

**Grounded in  
sustainability,  
branching out  
for progress**



**SBM Holdings Ltd  
Integrated Annual Report 2023**

## 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.

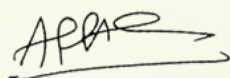
The future outcomes that relate to forward-looking statements may be influenced by many factors, including, but not limited to, interest rate and currency value fluctuations, local and global industry evolution, economic and political conditions, pandemic situations and other force majeure, regulatory 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 Integrated Annual Report for the year ended 31 December 2023.

The Board of Directors confirms, to the best of its belief, that the Integrated Annual Report addresses the relevant material matters that impact the performance of the Group in a fair and transparent manner.

The Board approved and authorised the publication of the SBM Holdings Ltd Integrated Annual Report 2023 on 13 May 2024.

A handwritten signature in black ink, appearing to read 'APR' followed by a stylized flourish.

**Sattar Hajee Abdoula**  
*Group Chairman*  
**SBM Holdings Ltd**









### **Retracing our journey**

At its very beginning, SBM was set up as an institution to foster financial inclusion in the country by opening access to basic banking services across the island, particularly in rural regions. Over the years, SBM has played an influential role in supporting the socio-economic progress of Mauritius, through its dedicated financial solutions and active Corporate Social Responsibility (CSR) activities and proximity to its valued customers.



### **Capitalising on our fundamentals**

In line with our corporate purpose and convinced that we have a key role in nurturing a sustainable world, the SBM Group remains committed to acting as a trusted partner to its stakeholders, alongside promoting responsible business and financial growth. It has, more than ever, embarked upon developing lasting relationships in Mauritius, India, Kenya and Madagascar, while mobilising resources to spur economic advancement, inclusive societies and a healthy natural environment.



### **Theme of our Integrated Annual Report**

In line with the endorsed philosophy, our Integrated Annual Report aims – through its holistic integrated structure and substance – to showcase how the Group is purposefully driving its business and social initiatives, alongside strengthening its proximity to its stakeholders. The report highlights how SBM has lately embarked on an ambitious Sustainability Agenda and is strengthening its operating models and capabilities to deliver on its sustainability initiatives in an effective manner, while building on its commitments for the past 50 years. It depicts how SBM continues to care for and give back to its various stakeholders, thus reinforcing its positioning as a responsible organisation.

# Reflecting on an Encouraging and Eventful Year for the Group

## Financial performance snapshot for FY 2023

### Sustained revenue generation

Profit attributable to owners of the Company

**MUR 4.3 billion**

**+ 18.7%**

Operating income

**MUR 15.6 billion**

**+ 14.5%**

### Increased return on investment

Return on average shareholders' equity

**14.7%**

**+ 1.1 p.p**

Earnings per share

**167.2 cents**

**+ 26 cents**

### Sound financial ratios

Capital adequacy ratio

**20.5%**

**+ 1.4 p.p**

Net impairment ratio

**2.1%**

**- 63 bps**

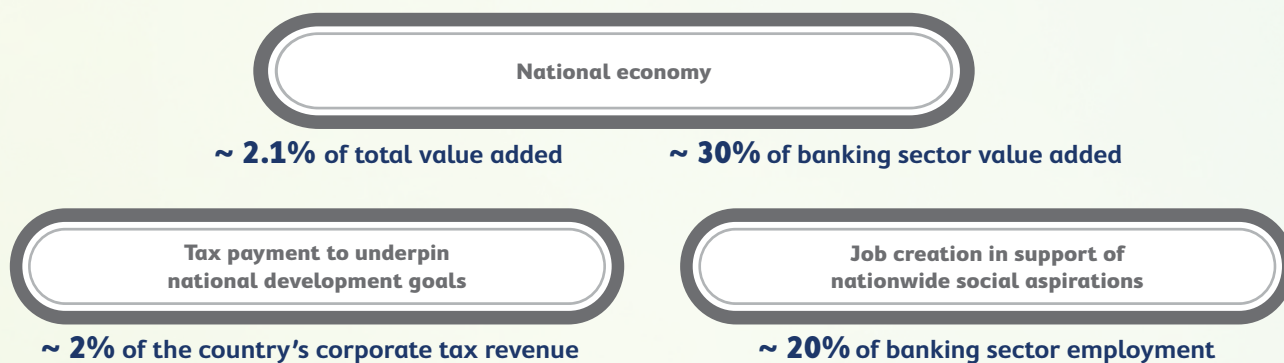


Read more on our financial performance in the 'Financial Review' section on pages 211 to 224

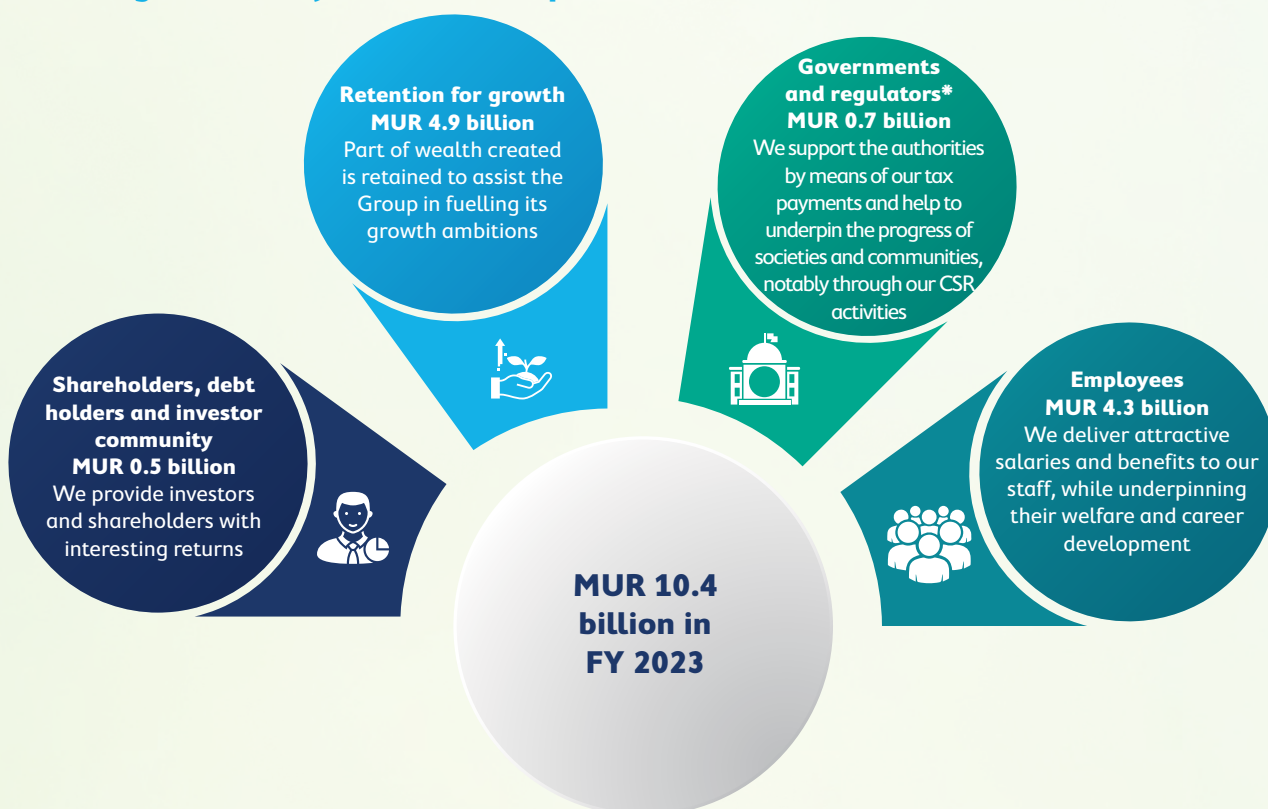


## Our significance and value creation

### Contribution of SBM Bank (Mauritius) Ltd to the Mauritian economy and society



### Wealth generated by the SBM Group



\*includes the proportion of our CSR contribution remitted to the Mauritius Revenue Authority

Notes:

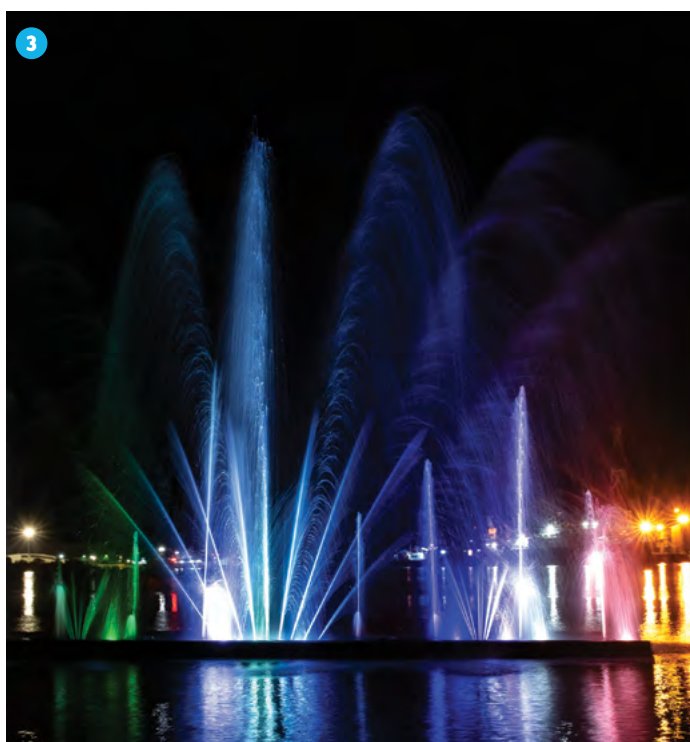
- The figures above, which pertain to the year 2023, are only indicative and should be treated with caution, insofar as they are high-level estimates produced for the purpose of this report.
- The ratios computed have been shaped up on certain assumptions made, while being subject to the availability of data.



Read more on key insights and metrics reflecting our engagement in the 'Our stakeholder model and engagement' section on pages 71 to 94

# In retrospect: Celebrating our 50-year Journey towards Excellence

2023 has truly been a landmark year for SBM. To mark our 50<sup>th</sup> anniversary, we carried out several initiatives and organised various events as an expression of our gratitude towards our stakeholders for their contribution to our success. The following snapshots serve as a testament to these initiatives, which have helped to further improve our brand credentials as well as strengthen our ties with our customers and the Mauritian community at large.







#### 1,2 & 3 Tower mapping

The highlight of SBM's 50<sup>th</sup> anniversary celebrations was a unique video projection on two facades of the SBM Tower, accompanied by a laser show and music.

#### 4 Commemorative postage stamp

In partnership with Mauritius Post Ltd, SBM issued a first day cover with a MUR 50 commemorative stamp featuring the iconic SBM Tower.

#### 5 Employee loyalty

Several long-serving members of the SBM family were awarded a commemorative trophy during a staff gathering held at the SBM Tower as part of the 50<sup>th</sup> anniversary celebrations.

#### 6, 7 & 8 Through the eyes of the children

The prize giving ceremony for the SBM Amigos Drawing/Painting Competition, on the theme '50 years of SBM', was held in May 2023 at the SBM Tower.

#### 9 Paving the way towards a sustainable future

The unveiling of the SBM Group Sustainability Agenda marked a major step in our relentless commitment to creating a positive impact on the environment, society and economy.







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# Reflections from the Group Chairman

Dear Fellow Shareholders,

I am proud to highlight that 2023 has been a remarkable year for the SBM Group, as it further strengthened its functioning and competitive edge, thus contributing to an overall improved financial performance. While our entities in Mauritius, India, Kenya and Madagascar continue to reinforce their operating models, they have made good strategic headway, with the valued support of Management Teams, employees and other stakeholders. The Group's improved financial soundness and encouraging prospects have enabled it to double its dividend payment to 40 cents per share, which reflects our unflinching commitment to providing comfortable and, most importantly, sustainable returns to our valued shareholders.

## Embarking on the journey towards integrated reporting

For the first time in its history, the SBM Group has produced an Integrated Annual Report, in alignment with the principles advocated by the International Integrated Reporting Council. Our Integrated Annual Report showcases our dedicated and sincere endeavours to create tangible and long-term value for our key stakeholders, including shareholders, customers, employees, societies and communities, Governments and regulators as well as suppliers and strategic partners. This Integrated Annual Report communicates the Group's financial and non-financial progress in an increasingly holistic, structured and transparent manner. It conveys a forward-looking view of where we aim to go, alongside dissecting how we are, amidst an evolving operating environment, generating and harnessing value via a well-articulated and sound business model. Towards this end, this report casts light on the Group's material matters as well as its forms of capital and its targeted stakeholders, which serve as the core foundations for its strategic decision-taking.

## Strengthening financial performance on several fronts

On the back of strategic endeavours put in place in recent years and the efforts of employees across our operating entities, the SBM Group has pursued its journey of adaptability and sustained value creation, thus underscoring the efficacy of its strategic initiatives and the resilience of its business model. While remaining true to its vision and core values, the Group has witnessed a noteworthy improvement of its financial performance in various respects. Indeed, we are delighted to observe that net profit increased by 18.7% to attain a record MUR 4.3 billion for the year ended 31 December 2023, notably spurred by expanding business volumes across market segments. On the heels of this performance, return on average shareholders' equity edged up to reach 14.7% for the year under review, while earnings per share increased significantly to attain 167.2 cents in FY 2023.

Encouragingly, the Group has upheld healthy financial ratios in support of ongoing and future growth endeavours, notably in terms of capitalisation, asset quality, efficiency as well as funding and liquidity. Thanks to its rigorous risk management frameworks and dependable business model, the Group has, in spite of the challenging and unsteady context, preserved the soundness of its operations and positioning, hence maintaining its credentials and franchise in the marketplace.

## Sustained growth of the SBM Group amidst a reinforced operating model

During the period under review, the Group's accomplishments have been underpinned by the effective execution of well-defined and focused strategic initiatives, which have been tailored as per each entity's unique specificities. Notwithstanding the challenging context prevailing across the jurisdictions where it

is present, the Group made further progress towards achieving its strategic objectives, supported by its reinforced operating foundations. The entities of the Group have further enriched their value proposition, alongside boosting customer proximity. They have bolstered their internal capabilities in terms of people, process and technology. The strengthening of the corporate governance and risk management frameworks has remained high on the agenda.



**Encouragingly, the Group has upheld healthy financial ratios in support of ongoing and future growth endeavours ...**



With a view to further improving oversight of the entities, the operating model at SBM Holdings Ltd level has, in some respects, been reassessed and refined during the last financial year, whereby a reallocation of Senior Management responsibilities was undertaken, following approvals obtained from the Boards of SBM Holdings Ltd and, in specific cases, of SBM Bank (Mauritius) Ltd. Overall, SBM Holdings Ltd has continued to exercise regular strategic monitoring of the positioning and activities of its operating entities through well-structured platforms, notably the Group Functional Forums, which meet on a systematic basis to foster organisation-wide collaboration and alignment around specific topics such as finance, internal audit, human resource, technology, operations, risk management, compliance, marketing and communications, and sustainability.

