoul Claude Nicolas Gufflet (<i>CEO</i>) Ms Shakilla Bibi Jhungeer Mr Roodesh Muttylall Mr Visvanaden Soondram

Bank operating entities	
SBM Bank (Mauritius) Ltd	SBM Bank (Kenya) Limited
Mr Visvanaden Soondram (<i>Chairman</i>) Mr Jean Paul Emmanuel Arouff Mr Coomarah Chengan Mr Raoul Claude Nicolas Gufflet Mrs Imalambaal Kichenin Mr Eric Michel Georges Leal Mr Roodesh Muttylall Mr Anoop Kumar Nilamber (<i>CEO</i>) Mr Rajcoomar Rampertab Mr Muhammad Azeem Salehmohamed Ms Oumila Sibartie Mr Ranapartab Tacouri	Mr Sattar Hajee Abdoula (<i>Chairman</i>) Mr Nayen Koomar Ballah, G.O.S.K. Mr Raoul Claude Nicolas Gufflet Ms Shakilla Bibi Jhungeer Dr James Boyd McFie Mr Moezz Mir (<i>CEO</i>) Mrs Flora Mutahi Mr Jotham Mutoka (<i>COO</i>) Ms Sharon Ramdenee Mr Sharad Sadashiv Rao
Banque SBM Madagascar SA	SBM Bank (India) Limited
Mr Sattar Hajee Abdoula (<i>Chairman</i>) Mr Leckram Dawonauth Mr Raoul Claude Nicolas Gufflet Mr Roodesh Muttylall Mr Maurice Jean Marc Ulcoq	Mr Sattar Hajee Abdoula (<i>Chairman</i>) Mr R. Amalorpavanathan Mr Shyam Sundar Barik Mr Raoul Claude Nicolas Gufflet Mr Umesh Jain Mr Ameet Patel Ms Sharon Ramdenee Mr Sidharth Rath (<i>MD & CEO</i>) Mrs Sudha Ravi

Bank non-operating entities
SBM Overseas One Ltd SBM Overseas Two Ltd SBM Overseas Three Ltd SBM Overseas Four Ltd SBM Overseas Five Ltd SBM Overseas Six Ltd

Mr Kabirsingh Baboolall
Mr Sivakrisna Goinden

SBM Africa Holdings Ltd
Mr Sattar Hajee Abdoula Mr Nayen Koomar Ballah, G.O.S.K.

Non-bank holding entity
SBM (NBFC) Holdings Ltd
Mr Sattar Hajee Abdoula (<i>Chairman</i>) Mr Pierre D'Unienville Mr Thierry Hugnin Ms Shakilla Bibi Jhungeer Mr Roshan Ramoly Mr Shailendrasingh Sreekeessoon (<i>CEO</i>)

DIRECTORS OF SBM HOLDINGS LTD AND ITS SUBSIDIARIES (CONT'D)

Non-bank operating entities		
SBM Capital Markets Ltd	SBM Mauritius Asset Managers Ltd	SBM Fund Services Ltd
Mr Sattar Hajee Abdoula (<i>Chairman</i>) Mrs Reedhee Bhutto Mr Pierre D'Unienville Ms Umulinga Karangwa Mr Roshan Ramoly Mr Shailendrasingh Sreekeessoon Mr Eric Venpin	Mr Pierre D'Unienville (<i>Chairman</i>) Mr Assad Abdullatif Mrs Reedhee Bhutto Mr John Wallace Mc Ilraith Mr Roshan Ramoly Mr Shailendrasingh Sreekeessoon Mr Eric Venpin	Mr Assad Abdullatif (<i>Chairman</i>) Mrs Reedhee Bhutto Mrs Ragini Gowrisunkur Mr Shailendrasingh Sreekeessoon
SBM Insurance Agency Ltd	SBM Factors Ltd	SBM Leasing Co. Ltd
Mr Roshan Ramoly (<i>Chairman</i>) Mr Andre Chung Shui Mr Vaughan Heberden Ms Shakilla Bibi Jhungeer Mr Shailendrasingh Sreekeessoon	Mr Sattar Hajee Abdoula (<i>Chairman</i>) Mr Andre Chung Shui Mr Norman Fong Sing Mr Vaughan Heberden Ms Shakilla Bibi Jhungeer Mr Shailendrasingh Sreekeessoon	Mr Sattar Hajee Abdoula (<i>Chairman</i>) Mr Andre Chung Shui Mr Vaughan Heberden Ms Shakilla Bibi Jhungeer Mr Shailendrasingh Sreekeessoon
SBM eBusiness Ltd		
Mr Sattar Hajee Abdoula (<i>Chairman</i>) Mr Shaan Kundomal Ms Johanna Van Rensburg Mr Shailendrasingh Sreekeessoon		
Entities managed by SBM Mauritius Asset Managers Ltd		
SBM India Fund	SBM Maharaja Fund (in process of winding up)	SBM Africa Equity Fund Ltd
Mr Assad Abdullatif (<i>Chairman</i>) Mr Amal Autar Mr Shaan Kundomal Mr Shailendrasingh Sreekeessoon	Mr Assad Abdullatif (<i>Chairman</i>) Mr Amal Autar Mr Shaan Kundomal Mr Shailendrasingh Sreekeessoon	Mr Shailendrasingh Sreekeessoon (<i>Chairman</i>) Mrs Reedhee Bhutto