Furthermore, the SBM Group has formally launched its Sustainability Agenda in 2023, with various strategic and capacity-building endeavours being initiated and/or executed, with the support of an external Sustainability Specialist Partner, which is accompanying the organisation and its entities in envisioning and articulating relevant strategies and initiatives. As a key consideration, our corporate governance approach ensures that we operate in the best interests of our stakeholders, alongside embedding sustainability throughout the Group. The organisation has anchored its sustainability agenda on specific structures and foundations. During the period under review, the governance set-up, policies and procedures as well as relevant operating paradigms of the Group and its entities have, in some respects, been enhanced with a view to further promoting a culture of sustainability and ethics. Of note, a Corporate Governance, Conduct Review & Sustainability Committee is in place at SBM Holdings Ltd, while being supported by the Group Sustainability Forum, which seeks to ensure alignment and a consistent approach to the execution of the Group Sustainability Agenda and to promote regular dialogue with stakeholders on sustainability matters.

Besides, the Group has publicly committed to international sustainability principles, as it sets out to convey its strategic pathways and intent around sustainability, improve the comprehensiveness of its reporting and disclosures, further enhance its credibility on the subject matter as well as promote structured peer learning and knowledge sharing. In 2023, SBM Holdings Ltd has, as a responsible organisation committed to endorsing sustainable actions that create value for all its stakeholders, signed the Diversity, Equity and Inclusion (DEI) Charter championed by the National Committee on Corporate Governance (NCCG). Moreover, SBM Bank (Mauritius) Ltd and

# Reflections from the Group Chairman (cont'd)

SBM Bank (Kenya) Limited have become official participants of the United Nations Global Compact.

## **Advancing in an ambitious, yet prudent, manner**

As per latest reports, the world economy is recovering at a gradual, albeit tempered, pace, though non-negligible downside risks prevail. The IMF has, recently, underscored that the global economic recovery from the COVID-19 pandemic, Russia's war with Ukraine and the cost-of-living crisis is proving to be surprisingly resilient, while inflation is falling faster than expected from its 2022 peak. In Mauritius, the economy has upheld its resilience and maintained its encouraging GDP growth momentum on the back of favourable sectorial performance and higher investment levels.

In this context, the SBM Group remains committed to grappling judiciously with evolving market trends and dynamics, while pursuing its underlying growth agenda in a cautious and well-informed manner. It will ensure that its entities maintain solid capitalisation, asset quality as well as funding and liquidity positions, backed by reinforced capabilities and robust risk management. In fine, the Group will aim at further cementing its position as a leading banking and financial services player in Mauritius, alongside progressively expanding its market footprint in foreign presence countries. This will enable the Group to create meaningful value for all its stakeholders, alongside contributing to the sound, sustained and inclusive socio-economic progress of Mauritius.

Along its journey and while it moves forward to prudently tap into growth opportunities, the Group is well-positioned to navigate the coming years with confidence, while embracing innovation with a view to perpetually enriching the quality of customer experiences across channels. It will be guided by its key strategic orientations, which revolve around the following: (i) Purposeful and Sustainable business model; (ii) Simpler and Smarter organisation; and (iii) growth as an International and Universal Service Provider. The operating entities of the Group will, across markets and jurisdictions, remain focused on further refining their operational efficiency, modernising their operations and strengthening competitiveness levels, while bolstering their governance and risk management processes and policies, in alignment with prevailing legal and regulatory guidelines and stipulations. In other words, the Group will keep on upholding best corporate governance practices, alongside promoting a culture of integrity, transparency, innovation and sustainability across its operations. As a key success factor, the engagement and empowerment of our human capital will take centre-stage in our strategic endeavours, as we set out to attract, develop and retain our talents across various fields, backed by an appealing employee value proposition.

Towards these ends, the Board of SBM Holdings Ltd will remain vigilant in its approach and will deliver the necessary guidance and oversight that are aimed at helping Management and employees to realise the Group's endeavours and projects in a well-calibrated and effective way.

## **Steering towards a constructive and fulfilling future for everyone**

As I conclude, allow me to express my heartfelt thanks and deepest sense of appreciation to all employees of the SBM Group for their tireless efforts and exemplary dedication for making things happen and contributing to the improved financial performance of the organisation and its overall progress. Their hard work and synergistic approach have helped the Group to confront the challenging operating environment and chart its

way forward, while safeguarding our reputation. Our employees have demonstrated, once again, that they possess the right expertise, agility and ambition to sustain the Group's strategic realisations and financial resilience.

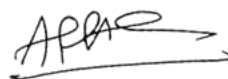
***As a key success factor, the engagement and empowerment of our human capital will take centre-stage in our strategic endeavours ...***

May I also laud the guidance and far-sightedness conveyed by the Directors of SBM Holdings Ltd as well as those forming part of other Boards across the Group. I look forward to benefitting from their wise counsel, stewardship and support towards taking the organisation to new heights. I know that I can count on our Directors to ensure that the Group is managed responsibly and ethically, as it embarks on a purposeful business growth path, while ensuring, at the same time, that the organisation applies a robust risk management system as well as adequate control mechanisms.

I would like to express my sincere gratitude to our esteemed shareholders and customers for standing by our side and maintaining their trust in our ability to help them achieve their ambitions. Let me reassure them that we will continue to work towards promoting their ultimate interests. We remain committed to embracing a sensible growth path and generating long-term returns for our shareholders, while creating propitious conditions for our customers to grow and prosper.

Amidst a volatile and fast-paced operating environment across the jurisdictions where it is present, the SBM Group is resolutely set to preserve its sound fundamentals and enrich its value proposition with a view to unlocking value and meeting or exceeding the expectations of its stakeholders.

While we are confident that we are on the right track and that our business model is working, we will strive to forge an even smarter as well as a more purposeful and dynamic organisation.



**Sattar Hajee Abdoula**  
*Group Chairman*  
**SBM Holdings Ltd**









# Message from the Group CEO

Dear Valued Partners,

I am pleased to note that the SBM Group has, during the year under review, upheld its positioning as a leading and influential banking and financial services player in Mauritius, while, at the same time, making strategic headway in its foreign presence countries. The Group remains actively involved in relentlessly improving its competitive edge and strengthening its capabilities, alongside effectively dealing with operational challenges and ensuring that business growth is inclusive, diversified and sustainable.

## **Strengthened financial performance on the back of sustained strategic progress**

During the last financial year, mindful of the multiple challenges associated with their respective jurisdictions, the operating entities of the Group have conscientiously implemented their growth agenda, albeit at varying paces. Against this backdrop, the SBM Group has registered a record profit of MUR 4.3 billion for the year ended 31 December 2023, which represents an increase of 18.7% when compared to the preceding year. Towards this end, the Group capitalised on sustained business development and capacity building endeavours put in place over the past four years, particularly benefitting from the rigorous revision of risk management frameworks, which have led to lower impairment loss on financial assets.

In spite of the challenging market landscape, operating income surged by 14.5%, rising from MUR 13.7 billion in FY 2022 to MUR 15.6 billion in FY 2023. Revenue generation was supported by a growth of 19.3% in net interest income, mainly driven by higher income from the loan book and investment securities. The core earnings of the Group were also boosted by an increase of 6.7% in net fee and commission income in the wake of rising business volumes, while net trading income moved up given favourable market conditions.

In support of its growth ambitions, the Group preserved sound financial ratios. Return on average shareholders' equity attained 14.7% for the year under review, compared to 13.6% in FY 2022. Besides, earnings per share stood at 167.2 cents in FY 2023, compared to 140.8 cents in FY 2022. While robust funding and liquidity positions were maintained, the overall capital adequacy ratio stood at 20.5%, which is well above regulatory requirements, hence providing adequate buffers to sustain the growth momentum. The Group posted enhanced asset quality ratios on the back of further headway realised in terms of risk management, with the net impaired advances to net advances ratio improving to 2.1% in FY 2023, from 2.8% in FY 2022.

Notably, the improvement in our financial performance has allowed us to double our dividend payment to 40 cents per share, payable in June 2024, which testifies to our dedication to delivering sound and sustainable returns to our valued shareholders. In fact, we are delighted to witness our reinforced ability to be able to proudly reward our shareholders for their continued and unwavering trust and confidence in the SBM Group.

## **Reinforced and revisited positioning and performance of the Group**

While facing up to a demanding operating landscape, the Group has made further progress against its strategic objectives. Towards this end, the Group has capitalised on its healthy and flexible business model, alongside continuously enriching its value proposition and strengthening customer proximity. Initiatives put in place have helped to further turn around the organisation, while fortifying its growth foundations.

The SBM Group has pursued a series of strategic initiatives, with a focus on bolstering human capital as well as gearing up its capabilities and credentials in support of sound business growth. Strengthened corporate governance and risk management has remained high on the agenda. As a key measure aimed at further improving oversight of our entities, the operating model at SBM Holdings Ltd level has, in some respects, been reviewed, including a reallocation of Senior Management responsibilities. Overall, the Group has continued to exercise regular strategic monitoring of the positioning and activities of its operating entities through well-structured platforms, notably the Group Functional Forums, which meet on a regular basis to foster organisation-wide collaboration and alignment around specific topics such as finance, internal audit, technology, operations and transformation, risk management and compliance as well as sustainability. In the same vein, initiatives in favour of promoting intra-Group synergies have been implemented, after catering for the specificities and operating contexts of our entities.



***While facing up to a demanding operating landscape, the Group has made further progress against its strategic objectives***



As a key achievement, the SBM Group has formally launched its Sustainability Agenda in FY 2023 and pursued the execution thereof by means of various initiatives, supported by a reinforced operating and governance model. In this journey, the SBM Group is being guided by an external Sustainability Specialist Partner, which is accompanying the organisation and its operating entities in envisioning and articulating their relevant strategies. In this spirit, the SBM Group has, during the period under review, remained active in promoting sustainability as a key pillar of its operational initiatives, business development thrusts and stakeholder management model. The SBM Group Sustainability Agenda expresses the type of organisation we are and want to be as well as our unique role in shaping a defining vision for Mauritius and the economies and societies in which we operate. Our approach to sustainability is targeted and collaborative. It aims to address the critical and emerging ESG issues which impact the Group and its operations. Our aspiration is to achieve strong and sustainable returns for our various stakeholders, while responding to their expectations, besides supporting healthy nationwide socio-economic development.

## **Key realisations posted by entities of the Group**

### ***SBM Bank (Mauritius) Ltd***

In pursuit of its strategy, SBM Bank (Mauritius) Ltd has, during FY 2023, upheld its diversification efforts and growth momentum, which have contributed to cement its position as the mainstay and flagship of the SBM Group as well as a leading player in the Mauritian economy. Embracing customer centricity, the bank revamped the look and feel of two additional branches alongside opening a brand new one in Rivière Noire, upgraded its customer value proposition across various customer segments served, improved the turnaround time for services including account opening and credit facilities, augmented its support to customers investing in sustainable and renewable energy projects, decentralised its services and established dedicated SME desks and hubs across its local network, bolstered its human resource capabilities and, where required, reviewed internal structures for enhanced operational efficiencies. The bank is also preparing to



# Message from the Group CEO (cont'd)

re-kindle its international business, albeit prudently and steadily, by, first and foremost, updating its risk appetite statement and bolstering capabilities. To support its growth aspirations, the bank has set out to strengthen its IT ecosystem and revamp its digital banking platforms. At the same time, the bank is continuously investing to build the necessary expertise and capabilities to fulfill its role as a responsible corporate citizen, in alignment with the overarching Group Sustainability Agenda.

## *SBM Bank (India) Limited*

SBM Bank (India) Limited has, despite facing various challenges, maintained the execution of various initiatives to position itself as a reference bank to its valued customers. In particular, the bank has built a dedicated MSME team, expanded its branch network, thus bringing the total network to 16 branches for a better outreach, renovated and upgraded its existing branches for a better experience and augmented its banking platform with additional features, amongst others. In addition to those endeavours, the bank has made significant strides in improving and upgrading its technological readiness and information systems, while streamlining banking processes and gearing up operational efficiency levels. Following issues raised by the Reserve Bank of India regarding business undertakings, the bank has reinforced its systems and processes by adding various security layers and capabilities, conducted process and product audits and reviews, and undertaken a comprehensive KYC audit across products. Besides ensuring compliance with regulatory expectations, these measures helped to reinforce internal control mechanisms.

## *SBM Bank (Kenya) Limited*

SBM Bank (Kenya) Limited has, during the year under review, undertaken various initiatives which helped in transforming the livelihoods of the Kenyan people alongside improving its positioning in the niche markets where it operates. To this end, the bank has, for instance, entered into a risk-sharing agreement with the African Guarantee Fund, reiterated its support to financing MSMEs and women-led enterprises on favourable terms and provided funding to renewable energy projects, amongst others. With added focus on customer excellence and centricity, the bank has revamped the look and feel of seven of its branches, introduced new solutions and enhanced its Internet Banking platform.

## *Banque SBM Madagascar SA*

Banque SBM Madagascar has strengthened its relationships with long-standing customers and sustained its focus on service excellence to deliver compelling customer experiences, alongside refining pricing structures and boosting responsiveness to customer needs. As part of broader efforts towards elevating customer service standards, the bank undertook the renovation and upgrade of its headquarters. To support its growth endeavours, the bank worked towards improving its operational efficiency and resilience levels, with a key endeavour relating to the upgrade of the overall risk management framework and set-up.

## *SBM Non-Banking Financial Cluster (SBM NBFC)*

SBM NBFC has, despite facing up to increasingly challenging operating conditions and heightened competition levels, reported a sound performance, as reflected through its various business achievements. As a key performance indicator, total Assets Under Management exceeded the MUR 18 billion mark, on the back of expanding client mandates and subscriptions in CIS funds. The trading business has continued to flourish on enhanced synergies with the Group, the Corporate Finance business has concluded

two major transactions during the year and the insurance business has maintained endeavours to position itself as a one-stop financial solutions provider to the corporate segment. In FY 2023, SBM NBFC relocated its offices from Hennessy Tower in Port Louis to new premises in Wall Street, Ebene, at the heart of the bustling financial centre. This move represents a major milestone as it offers excellent opportunities in terms of greater accessibility and proximity to key business hubs and allows the entity to strengthen partnerships with key players and better serve its clients, while simultaneously providing a conducive work environment for its employees.

## **Concluding remarks**

In reflection of the numerous realisations achieved by the SBM Group over the last 50 years, 2023 has provided an ideal base to renew with our roots as well as to imagine and lay the foundations for a new phase of growth and development for the organisation as a whole. In the same vein, we have taken the time to purposely appreciate the role of our stakeholders in our journey towards a more prosperous future for all.

As we look forward with optimism and determination, our vision is to uphold the positioning of the SBM Group as a leading player in the domestic banking industry, while, at the same time, cautiously solidifying our presence and influence in the markets that we serve beyond the shores of Mauritius.

In sync with all our stakeholders and while moving in a determinedly cautious and progressive way, we will work towards harnessing an increasingly resilient, diversified and leveraged organisation, thus generating solid conditions for continuously reinforcing the financial soundness of the SBM Group, which would, thus, pave the way for improved returns and enhanced shareholder value. Towards this end, emphasis will, importantly, be laid on tackling persisting challenges facing the Group, notably the need to resolve legacy and operational challenges faced by specific entities, while putting the latter on sounder footings. We will adopt a forward-looking approach geared towards promoting a leaner, digitally-enabled and increasingly dynamic organisation, in alignment with market and industry trends.

Along our journey, we will remain vigilant and recognise both the risks and opportunities that lie before us as we seek to capitalise on our strengths and overcome our weaknesses. We are conscious that this will not be an easy task, but we are confident that, with the support of our employees and different stakeholders, we will achieve the necessary resilience, agility and dynamism required to positively transform our operations and to make us even more competitive in the jurisdictions and industries in which we operate.

Ending here, may I wholeheartedly laud the guidance and stewardship of the Board of Directors of SBM Holdings Ltd and its Chairperson for steering the Group in the right direction. In the same vein, I thank the Directors across our entity Boards for the healthy and constructive discussions and relationships that we have forged over time.

I wish to express my solid appreciation to all our employees spanning the different entities of the Group for their resolve, dexterity and hard work to help us accomplish our objectives.

As always, they have stood firm in the face of the challenging environment and enabled our entities to resolutely move forward.





***We will adopt a forward-looking approach geared towards promoting a leaner, digitally-enabled and increasingly dynamic organisation ...***

Together, we shall, in tune with our values and principles, remain passionately and unreservedly committed to building a strong and fulfilling future for the SBM Group. Along this path, our underlying ambitions are to actively support the sound socio-economic development of Mauritius and its strategic positioning as an International Financial Centre of substance as well as to generate meaningful and long-term value for the benefit of our stakeholders across all the jurisdictions where we are present.

A handwritten signature in black ink, appearing to read 'Raoul Gufflet', with a small mark below it.

**Raoul Gufflet**  
*Group Chief Executive Officer*  
**SBM Holdings Ltd**

# Cultivating growth: empowering teams for excellence

Rooted in our commitment towards sustainable growth, we empower our employees to strive for excellence, alongside promoting their continuous engagement and wellbeing















# Our Reporting Universe and Philosophy

# Our Reporting Universe and Philosophy

## About our report

### Introduction

Our Integrated Annual Report has been prepared in accordance with relevant rules, guidelines, standards and frameworks. The report has been based on the key principles set out by the International Integrated Reporting Council.

### Purpose

The primary purpose of this report is to explain how SBM creates sustainable value for the benefit of its multiple stakeholders, while tapping into opportunities met and managing the risks faced.

This report aims to provide our stakeholders with a holistic, balanced, transparent and concise depiction of the performance and positioning of the SBM Group, including its strategy and governance framework.

## Scope and boundary

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

**Period covered:** From 01 January 2023 to 31 December 2023. Material events after this date and up to the approval of this report on 13 May 2024 are also catered for in this report.

## Embarking on an integrated reporting journey

### Scope and purpose

The SBM Group has, during the course of last year, officially launched its Sustainability Agenda, which reflects its stakeholder engagement and its commitment to achieving a better and fairer world.

Against this backdrop and its wider level ambitions, the SBM Group is, for the first time, producing its Integrated Annual Report, while adhering to the International Integrated Reporting Council Principles. We have set out to communicate our financial and non-financial progress in an increasingly holistic, structured and transparent manner, thus showing how we are fulfilling our purpose. Our report conveys a forward-looking perspective of our business, while demonstrating how, amidst an evolving operating landscape, value is created by means of a well-articulated business model.

In this spirit, the organisation shows how it is impactfully engaging with its stakeholders, in line with their expectations, alongside harnessing its reputation as a resilient, dynamic and purpose-driven organisation.

Looking ahead, the SBM Group is committed to further improving the quality of its reporting, with expanding focus on integrated thinking, strategic value drivers and the creation of shared value.

### Navigation toolkit



Read more in this Report



Further details on our [website](#)



## Key principles

The principles guiding information contained in our Integrated Annual Report are as follows:



# Our Reporting Universe and Philosophy *(cont'd)*

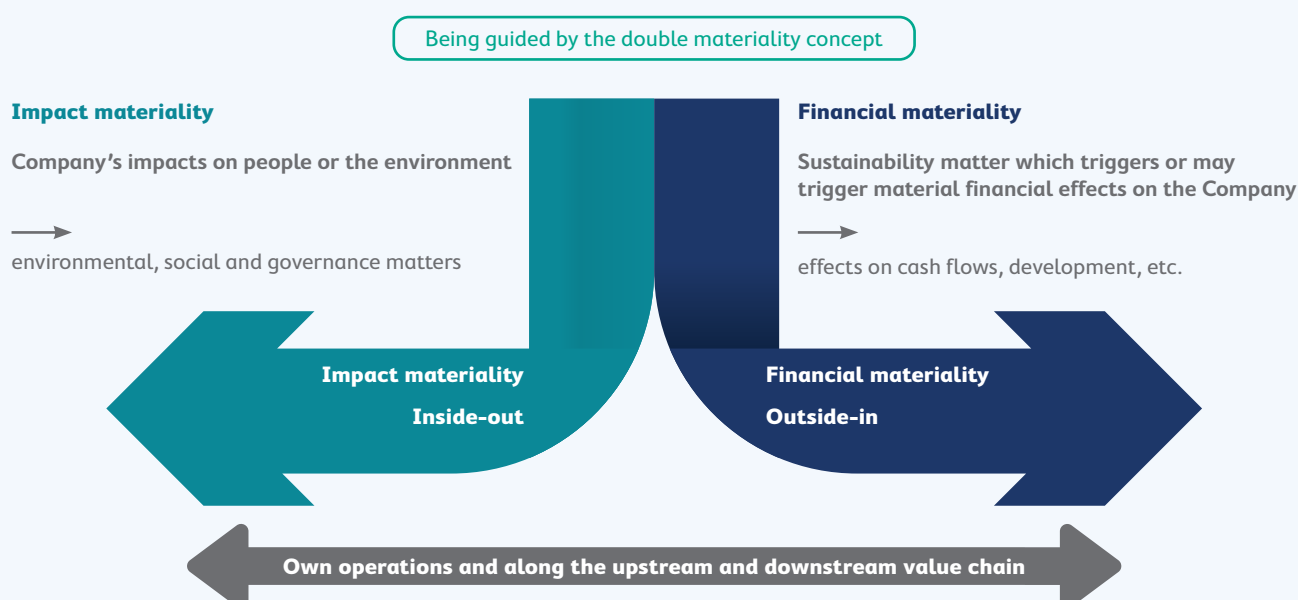
## Determination of our material matters

### Background

While serving as a basis to reflect the Group's identity and to strengthen the strategy management process, information disclosed in our Integrated Annual Report is founded on our material matters.

We define material matters as those which can significantly affect our ability to achieve our organisational purpose as well

as to create and preserve value for our stakeholders, over both the short and longer runs. These material matters are deemed as being important enough to help achieve the Group's vision, mission, goals and strategies. We are dedicated to reassessing our material matters on a continuous basis to cater for the fast-changing economic, market and industry environments.



### Process and underpinnings

#### Determination process

The determination of materiality by the SBM Group has been driven by a systematic and rigorous process, while being subject to proper appraisals and validations. Based on expert advice and guidance from the external Sustainability Specialist Partner accompanying us on our journey, our material matters have been determined by means of a ranking and prioritisation exercise. The latter has encompassed comprehensive discussions with internal stakeholders across operating entities and business

segments, via workshops and brainstorming sessions, alongside bearing in mind the specificities and strategic directions of the organisation, stakeholder expectations, international best practices and industry benchmarks.

We are committed to anchoring these material matters as foundations for our strategising and strategy management exercise and process, with regular and targeted reporting to be undertaken on the progress being realised by the Group over time.





### Endorsement of Group material matters



#### Customer experience

Customer experience and satisfaction, supported by innovative banking channels as well as the ability to adapt to change and market demand by developing suitable products and services to enhance the customer's experience and meeting their legitimate requirements, while being mindful of critical environmental, social and governance issues.



#### Macroeconomic risks and financial stability

External economic factors and events that can potentially disrupt or destabilise the overall financial system, alongside impacting the stability and functioning of the financial markets and institutions. This can lead to change in asset value due to potential disturbance or shocks in the economy, notably pertaining to inflation, exchange rate risks, debt levels, taxation and credit ratings.



#### Employee wellbeing

Employees feel valued, respected and derive meaning from performing their jobs in an environment where transparency and communication are promoted. Physical, emotional and mental wellbeing is prioritised through awareness and the establishment of relevant programmes and support system.



#### Ethics, trust and transparency

The practice of consistently acting according to applicable rules and guidelines as well as values and moral principles; complying with the National Code of Corporate Governance and regulatory stipulations when undertaking market activities and/or dealing with potentially challenging subjects, such as environmental compliance, competitive behaviours and corporate social responsibility; the zero-tolerance policy and prevention of subjects such as bribery, discrimination, money laundering and the open disclosure of quality information that stakeholders can use to make choices; ensuring the protection of digital and physical data from any unauthorised use and allowing for disclosure in accordance with the relevant jurisdiction requirements.



#### Diversity, equity and inclusion

Adhering to the policies and programmes devised by external stakeholders to encourage representation and participation of groups of people with diverse backgrounds, experience, skills and expertise, including the diversity of the Board, while also contributing to the social advancement of individuals in the community through the enhancement of opportunities and providing access to resources, especially for disadvantaged individuals; this includes the SBM Foundation and Academy programmes as well as Government initiatives.



#### Climate consciousness

Controlling and reducing the organisation's carbon footprint through the measurement, monitoring and management of tracked carbon emissions (direct, indirect and all the other emissions associated with the company's activities), while, in the process, catering for ESG principles and foundations.

# Our Reporting Universe and Philosophy *(cont'd)*

## Creating long-term sustainable value in an integrated way

In line with our integrated reporting principles and while catering for our material matters, we interact, through various channels, with multiple stakeholders having a direct or indirect impact on our business.

This report sheds light on our regular stakeholder engagement, which enables us to deliver a coherent strategy that drives sustainable value creation on the basis of trustworthy relationships. Towards this end, we demonstrate how we make judicious use of our forms of capital in line with the categories defined by the International Integrated Reporting Council. Along the way, we seek to deliver on our prioritised UN Sustainable Development Goals, through which we believe we can generate the most impactful value. See further details below, supported by navigational icons used throughout the report.

### Leveraging our resources ...



**Financial capital**

Funds that are available for use by the organisation in the production of goods or provision of services, obtained through financing or generated through operations and investments



**Manufactured capital**

Matters and objects that are available for use by the organisation in the production of goods or provision of services, including buildings, machinery and equipment as well as infrastructures



**Intellectual capital**

Intangibles, including intellectual property (e.g. patents, copyrights and licences), organisational capital (e.g. tacit knowledge, systems, procedures and protocols) and the brand/reputation of the organisation



**Human capital**

Competencies, capabilities and experience of the organisation's employees, including their ability to understand, develop and implement its strategy, as well as their motivations to innovate while leading, managing and collaborating



**Social and relationship capital**

Institutions and relationships established within and between each community, group of stakeholders and other networks towards enhancing individual and collective wellbeing, while promoting shared norms and values and protecting stakeholder interests



**Natural capital**

Renewable and non-renewable environmental stocks that provide goods and services in support of the current and future prosperity of the organisation, including air, water and land as well as relevant biodiversity structures and ecosystems

### ... to meet stakeholder expectations ...



**Shareholders, debt holders and investor community:** Striving to generate sound and sustainable financial returns



**Societies and communities:** Promoting inclusive and socially advanced nations



**Customers:** Delivering relevant financial solutions and service to our customers



**Governments and regulators:** Doing the right business, the right way



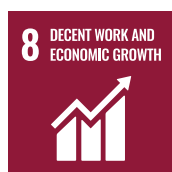
**Employees:** Shaping a competent and engaged workforce that effectively meets our customer needs



**Suppliers and strategic partners:** Leveraging networks and ecosystems to achieve our ambitions



... while adhering to prioritised SDGs



## Assurance and responsibility

Our reporting process for this Integrated Annual Report 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), the International Integrated Reporting Framework and several laws and regulations as applicable. We also have an internal assurance model to ascertain that we provide reliable information throughout this Integrated Annual Report.

Deloitte, the Group's External Auditor, has provided independent assurance on the Annual Financial Statements of the SBM Group for the year ended 31<sup>st</sup> December 2023 and has expressed an unqualified audit opinion. The full content of the Integrated Annual Report has been reviewed by the External Auditor and the Senior Management Team of SBM Holdings Ltd (SBMH) and, in line with related mandates, specific reports were also reviewed and recommended to the Board of Directors of SBMH for approval by the Corporate Governance, Conduct Review & Sustainability, Audit and Risk Management Committees.

The Board of Directors of SBMH has reviewed and validated the Integrated Annual Report before its publication.



### Your feedback matters

We welcome and value your feedback on our Integrated Annual Report.

Please write to us on [investor.relations@sbmgroup.mu](mailto:investor.relations@sbmgroup.mu)

# **Navigating success:** championing ethics, integrity and compliance in business

In our voyage towards healthy progress, our operations and activities are anchored on our ethics and integrity, thus embodying our role as a responsible financial institution













# Our Value Creation Story



# Our Value Creation Story

## Who we are

### SBM at a glance

Building its culture and integrity on a legacy of 50 years, the SBM Group is a leading banking and financial services player in Mauritius, while being actively involved in the Asia-Africa corridor by means of dedicated banking subsidiaries operating in India, Kenya and Madagascar.

We are committed to delivering innovative and tailored financial solutions to help our individual, corporate and institutional customers prosper and achieve their ambitions, alongside doing our best to promote the welfare of the economies, societies and communities in which we are involved.

## Our credentials and accolades

### SBM Holdings Ltd

- Prominent banking and financial services provider
- Part of the Stock Exchange of Mauritius Sustainability Index (SEMSI)

### SBM Bank (Mauritius) Ltd

- Leading bank in Mauritius
- Domestic market shares:
  - Highest market share in mortgage: ~ 38%
  - Total domestic loans: ~ 28%
  - Total rupee deposits: ~ 24%
- Rated Ba1 by Moody's Investors Service
- Best Bank for SMEs in Mauritius - Euromoney Awards for Excellence 2023
- Best SME Bank in Mauritius - The Asian Banker Global Middle East and Africa Awards 2023
- Market Leader in Mauritius for Corporate Banking and Private Banking - Euromoney Market Leaders 2023

### SBM Bank (India) Limited

- Best Leadership Succession Strategy - KamiKaze B2B Media Employee Happiness Award 2023

### SBM Bank (Kenya) Limited

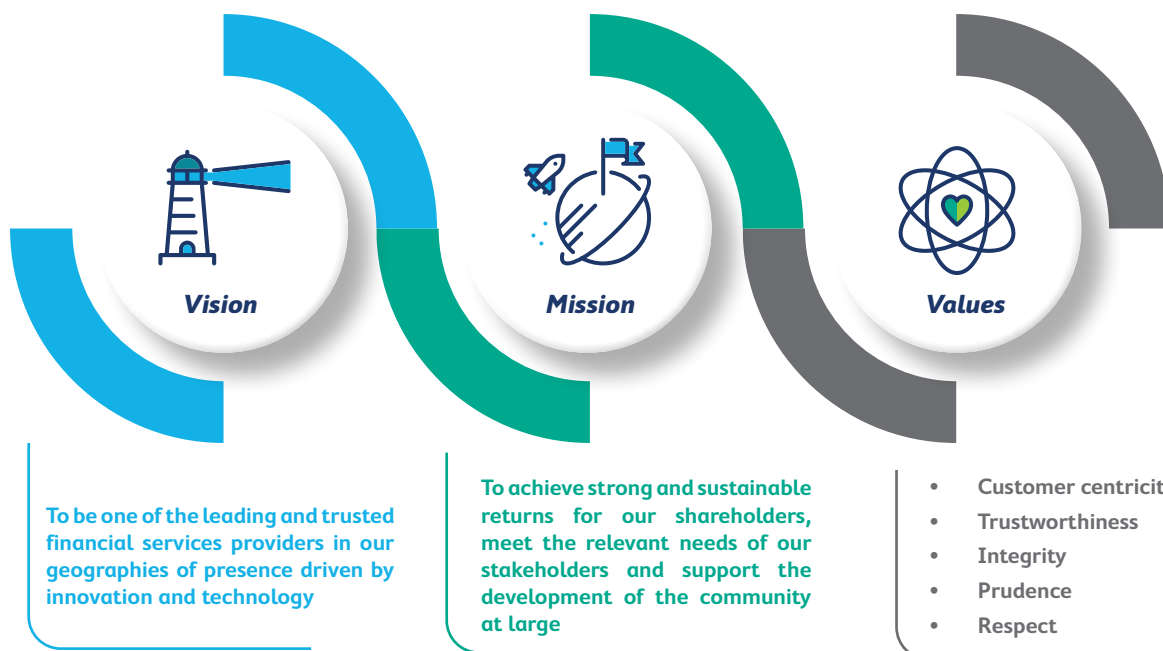
- Best Gender Equality Index in Diversity and Inclusion Kenya 2023 - World Business Outlook Awards 2023
- Best Bank in Women Banking Kenya 2023 - World Business Outlook Awards 2023
- Excellence in Customer Experience Enhancement - Finnovex East Africa Awards 2023
- Best SME Banking Brand - Global Brand Awards 2023
- Best Customer Service Banking Brand - Global Brand Awards 2023
- Top 25 Corporations and Organisations Leading in Social Responsibility in 2023 - Business Monthly East Africa

### SBM NBFC

- Best Brokerage Services - Africa Global Funds Service Providers Awards 2023
- Market Leader in Mauritius for Investment Banking - Euromoney Market Leaders 2023



## Our purpose and philosophy



# Our Value Creation Story *(cont'd)*

## Our differentiating highlights

### Skilled and talented employees

We strongly believe in providing our employees with a stimulating, empowering, fair and inclusive environment to achieve their goals, alongside supporting our business objectives.