Entities managed by SBM Mauritius Asset Managers Ltd (cont'd)		
SBM Alternative Investments Ltd	SBM Infrastructure General Partner Limited (in process of winding up)	SBM Perpetual Fund Ltd (in process of winding up)
Mr Shailendrasingh Sreekeessoon (<i>Chairman</i>) Mrs Reedhee Bhutto	Mr Sattar Hajee Abdoula Mr Namasivayen Poonosamy Mr Shailendrasingh Sreekeessoon	Mr Shailendrasingh Sreekeessoon
Entities managed by SBM Capital Markets Ltd		
SBM Structured Solutions PCC	SBM (Mauritius) Infrastructure Development Company Ltd	
Mr Shailendrasingh Sreekeessoon (<i>Chairman</i>) Mrs Reedhee Bhutto	Mr Jairaj Sonoo (<i>Chairman</i>) Mrs Reedhee Bhutto Mr Goburdhun Goolabchund, G.O.S.K. Mr Shailendrasingh Sreekeessoon	
Non-financial entity	Others	
SBM (NFC) Holdings Ltd	SBM 3S Ltd	
Mr Soondrassen Murday (<i>Chairman</i>) Mr Jean Paul Emmanuel Arouff Mr Pavan Baichoo Ms Sharon Ramdenee	Mr Sattar Hajee Abdoula (<i>Chairman</i>) Mr Kabirsingh Baboolall Mr Sivakrisna Goinden Ms Shakilla Jhungeer	

REGISTERED OFFICE ADDRESSES OF SBM HOLDINGS LTD AND ITS SUBSIDIARIES

Holding entity	Bank holding entity
SBM Holdings Ltd	SBM (Bank) Holdings Ltd
SBM Tower 1, Queen Elizabeth II Avenue Port Louis, Mauritius Tel: (230) 202 1111 Fax: (230) 202 1234 Swift: STCBMUMU Website: www.sbmgroup.mu Email: sbm@sbmgroup.mu	SBM Tower 1, Queen Elizabeth II Avenue Port Louis, Mauritius Tel: (230) 202 1111 Fax: (230) 202 1234 Swift: STCBMUMU Website: www.sbmgroup.mu Email: sbm@sbmgroup.mu

Bank operating entities	
SBM Bank (Mauritius) Ltd	SBM Bank (Kenya) Limited
SBM Tower 1, Queen Elizabeth II Avenue Port Louis, 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: SBMCKENA Website: www.sbmbank.co.ke Email: atyourservice@sbmbank.co.ke
Banque SBM Madagascar SA	SBM Bank (India) Limited
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	101, Raheja Centre, 1 st Floor Free Press Journal Marg Nariman Point Mumbai - 400 021, Maharashtra, India Tel: (91) (22) 4302 8888 Fax: (91) (22) 2284 2966 Swift: STCBINBX Website: www.sbmgroup.mu Email: customercare@sbmbank.co.in

Non-bank holding entity
SBM (NBFC) Holdings Ltd
SBM Tower 1, Queen Elizabeth II Avenue Port Louis, 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	SBM Mauritius Asset Managers Ltd	SBM Fund Services Ltd
SBM Tower 1, Queen Elizabeth II Avenue Port Louis, Mauritius Tel: (230) 202 1111 Fax: (230) 210 3369 Website: www.sbmgroup.mu Email: sbm.corporatefinance@sbmgroup.mu	SBM Tower 1, Queen Elizabeth II Avenue Port Louis, Mauritius Tel: (230) 202 1111/1701/3515 Website: www.sbmgroup.mu Email: sbm.assetm@sbmgroup.mu	SBM Tower 1 Queen Elizabeth II Avenue Port Louis, Mauritius Tel: (230) 202 1445/1505/1447 Website: www.sbmgroup.mu Email: sbmfundservices@sbmgroup.mu
SBM Insurance Agency Ltd	SBM Factors Ltd	SBM Leasing Co. Ltd
SBM Tower 1, Queen Elizabeth II Avenue Port Louis, Mauritius Tel: (230) 202 1111 Website: www.sbmgroup.mu Email: insurance@sbmgroup.mu	SBM Tower 1, Queen Elizabeth II Avenue Port Louis, Mauritius Tel: (230) 202 4899 Website: www.sbmgroup.mu Email: sbmfactors@sbmgroup.mu	SBM Tower 1, Queen Elizabeth II Avenue Port Louis, Mauritius Tel: (230) 202 1243 Website: www.sbmgroup.mu Email: sbmnbfcl.easing@sbmgroup.mu

REGISTERED OFFICE ADDRESSES OF SBM HOLDINGS LTD AND ITS SUBSIDIARIES (CONT'D)

NOTES

Non-bank operating entities (cont'd)

SBM eBusiness Ltd

Rogers Capital Fund Services Ltd
Rogers House
5, President John Kennedy Street
Port Louis, Mauritius
Tel: (230) 202 1111
Website: www.sbmgroup.mu

Non-financial entity

SBM (NFC) Holdings Ltd

SBM Tower
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Fax : (230) 211 8838
Website : www.sbmgroup.mu
Email: finance@sbmgroup.mu

Others

SBM 3S Ltd

SBM Tower
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Website: www.sbmgroup.mu
Email: sbm@sbmgroup.mu

NOTES



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FOR DIGITAL VERSION



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