**3,356**

of which

Local entities: 1,899

Foreign entities: 1,457

### Wide-ranging customer base

Our growth story is built on a diverse and widening customer base across the jurisdictions in which we are present, underpinned by our customised and appealing value proposition.



**~5,961,040**

of which

Local entities: ~589,730

Foreign entities: ~5,371,310



**~268,510**

Internet Banking customers



**~116,630**

SMS Banking customers



**~542,090**

e-Commerce users

### Innovative and extensive channels

We serve our valued customers by means of tailored delivery and digital channels, while we seek to continuously strengthen the quality, reach and extensiveness of our various platforms.



**104**

branches and counters



**175**

ATMs



**4,392**

POS terminals

### Prominent local stock profile

SBM Holdings Ltd remains a key player on the local stock market, with a comprehensive shareholding that testifies to the favourable positioning and growth prospects of the Group.



**Third largest**

listing on the Stock Exchange of Mauritius



**MUR 13.8 billion**

market capitalisation



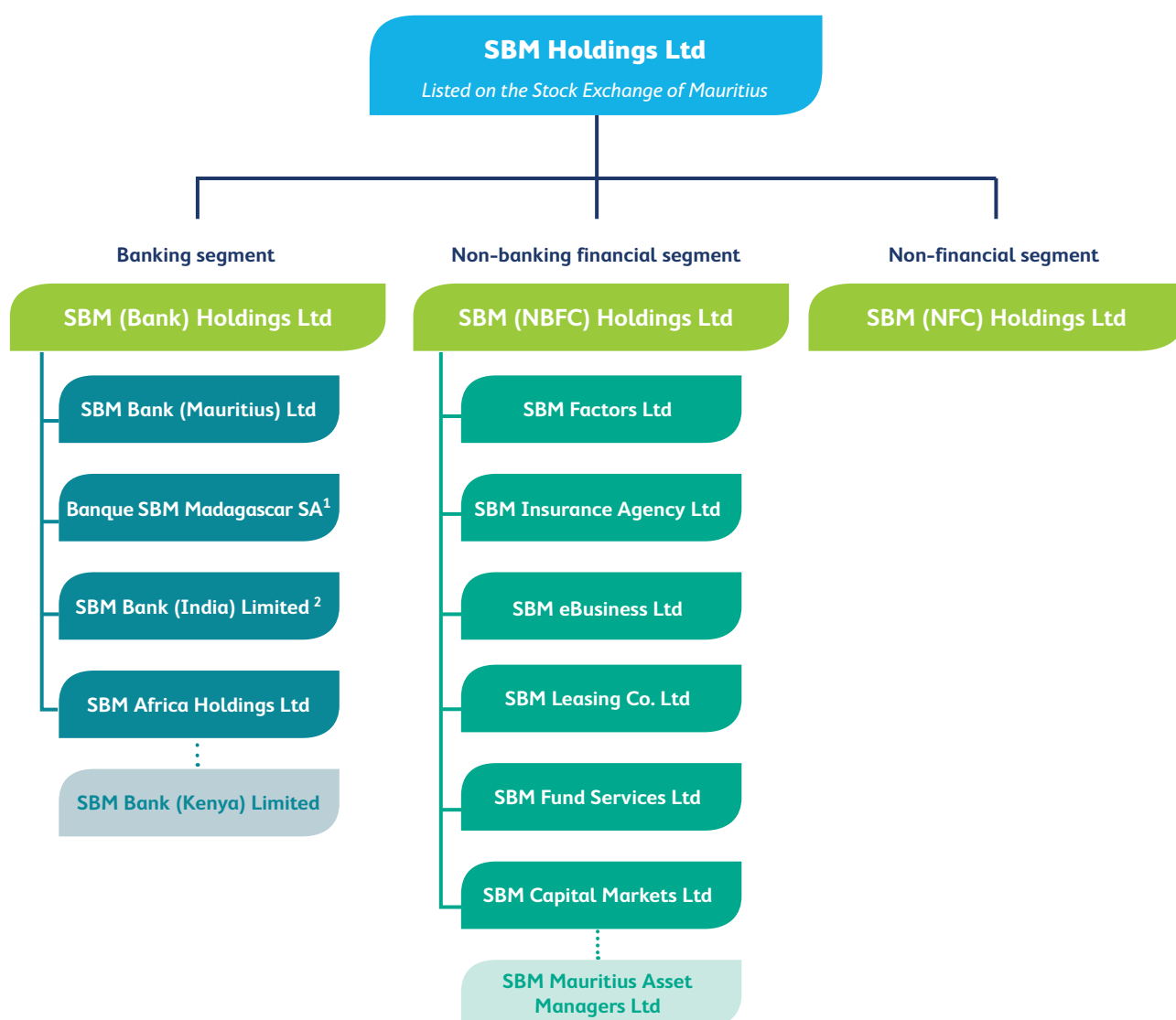
**18,042**

shareholders



# What we do

## Our Group structure



### Notes:

#### 1. Banque SBM Madagascar SA

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

#### 2. 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 & 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

# Our Value Creation Story *(cont'd)*

## Reflecting on our operating entities

### **SBM Bank (Mauritius) Ltd**

- It is the mainstay and flagship of the SBM Group. It is a leading banking operator in Mauritius, which contributes actively to the country's socio-economic development over time.
- The bank attends to the needs of a wide and diversified range of customer segments, comprising Retail, Private Banking and Wealth Management, Microfinance, Small and Medium Enterprise (SME), Corporate, International Banking, Financial, Government and Non-Government Institutions, amongst others. It depicts prominent local market shares, while being also involved in cross-border transactions.
- With the support of its dedicated employees and multichannel capabilities, it provides seamless and innovative experiences to its customers, alongside delivering an extensive range of products and services, based on the principles of proximity. Solutions offered to clients include easy-to-use and secured Internet Banking and mobile banking services.

### **SBM Bank (India) Limited**

- After operating as a branch of SBM Bank (Mauritius) Ltd since 1994, the bank has, since 01 December 2018, begun 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 three primary business divisions - Corporate, Retail and Treasury - which cater for clients across and outside India. It has built a respected brand, backed by its human expertise and branches located in Mumbai, New Delhi, Chandigarh, Pune, Bengaluru, Chennai, Hyderabad, Kolkata, Ahmedabad, Ramachandrapuram, Palghar, Abitghar, Ludhiana, Vashi, Andheri and Tennaka (URC).
- It has invested significant resources to build a robust risk management framework and bolster its capabilities in support of its growing retail and corporate businesses.

### **SBM Bank (Kenya) Limited**

- The bank is well positioned to offer an unprecedented banking experience to its client base. It offers a wide range of financial solutions to its valued customers and plays a key role in supporting the country's economic growth.
- The bank services its customers through multichannel capabilities, including a large branch network spread across the country, complemented by ATMs, mobile banking and online banking services, simple payment solutions, card business, agency banking services and a contact centre to match the needs of the segmented client base.
- Solutions offered are tailor-made for specific segments, which include Consumer Banking, SME and Corporate Banking. Within Consumer Banking, centres of excellence are operated to address the needs of women, youth, diaspora and High-Net-Worth individuals.

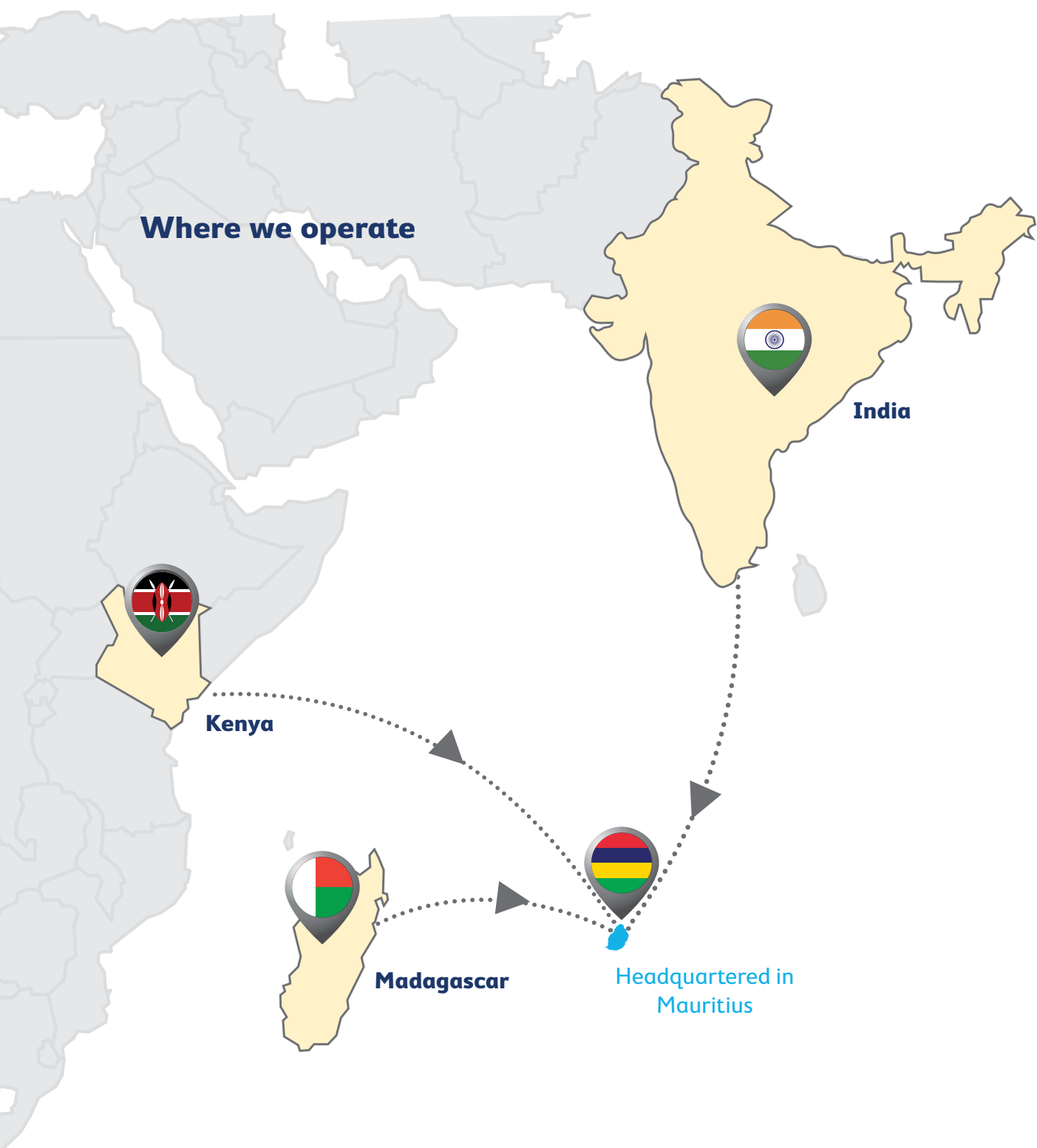
### **Banque SBM Madagascar SA**

- Starting its operations back in 1998 and headquartered in Antananarivo, the bank operates branches in Antsahavola, Andraharo, Tanjombato, Behoririka, Talatamaty and Toamasina.
- The bank acts mostly as a corporate bank that operates in a niche market and services customers with a predominantly wholesale banking focus, while leveraging the key strengths of the Group. The bank also provides dedicated services to High-Net-Worth customers.
- 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.

### **SBM NBFC**

- As a leading player in the Mauritian landscape, SBM NBFC - which has been operating for more than 20 years - provides services with respect to investment management, CIS funds, trading and structuring, corporate finance advisory, capital raising, registry, fund administration, factoring and insurance agency and payment intermediary.
- By complementing the range of solutions offered by the banking entities of the Group and delivering innovative end-to-end financial solutions, the entity has consolidated SBM's position as a strong and reputable financial services provider in Mauritius.
- It capitalises on the business acumen of its sales workforce and leverages synergies among the sales teams of Group entities to deepen market penetration, notably with respect to local and foreign corporates.





	SBM Bank (Mauritius) Ltd	SBM Bank (India) Limited	SBM Bank (Kenya) Limited	Banque SBM Madagascar SA
Number of employees	1,790	702	652	103
Number of customers	~ 552,150	~ 5,252,320	~ 115,470	~ 3,520
Number of branches and counters	45	13	40	6

Note: figures in the table above are as at 31 December 2023

# Group Governance and Leadership

## Board of Directors of SBM Holdings Ltd



**From left to right:**

**Mr Abdul Sattar Adam Ali Mamode Hajee Abdoula** - *Group Chairman,*

**Mr Raoul Claude Nicolas Gufflet, Ms Shakilla Bibi Jhungeer**





**From left to right:**

**Mr Visvanaden Soondram, Ms Sharon Ramdenee,  
Mr Jean Paul Emmanuel Arouff, Dr Subhas Thecka**

# Group Governance and Leadership *(cont'd)*

## Board of Directors of SBM Holdings Ltd

### Committee key

<b>A</b> Audit Committee	<b>PA</b> Projects Assessment Committee
<b>BR</b> Business Review Committee	<b>RM</b> Risk Management Committee
<b>CG</b> Corporate Governance, Conduct Review & Sustainability Committee	<b>S</b> Strategy Committee
<b>NR</b> Nomination & Remuneration Committee	<b>Chair of the Committee</b>

### Mr Abdul Sattar Adam Ali Mamode Hajee Abdoula

*Group Chairman / Independent Director*

Date of appointment: 11 March 2020



**S**

### 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.

### Qualifications

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

### Directorship in other entities

Banque SBM Madagascar SA (Chairman), SBM Africa Holdings Ltd, SBM Bank (India) Limited (Chairman), SBM Bank (Kenya) Limited (Chairman), SBM Capital Markets Ltd (Chairman), SBM eBusiness Ltd (Chairman), SBM Factors Ltd (Chairman), SBM (NBFC) Holdings Ltd (Chairman), SBM 3S Ltd (Chairman) and various Boards of local/global business/foreign entities

## Mr Jean Paul Emmanuel Arouff

*Non-Executive Director*

Date of appointment: 11 March 2020



### Background and experience

Mr Arouff 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.

### Qualifications

- Masters in Journalism – Ecole Supérieure de Journalisme de Paris, France

### Directorship in other entities

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

## Mr Raoul Claude Nicolas Gufflet

*Group Chief Executive Officer / Executive Director*

Date of appointment: 28 November 2022

### Background and experience

Mr Gufflet is a seasoned professional, who has spent over three decades in the banking and financial sector, over which he has gathered an extensive knowledge of the banking sector and financial markets across a large variety of jurisdictions. He started his career as a strategic consultant in the field of restructuring and corporate advisory at PwC in France, Eastern Europe and Africa. He has been involved in several studies which were jointly conducted with the World Bank and the European Bank for Reconstruction and Development on financial institutions, both in developed and transitional economies. Prior to joining the SBM Group, he was the Deputy Chief Executive Officer of a renowned bank in Mauritius and served as the Director of its entities across Africa and the Indian Ocean. He spearheaded the transformation of most of its business lines, aligning them with best international standards as well as with new digital, regulatory and compliance international practices. He has also been instrumental in developing that institution's Corporate and Institutional Banking arm and led the creation of its franchise in the Structured Finance and Commodities spectrum on the African continent. As a firm believer in ESG principles for responsible banking and finance, he is committed to developing a sustainable banking and capital market philosophy, which is a prerequisite for unlocking shareholder value.

### 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
- Master's Degree in Economics (specialisation in Finance) – University of Paris (La Sorbonne), France
- BSc Economics – University of Paris (La Sorbonne), France

### Directorship in other entities

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





# Group Governance and Leadership *(cont'd)*

## Ms Shakilla Bibi Jhungeer

*Independent Director*

Date of appointment: 13 March 2020



### Background and experience

Ms Jhungeer is a qualified barrister from the Lincoln's Inn (London, UK) since 2010 with garnered experiences across multiple core industries ranging from aviation, retail, banking and financial services to national bodies against corruption.

Her directorships provide significant contribution in the delivery of various strategic initiatives across the different entities of the organisation. Ms Jhungeer spearheaded the revamping of the Corporate Governance structure and as a fervent believer in ESG principles, she takes great pride in leading and promoting the implementation of the Sustainability Agenda across the Group. She equally demonstrates an unwavering commitment in the crystallisation of the women empowerment initiatives through the Council of "Wemove".

Previously, Ms Jhungeer served as Board Member of the Independent Commission Against Corruption (ICAC) from 2015 to 2019.

### Qualifications

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

### 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 (NBFC) Holdings Ltd and State Insurance Company of Mauritius Ltd

## Ms Sharon Ramdenee

*Independent Director*

Date of appointment: 14 December 2018

### Background and experience

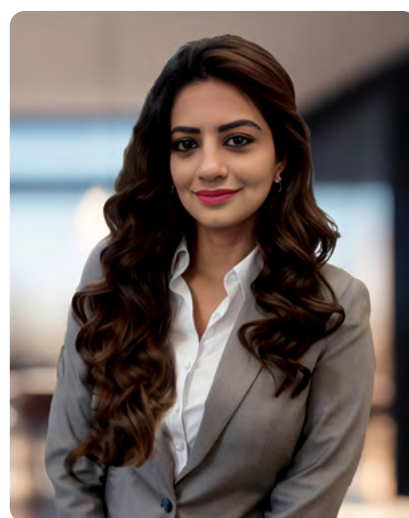
Ms Ramdenee is currently the CEO of Agiliss Ltd, one of the leading fast-moving consumer goods companies operating in Mauritius and also in the region. In Mauritius, Ms Ramdenee previously held the role of Finance Director of Saint Aubin Group, having also held a commercial and business development role in the organisation. In the UK, she worked for Ernst & Young LLP, both in London and internationally, with a portfolio of high-profile clients from a range of industries. She qualified as a Chartered Accountant with Ernst & Young London since 2005.

### Qualifications

- PhD Business & Management (current reading) – Warwick Business School, UK
- Fellow of the Institute of Chartered Accountants in England and Wales (FCA, ICAEW)
- Master of Business Administration (with Distinction) specialising in Strategy and Marketing – Warwick Business School, UK
- Bachelor's Degree in Law and Business – University of Warwick, UK

### Directorship in other entities

Agiliss Ltd, SBM Bank (India) Limited, SBM Bank (Kenya) Limited and SBM (NFC) Holdings Ltd



## Mr Visvanaden Soondram

*Non-Executive Director*

Date of appointment: 11 March 2020



### 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.

### Qualifications

- Fellow of the Association of Chartered Certified Accountants, UK (FCCA)
- Master's Degree in Finance – University of Mauritius, Mauritius

### Directorship in other entities

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

## Dr Subhas Thecka

*Independent Director*

Date of appointment: 23 June 2017

### 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. He has worked for 20 years at the management level in different sectors and 19 years as Lecturer at tertiary level.

### Qualifications

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



# Group Governance and Leadership *(cont'd)*

## Our Leadership Team

### Senior Management Team - SBM Holdings Ltd

#### **Mr Raoul Claude Nicolas Gufflet**

*Group Chief Executive Officer / Executive Director*

Please refer to page 33.

#### **Dr Roshan Boodhoo**

*Deputy Group Chief Executive Officer*

#### **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 the SBM Group, Dr Boodhoo was the Group Chief Executive Officer of a financial services company. Under his leadership, the company which was operating in Mauritius and Luxembourg, embarked on an expansion plan abroad and established operations in International Financial Centres of repute, namely 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 and 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.

#### **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



## Mr Jaswant Rao (Nuvin) Balloo

*Group Chief Strategy Officer*

### Background and experience

Mr Balloo is a seasoned professional with around 18 years of experience in the banking and financial services sector. At SBM Holdings Ltd, he is currently in charge of the overall strategy management, while catering for the Company's Investor Relations function and acting as its main Economist.

After obtaining his Master of Economics from the University of Sydney, Australia, Mr Balloo 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 image and goodwill vis-à-vis multiple stakeholders.

### Qualifications

- Master of Economics – University of Sydney, Australia
- BSc Economics – University of Mauritius, Mauritius

## Mr Akshay Faugoo

*Group Chief Operations and Transformation Officer*

### Background and experience

Mr Faugoo has over 20 years of experience in the banking and financial services and technology sectors. Before joining SBM Holdings Ltd, he was the Head of Transformation at Bank One Ltd, where he led the bank's transformation through an ambitious programme consisting of channels revamp, process digitalisation, data, fintech and innovation.

Prior to that, Mr Faugoo worked at MCB Ltd where he was instrumental in setting up the bank's digital transformation programme and had the responsibility of customer journey transformation as part of their digital agenda.

He started his career and lived in Singapore for several years, where he worked as a consultant in the telecommunications and technology sectors with reputable organisations such as Siemens and Accenture.

### Qualifications

- Master's Degree in Strategy and Organisational Consulting – Ecole Supérieure de Commerce de Paris, France
- Bachelor's Degree in Information Technology with Business – National University of Singapore, Singapore
- Fintech Certificate – Massachusetts Institute of Technology, USA

# Group Governance and Leadership *(cont'd)*

## Senior Management Team – SBM Holdings Ltd *(cont'd)*

### Mr Sivakrisna (Kovi) Goinden

*Group Head Finance and Capital Management*

#### Background and experience

Mr Goinden has served 16 years in the banking sector with an overall 19 years' experience in the finance and accounting sector. He currently manages the finance, capital and procurement functions of the Group, providing support and assistance to the different entities across the SBM Group on finance related matters as well as capital usage and requirements.

Over the years, Mr Goinden has contributed much to the expansion of the SBM Group given his vast past experience in merger and acquisitions, Group restructuring and capital projects.

Mr Goinden acts as Director on several entities of the SBM Group and is a Councillor on the SBM Foundation, the CSR arm of the Group.

#### Qualifications

- Fellow of the Association of Chartered Certified Accountants, UK (FCCA)
- Post Graduate Diploma in Business Administration – Heriot-Watt University, UK

#### Directorships in other entities

Industrial Finance Corporation of Mauritius (Equity) Ltd (Previously known as "SME Equity Fund")

### Mrs Rita-Devi Persand Gujadhur

*Chief Financial Management Officer, SBM Bank (Mauritius) Ltd*

#### Background and experience

Mrs Gujadhur is a seasoned banker with a long career spanning over 36 years at SBM. She joined the Trade Finance Department in 1988, where she spent 9 years and acquired a full insight of the trade finance operations before moving to the International Banking Division. She has, from then on, assumed various positions of increasing responsibilities within the Bank and at Holdings level as Head of Value-Based Performance Management, Head of Operations Centre & Trade Finance, Head of Strategy & Data Analytics and Group Head Financial Management. She currently assumes the function of Chief Financial Management Officer at both SBM Bank (Mauritius) Ltd and SBM Holdings Ltd.

Mrs Gujadhur has been an active member in various key forums such as the Operational Risk Forum, the Management Credit Forum, the Portfolio Credit Forum, the Asset and Liability Management Committee and the Group Executive Forum. She has also been involved in the implementation of major IT projects within the Bank.

#### Qualifications

- Master of Business Administration – Heriot-Watt University, Edinburgh Business School, UK
- Diploma in Business Management – Surrey European Management School, University of Surrey, UK

## Mr Nadim Imrit

*Group Chief Sustainability Officer*

### Background and experience

Mr Imrit leads the development and management of sustainability strategies across all SBM Holdings Ltd entities, ensuring alignment with the Group's Sustainability Agenda.

With a robust two-decade tenure in banking and financial services sector, Mr Imrit's expertise is foundational to the Group's strategic endeavours. Prior to joining SBM Holdings Ltd, he served as the Chief Risk Officer at SBM Bank (Mauritius) Ltd, where he was instrumental in crafting and deploying a governance and risk management framework with an emphasis on climate and environmental financial risks.

Prior to that, Mr Imrit worked as the Head of Credit Analysis & Structuring at MCB Ltd for their Corporate & Institutional Banking division. There, he spearheaded the integration of Environmental and Social Risk Management into the bank's credit process. Additionally, he played a crucial role in developing sustainable finance products and establishing a comprehensive sustainability strategy across the bank's functions.

Mr Imrit started his career in the UK's consultancy sector with KPMG and Deloitte, which set the stage for his advancement into strategic management roles within prestigious banking institutions such as Barclays Group and Renaissance Capital.

### Qualifications

- Fellow of the Institute of Chartered Accountants in England and Wales (FCA, ICAEW)
- BSc in Management & Information Technology – University of Manchester, UK

## Mr Ahmad Mazahir Koussa

*Group Chief Risk and Compliance Officer*

### Background and experience

Mr Koussa brings more than two decades of functional expertise gained at Barclays Capital (England), Standard Bank Group (South Africa), Barclays DIFC (UAE) and most recently First Abu Dhabi Bank in the UAE where he served as Vice President, Group Risk Management for their global Corporate and Investment Banking division with operations spanning across over 20 countries.

He held senior risk management and governance positions in his previous roles, successfully driving effective risk management, overseeing take overs and acquisitions, instilling strong risk culture, embracing technology and establishing enhanced rapport with various stakeholders.

Mr Koussa is a Fellow Chartered Accountant and started his career with a Big 4 firm in London.

### Qualifications

- Fellow of the Institute of Chartered Accountants in England and Wales (FCA, ICAEW)
- BA (Econ) Hons in Accounting and Finance – University of Manchester, UK



# Group Governance and Leadership *(cont'd)*

## Senior Management Team - SBM Holdings Ltd *(cont'd)*

### Mr Anoop Kumar Nilamber

*Group Chief Investment Officer*

#### Background and experience

Mr Nilamber is a seasoned professional with over 15 years of experience in the banking, investment and corporate sectors, having worked in international reputed financial institutions, including HSBC France.

He was previously a member on the board of several key entities including MauBank Ltd, Airports of Mauritius Co. Ltd, the State Investment Corporation Ltd, SME Mauritius Ltd and the Mauritius Revenue Authority, amongst others.

His past experiences include those of Economic Advisor at the Ministry of Finance and Economic Development, Chief Executive Officer at Mauritius Duty Free Paradise Ltd, Group Chief Executive Officer at Airports of Mauritius Co. Ltd and lecturer at the Université Panthéon-Assas Paris II, France.

Prior to this appointment, Mr Nilamber was the CEO of SBM Bank (Mauritius) Ltd since July 2021 to February 2023.

#### Qualifications

- Master's Degree in Banking and Finance – Université Panthéon-Assas Paris II, France
- BSc (Licence) in Economics – Université Panthéon-Assas Paris II, France

### Mr Sanjaiye Rawoteea\*

*Group Chief Business Development Officer*

#### Background and experience

Mr Rawoteea is a seasoned banker with a long career spanning over 20 years in the banking sector, with 10 years dedicated to Private Banking and Wealth Management in both local and international banks, he brings a broad experience to the organisation.

Mr Rawoteea joined the SBM in 2009 where he has since held several senior positions, including those of Senior Relationship Manager in the Private Banking Division and Head of Sales & Marketing at the SBM Non-Banking Financial Cluster. Mr Rawoteea has also served as Acting Chief Executive Officer and Executive Director of SBM Bank (Mauritius) Ltd (SBMBM or the Bank) in 2023 and held the position of Head of Consumer Banking within SBMBM.

At SBMBM, he was instrumental in setting up, in 2017, the Private Wealth Division within the Bank with the objective to provide Wealth Management Solutions to Ultra High-Net-Worth clients. In his capacity as Head of Consumer Banking, he was responsible for the Private Banking & Wealth Management and Retail Banking Divisions of the Bank.

#### Qualifications

- Graduate and alumnus of the Harvard Business School
- Master of Business Administration, Management College of Southern Africa, South Africa
- Bachelor of Commerce - University of Natal, South Africa

*\*Appointed as from 01 April 2024.*

## Mr Neelesh Sharma Sawoky

*Head of Internal Audit & Investigation, SBM Bank (Mauritius) Ltd*

### Background and experience

Mr Sawoky joined the SBM Group as Head of Internal Audit in February 2015. He is a seasoned professional with more than 25 years in the banking and financial sector, of which over 16 years of expertise in leading the Internal Audit function of various banks. He has led audits both locally and overseas. Over the years, he has also been instrumental in establishing high performing Internal Audit Teams within several banking institutions. Mr Sawoky is an avid supporter of data analytics and technology to support audit work and besides the internal audit function, he also oversees the Investigation Team of SBM Bank (Mauritius) Ltd and handles the responsibilities of the Internal Audit function of SBM Holdings Ltd simultaneously.

### Qualifications

- Certified Fraud Examiner (CFE)
- Certified Internal Auditor (CIA)
- Certified Financial Services Auditor (CFSA)
- Fellow of the Association of Chartered Certified Accountants, UK (FCCA)
- Master of Business Administration – University of Derby, UK

# Group Governance and Leadership *(cont'd)*

## Chief Executive Officers of subsidiaries

### Mr Premchand Mungar

*Chief Executive - SBM Bank (Mauritius) Ltd*

#### Background and experience

Mr Mungar is a seasoned banking professional with a proven track record of leadership and strategic management. Currently serving as the CE of SBM Bank (Mauritius) Ltd ("SBMBM") since November 2023, he has garnered extensive experience in the financial sector, particularly in Mauritius and on the African Continent. His insights and contributions to various entities he has been part of, reflect his deep understanding of the regulatory landscape and his commitment to upholding industry standards and best practices.

Mr Mungar started his career in the banking sector within the SBM Group in 1979 whereby he has held several senior positions. He also served as the Chief Executive and Executive Director of MauBank Limited from 2018 to 2023. His past experiences also include positions such as Senior Advisor and General Counsel & Senior Director, amongst other leading roles at the Eastern & Southern African Trade & Development Bank (TDB).

Mr Mungar also serves as an Independent Director on the Board of the Financial Services Commission ("FSC") since 2017 whereby he is the Chairman of the Audit & Risk Committee and a Board member of the Corporate Governance Committee of FSC since 2018. He is currently the Vice-Chairperson of the Mauritius Bankers' Association.

During his career, Mr Mungar has been the privileged recipient of several accolades, including the TDB President's Excellence Award for recognition of the outstanding contribution to TDB.

#### Qualifications

- MSc Finance and Financial Law SOAS - University of London, United Kingdom
- Postgraduate professional practitioners course for attorney-at-law - Council of Legal Education (under the aegis of the Supreme Court of Mauritius), Mauritius
- LLB (Hons) English Law and French Law - University of Mauritius in collaboration with the University of Birmingham (England) and Université d'Aix Marseille (France), Mauritius
- LEAD programme - Stanford Graduate School of Business, Stanford University, United States
- 10<sup>th</sup> Autumn Course on International Finance - Waseda University, Japan
- 16<sup>th</sup> Summer School for International Financial Law - St Catherine's College, University of Oxford, England
- Member of the Law Society of Mauritius
- Alumnus of the University of London
- Member of the Centre for Financial and Management Studies (CeFiMS) at SOAS
- Honored member of the International WHO's WHO Society of Professionals



## Mr Shailendrasingh (Shailen) Sreekeessoon

*Chief Executive Officer, SBM (NBFC) Holdings Ltd*

### Background and experience

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 spans over marketing and economic research, strategy, strategic communications, programme management, investment banking and SME financing. He has spearheaded several research publications and has been an economics spokesperson for the institution. Formerly the Head of Strategy and Research, he joined the Non-Banking Financial Cluster of the SBM Group in July 2019 and was promoted to CEO in 2020. Under his leadership, this cluster has experienced significant growth and innovation, and has become a prominent part of the Group. He is a Member of the Board of Directors of the different entities within the Non-Banking Financial Cluster.

### Qualifications

- Fellow of the Association of Chartered Certified Accountants, UK (FCCA)
- Master of Science in Finance and Economics – London School of Economics and Political Science, UK
- Bachelor of Science in Economics – London School of Economics and Political Science, UK

## Mr Ashish Vijayakar

*Managing Director & Chief Executive Officer, SBM Bank (India) Limited*

### Background and experience

Mr Vijayakar is a veteran banker with nearly three decades of rich experience in the banking and financial services sector. He has an extensive background and an impressive track record in building and expanding global businesses while donning leadership roles across various geographies.

As a career banker, Mr Vijayakar has immense expertise in the domains of business transformation, risk management, innovation and managing changing business environment processes, among other areas of operations. He places great focus on fostering collaboration, talent development and upholding the highest standards of integrity and compliance.

Prior to joining SBM Bank (India) Limited, Mr Vijayakar was the Co-Head & Managing Director, Corporate & Institutional Banking at Standard Chartered Bank, India, whereby he demonstrated his ability to navigate through complex market dynamics and deliver sustainable results.

### Qualifications

- Chartered Accountant – Institute of Chartered Accountants of India, India
- LLB (General) – University of Mumbai, India
- Bachelor of Commerce – University of Mumbai, India

# Group Governance and Leadership *(cont'd)*

## Chief Executive Officers of subsidiaries *(cont'd)*

### Mr Moezz Mir \*

*Chief Executive Officer, SBM Bank (Kenya) Limited*

#### Background and experience

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.

Mr Mir has held several executive-level positions including serving as Managing Director within leading Financial Institutions, especially in the East African region. In his capacity as the CEO of SBM Bank (Kenya) Limited (SBMBK), Mr Mir is responsible for the overall operations of the 39 Branches that SBMBK operates.

#### Qualifications

- Global Executive Development Program (GEDP) – Gordon Institute of Business Science, South Africa
- Bachelor's Degree (Hons) in Economics – Kingston University, London

*\* Mr Mir was in office as the CEO of SBM Bank (Kenya) Limited till 07 May 2024. Mr Bhartesh Shah has been appointed as CEO of SBMBK effective 08 May 2024.*

### Mr Youdananda Munian

*Managing Director, Banque SBM Madagascar SA*

#### Background and experience

Mr Munian has a long career in the banking sector, having held several roles within the SBM Group prior to his appointment at Banque SBM Madagascar SA as Head of Credit, Money Laundering Report Officer (Level 2) and Risk Officer in 2017. Since October 2020, he has been appointed as Interim Managing Director and given his role, he has been actively involved in the formulation, review and implementation of the bank's strategy to grow the Group's Malagasy operations.

#### Qualifications

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







# **Building bridges: partnering for mutual success**

Our commitment to collaboration extends beyond customers, as we foster strong and trustworthy relationships with strategic partners and key ecosystems, while constructing solid bridges













# Delivering Sustainable Value to our Stakeholders

# Delivering Sustainable Value to our Stakeholders

## Our operating environment

### Our approach

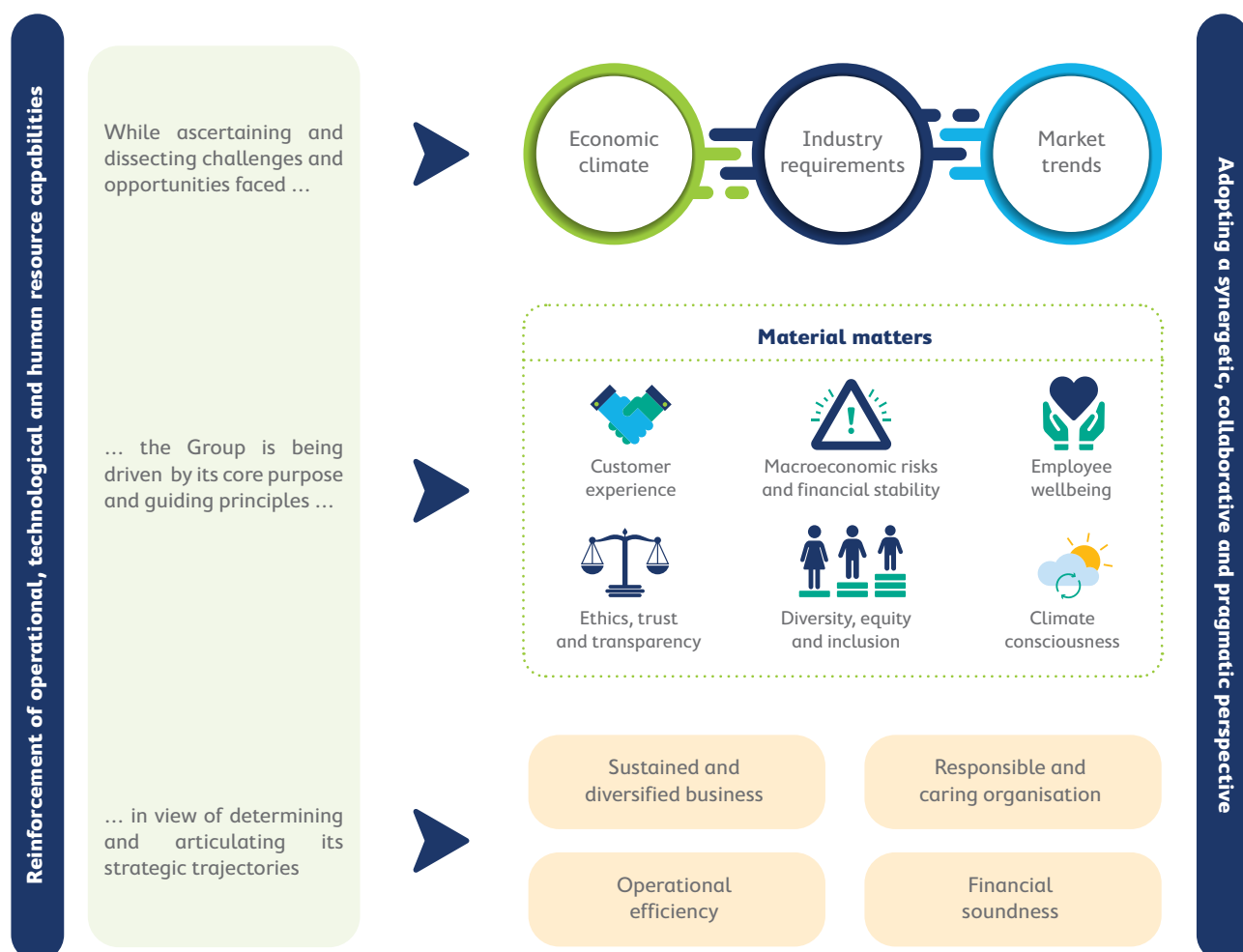
#### The context

- Changing economic, market and industry environments across jurisdictions
- Increasingly competitive and demanding market landscape across segments
- Heightened impact – in terms of both scope and depth – of contextual developments on our operations, our functioning as well as business development strategies and initiatives
- Increased linkages between the external landscape and the Group's business model

#### Our responses

- Strategic positioning of the Group in view of long-term value creation for its stakeholders, while underpinning the operational and financial resilience of our different operating entities
- Systematic and effective monitoring of the operating environment, alongside critically appraising related risks and challenges as regard immediate and longer-term business imperatives
- Refinement of growth-enabling strategies and customer value proposition
- Reinforced market vigilance and customer proximity across presence countries
- Bolstered capabilities in terms of people, process, technology and synergies

## Our modus operandi





## The economic landscape

### *The global context*

It is worth observing that, in spite of geopolitical uncertainties, global activity proved resilient in the second half of 2023, with activity levels being especially underpinned by stronger private and Government spending as well as increased labour force participation, improving supply chains and relatively cheaper energy and commodity prices. Looking ahead, global growth is, as per the IMF in its April 2024 World Economic Outlook, foreseen to stand at 3.2% in both 2024 and 2025. This prognosis is low by historical standards, on the back of persistently challenging conditions, including elevated central bank policy rates to combat inflation, the withdrawal of fiscal support amidst high debt weighing on economic activity, increasing geoeconomic fragmentation and low underlying productivity growth. Global headline inflation is anticipated to decline from an annual average rate of 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025 against the backdrop of unwinding supply-side issues and restrictive monetary policy, with advanced economies foreseen to return to their inflation targets sooner than emerging market and developing economies.

In the context of the unfolding global environment, the economies of the Group's presence countries have, during the year under review, faced up to challenging conditions. This situation has, to different magnitudes, impacted the market environment, with repercussions on the demand for credit, while hikes have been observed in interest rates on the back of the tightening monetary policy stances. Nonetheless, the economic and market landscapes in our presence countries have gradually recovered during 2023. Looking ahead, these countries are likely to be exposed to a demanding global environment, amidst geopolitical tensions as well as volatile financial and commodity markets. That said, they are, as per recent reports, likely to pursue their recovery momentum in 2024, albeit at different paces, supported by dedicated measures and policies by the public and private sectors.

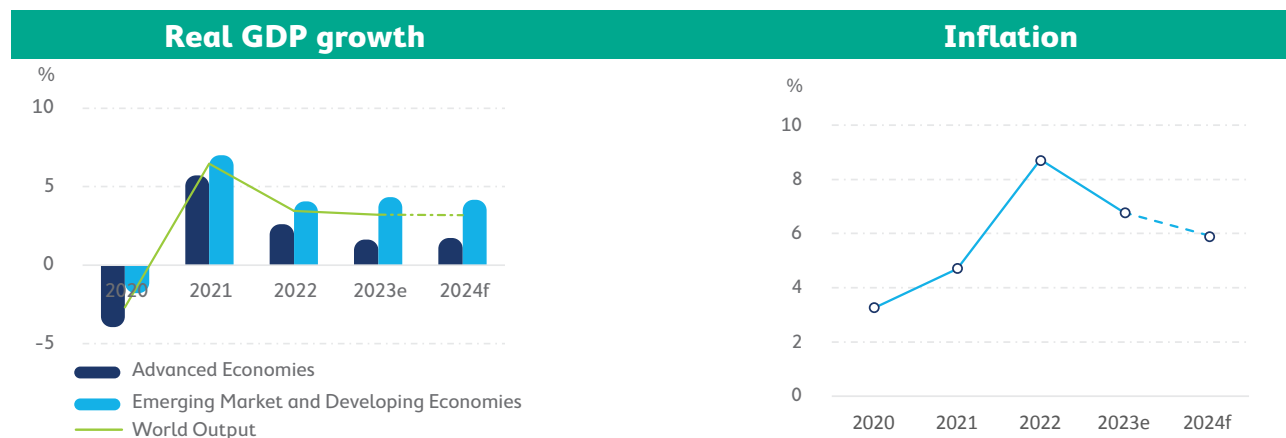
### *The Mauritian economy*

As per official estimates, the Mauritian economy has, last year, upheld the general strength, stability and resilience of its growth impetus, while pursuing its inclusive progress. At the same time, macroeconomic challenges have prevailed in some areas. As per Statistics Mauritius, economic growth is estimated at 7.0% in 2023, driven by broad-based sectorial achievements and favourable investment trends. For 2024, real GDP growth is, notwithstanding the challenging international context, anticipated to remain favourable on the back of the expected good performances of various sectors, while public and private investments are likely to pursue their growth path. Encouragingly, it is worth noting that, in light of the economic recovery impetus, rising investment levels, the healing of labour market conditions and job creation measures put in place by the authorities, the unemployment rate has declined during the course of last year. With regard to headline inflation, it has embarked on a marked downward trend to reach 5.8% as at March 2024, amidst base effects, cooling commodity prices and the tightening of monetary policy. As per last analysis by the Central Bank, headline inflation is, barring major shocks, projected to retreat further to land at around 4.9% towards the end of 2024.



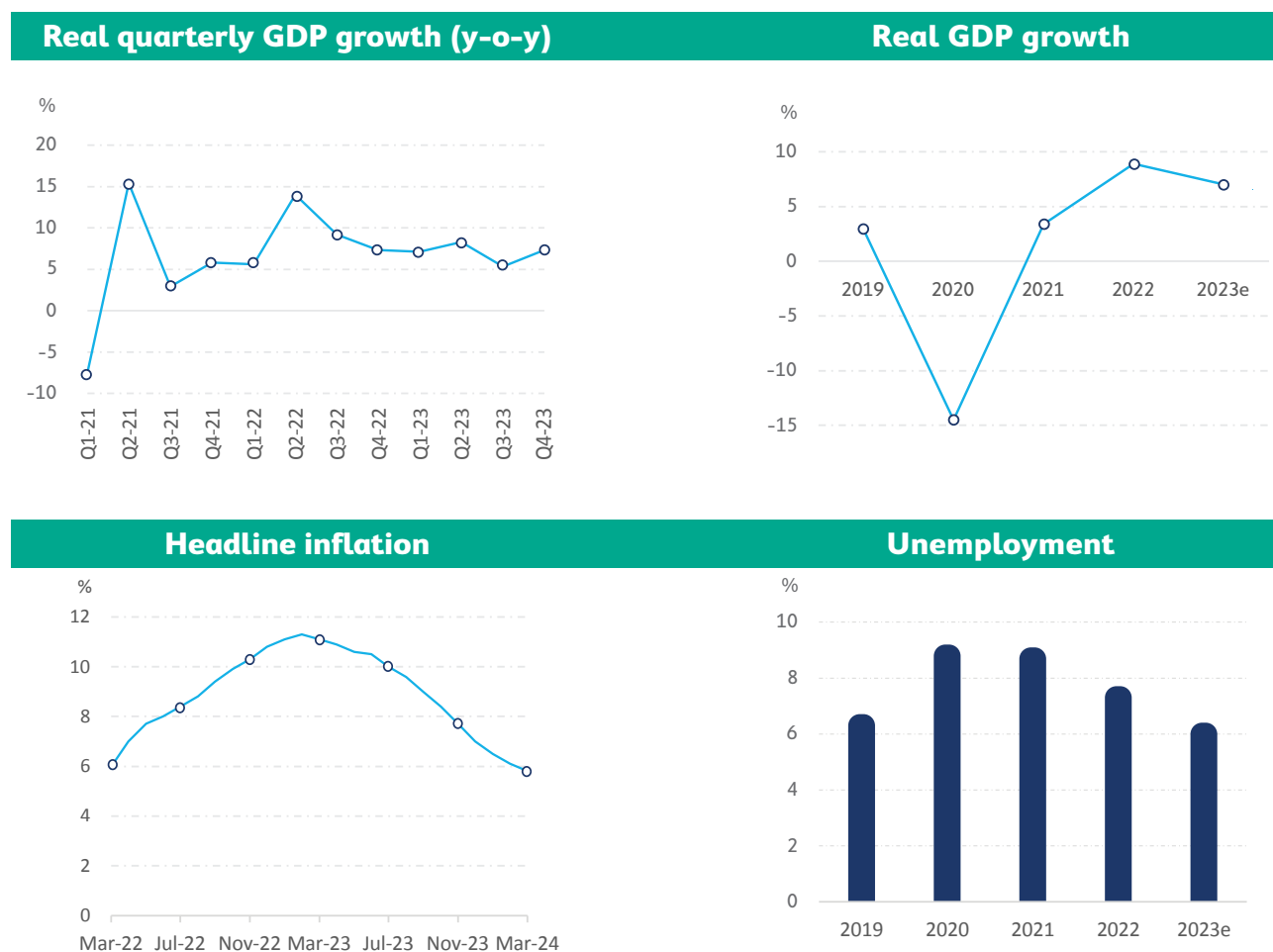
# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Global economy



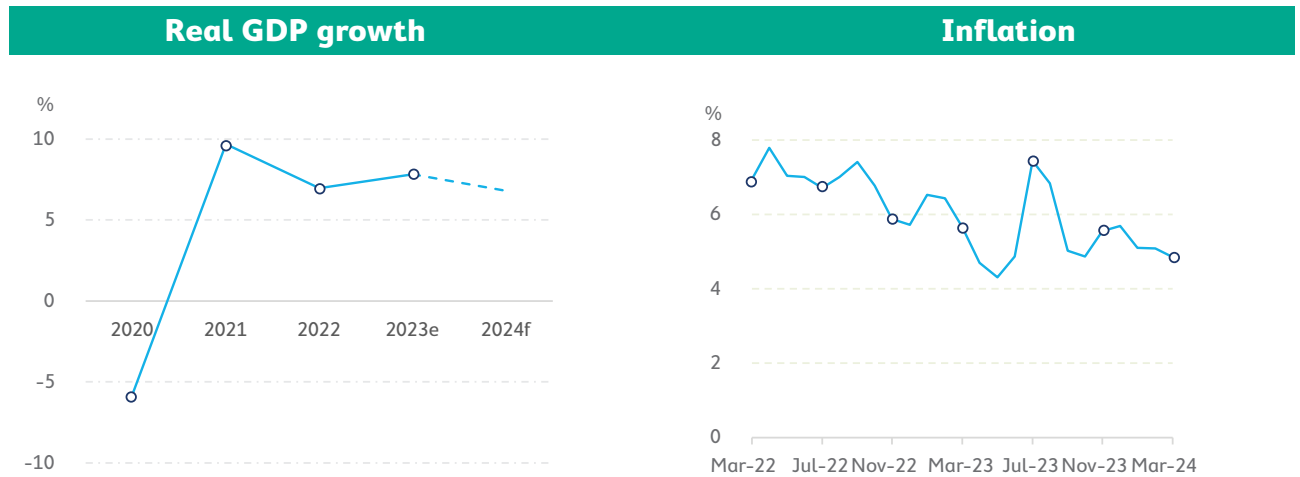
Source: IMF World Economic Outlook April 2024

## Mauritian economy

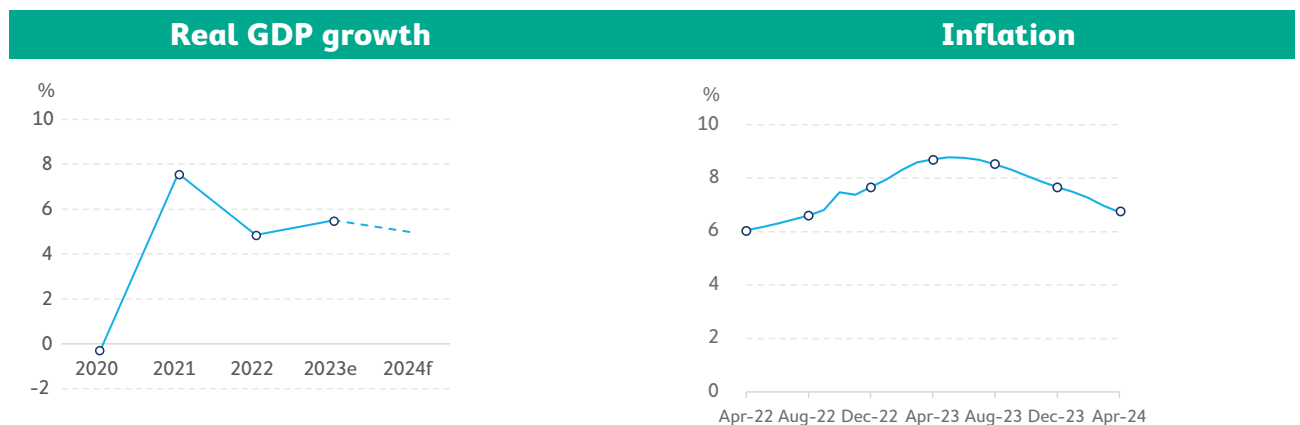


Source: Statistics Mauritius

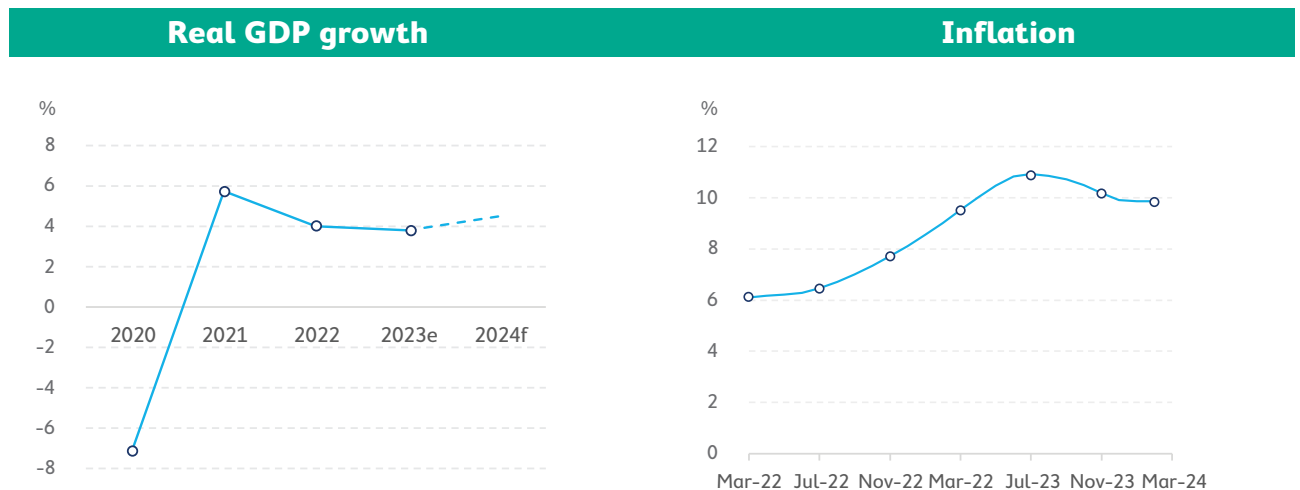
## Indian economy



## Kenyan economy



## Malagasy economy



Sources: IMF World Economic Outlook April 2024; India - Ministry of Statistics & Programme Implementation; Kenya - Central Bank of Kenya; Madagascar - Instat

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Key influences on our operations and our 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, in addition to fostering the systematic adaptation of business lines and entities to evolving customer needs, notably via seamless omni-channel solutions
- Remodelling our operations and value proposition in tune with observed demographic trends as well as the changing socio-economic and age profiles of our customer base
- Accompanying and guiding customers afflicted by challenging socio-economic conditions, while working cooperatively with the fiscal and monetary authorities to support economic recovery
- Promoting social advancement and inclusiveness by means of our financial solutions and dedicated sustainability initiatives, alongside underpinning the wellbeing 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, while 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 Fintech 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
- 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



### Exigencies linked to rapidly occurring climate change and sustainability imperatives

- Identifying risks, challenges and opportunities associated with climate change, alongside adopting an integrated approach towards developments taking place in the sustainability field
- Building further resilience and flexibility in our operations and accompanying our customers across markets, in line with their growth ambitions and the nature of challenges faced
- Supporting our customers in their endeavours to embrace more sustainable consumption and production models as well as incurring climate-resilient investments
- Gradually strengthening our Environmental, Social and Governance (ESG) standards, policies and processes as well as our value proposition and information disclosures vis-à-vis external stakeholders
- Meeting societal and community expectations for social and environmental progress
- Embedding climate risk management within our underlying business model

### 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 and 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 segments
- 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 wellbeing of employees

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Key strategic directions

### Our philosophy

The SBM Group is committed to achieving sound and sustained growth in its business activities across jurisdictions, supported by its dependable operating model and financial resilience. Its strategic direction is founded on a clear and coherent view of what

it seeks to achieve and the markets to be explored and tapped into. It is geared to promoting a smart, agile, innovative and forward-looking organisation, thus paving the way for nurturing meaningful and long-standing stakeholder relationships.

#### Long term value creation for multiple stakeholders

#### Critical enablers

- Delivering differentiated customer experiences
- Advocating responsible, ethical and safe business operations
- Putting sustainability at the heart of our activities
- Capitalising on our people's potential



#### Customer engagement

- Broad
- Safe
- Convenient
- Loyal
- Personalised

### Our main focus areas

#### Capitalising on sustained progress achieved ...

Building on realisations posted during the last 50 years, the Group has set out to anchor its business model on ambitious, yet prudent, foundations, while making allowance for the risks and exigencies associated with the fast-changing operating landscape. It is dedicated to further strengthen its growth impetus across markets and jurisdictions as well as to reinforce its stakeholder engagement, backed by higher operational efficiency levels.

#### ... the SBM Group is dedicated to continuously strengthen its strategic pathways ...

In line with the directions and appetite approved by the Board of Directors, the Group is committed to continuously refine its strategic pathways in light of the evolving operating context. The aim is to define and nurture a clear and coherent view of where it wants to go and what are the means to achieve its objectives.

#### ... alongside supporting the interests and development of its banking and non-banking entities ...

While promoting its endeavours, the Group is conscious that its entities face up to different market, economic and cultural backgrounds, thus calling for an informed and methodological approach in ascertaining their needs and requirements in terms of business development and risk management. Along the way, the Group aims to forge internal synergies and collaborations for the ultimate benefit of the organisation.

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

The Group will continuously reinforce its human, physical and technological capabilities in view of promoting efficiency and customer service excellence. Towards these ends, it will pursue its digital transformation and aim for cost optimisation. Judicious capital management is also key to spurring our growth agenda.



**Guided by our strategic purpose ...**

#### Material matters



Customer experience



Macroeconomic risks and financial stability



Employee wellbeing



Ethics, trust and transparency



Diversity, equity and inclusion



Climate consciousness



**... we seek to foster a resilient and value-creating organisation ...**

- Work towards forging a deleveraged and diversified organisation, amidst a fast-changing operating landscape
- Continuously reinforce the financial soundness of SBMH, while leading to improved returns and enhanced shareholder value
- Achieve a leaner, digitally-enabled and increasingly dynamic organisation, in alignment with market and industry trends
- Gradually resolve any operational challenges faced by entities, while putting the latter on sounder footings
- Embed sustainability as a game-changer in the entities' strategic purpose, operations and value proposition
- Further enhance the strategic image, reputation and credentials of the SBM Group on the marketplace and vis-à-vis shareholders



**... with emphasis on our main strategic orientations ...**

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



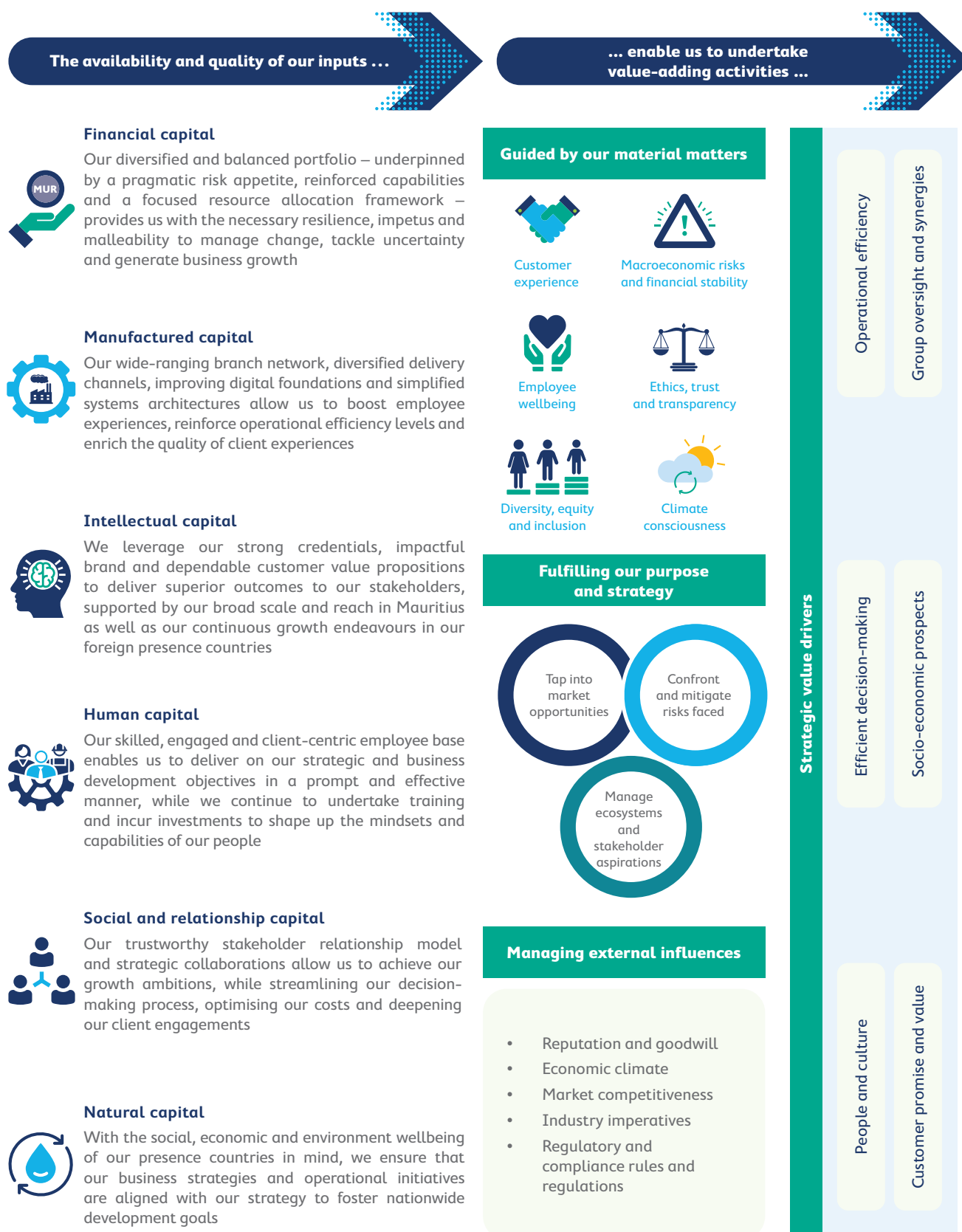
**... underpinned by key enablers for healthy growth**

- Governance, risk and compliance
- Strategic human resource and talent management
- Technology and innovation
- Strategic communications and marketing
- Branding and culture
- Stakeholder management
- Group synergies and collaboration



# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Our value creation model



... thus, generating financial outputs ...

... and producing positive stakeholder outcomes

Profit after tax  
**MUR 4.3  
billion**

Overall loan book  
**MUR 160.7  
billion**

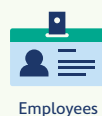
Total deposits  
**MUR 293.3  
billion**



- Shareholders looking at us to achieve sustainable returns
- Dividend paid to shareholders
- Sizeable market capitalisation



- Customers served through our solutions, channels and digital capabilities
- Close and life-long relationship with clients, with innovative solutions
- Appealing brand value among banking peers



- Payment to employees in the form of salaries and benefits
- A diverse, inclusive and future-ready employee profile
- Career progression and skill development programmes



- Social projects financed by the SBM Foundation
- Contribution to the UN Sustainable Development Goals
- Promotion of sustainable habits and initiatives by internal and external stakeholders



- Strict adherence to regulatory requirements
- Solid risk management and control systems
- Support to national socio-economic progress



- Open, transparent and consistent tendering process
- Accurate and on-time payments
- Sustainable relationships

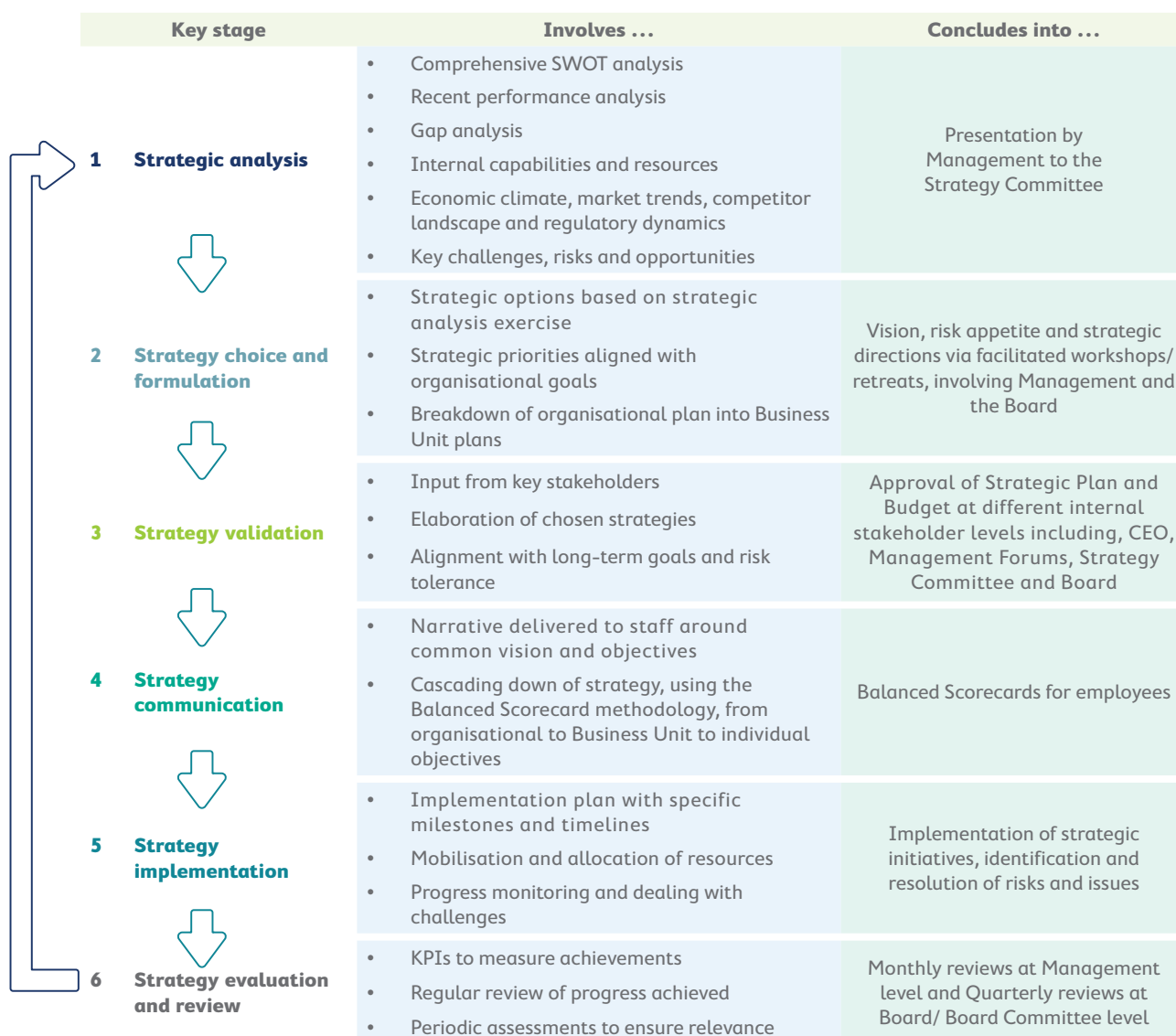
# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Our strategic planning process

The SBM Group has a clearly-articulated structure and a series of processes which underpin the formulation, execution and review of strategy, with the aim of navigating the operating landscape of the financial services industry and optimising financial performance, while also strengthening the Group's resilience against uncertainties. While the Board of SBM Holdings Ltd is the ultimate governing body, each operating entity crafts its own strategy for sustainable growth as per its own specificities and resource levels, in alignment with the directions set by the Group, but also, importantly, with industry best practices, local regulatory requirements and the expectations of a diverse range of stakeholders.

The strategic planning process is a year-round and multi-faceted journey which goes through various layers across the different entities of the Group, thus forming an integral part of its structure and decision-making. The Board sets the strategic direction for the Group and monitors progress towards broad-based strategy implementation via its sub-committees, i.e. Strategy Committee, Business Review Committee, Projects Assessment Committee, Risk Management Committee as well as Corporate Governance, Conduct Review & Sustainability Committee. The approval of strategy by the Board is the culmination of a consultative process, which is enriched by insights from internal stakeholders and recommendations from the Strategy Committee. The latter engages in thorough discussions with the Management team, which conducts appropriate analyses and presents strategic options, thus ensuring that decisions are not only Board approved, but are also grounded in analysis and strategic foresight.

The gist of the overall strategic planning process is illustrated as follows:





## Strategic directions across operating entities

Each operating entity forming the Group stands as a unique thread in its own right, while contributing its distinct strengths to the collective fabric of the success of SBM as an integrated organisation. This section provides a general depiction of the specific strategies embraced by each entity, alongside offering insights into how each entity's choices contribute to the growth agenda of the organisation. Situated across diverse geographies, individual entities navigate different strategic pathways, each

meticulously crafted to capitalise on their core credentials and thrive on market opportunities. In parallel, they harmonise their strategies, not only in alignment with the overarching goals of the Group, but also with keen awareness of the jurisdiction-specific intricacies that define their operational landscapes. This tailored approach is further calibrated to cater for entity-specific internal resources and capabilities.

### SBM Bank (Mauritius) Ltd

#### Underlying ambition

To be one of the leading and trusted financial services providers in Mauritius driven by innovation and technology

#### Main strategic orientations

- Increase domestic business market share across segments
- Build and solidify customer loyalty
- Grow international footprint steadily and prudently
- Promote sustainability

#### Key enablers

- Enhance the risk management culture
- Focused and effective strategy execution
- Build up human resource capabilities
- Sustained emphasis on controlling cost to income
- Agile operating model, backed by technology

### SBM Bank (India) Limited

#### Underlying ambition

To become a trusted, stable and customer-centric bank by leveraging technologies and providing efficient solutions to stakeholders

#### Main strategic orientations

- Build a granular, diversified and sustainable liability base
- Foster a robust control and governance structure
- Develop a capital-efficient and scalable business model
- Boost customer centricity across businesses and functions

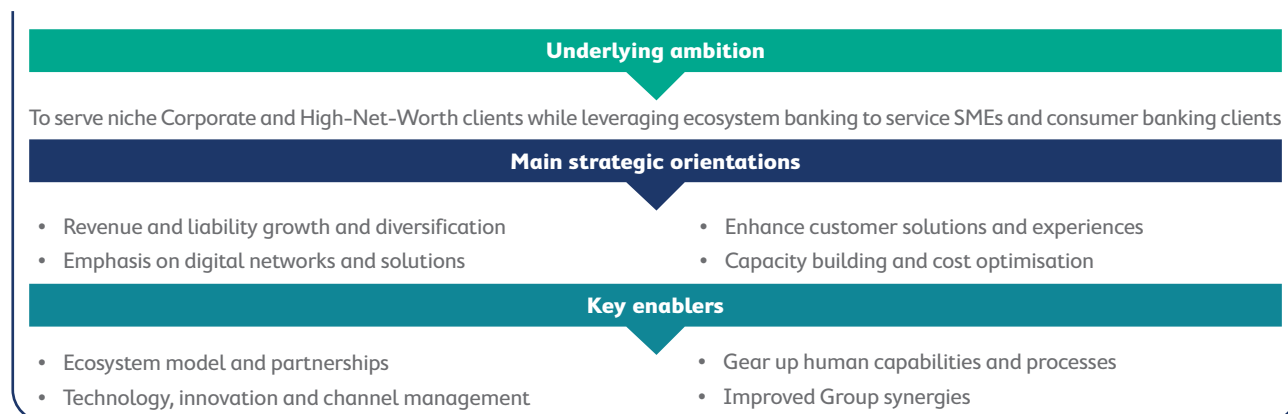
#### Key enablers

- Transformation driven by efficiencies
- Risk consciousness
- Deepen customer trust and loyalty
- Honour and integrity in people and processes

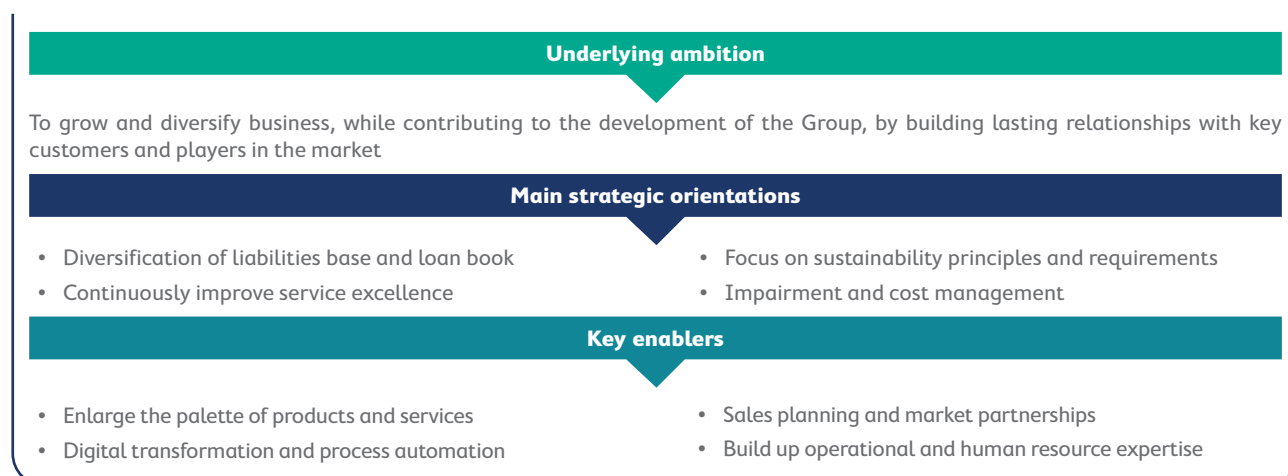
# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Strategic directions across operating entities *(cont'd)*

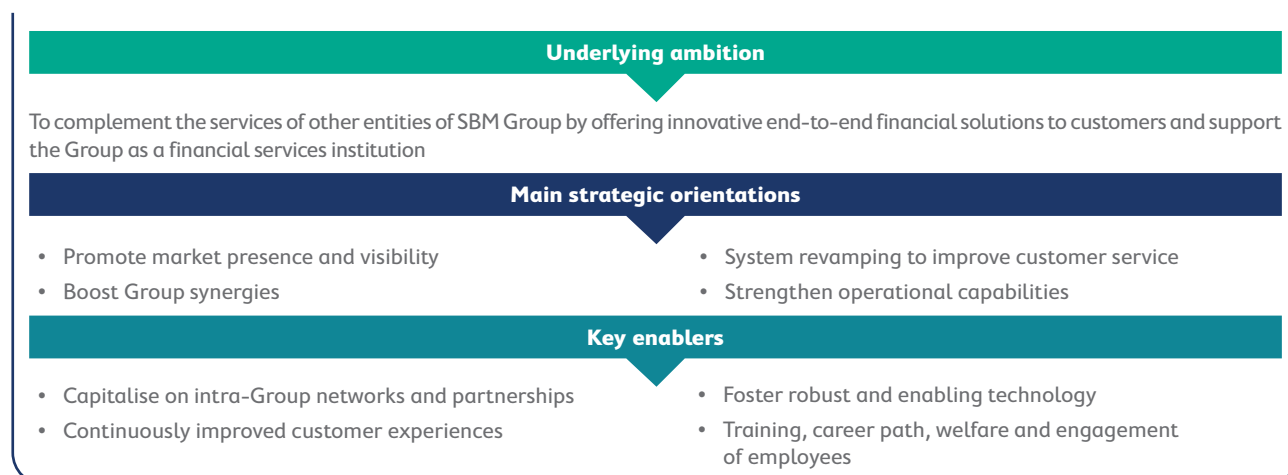
### SBM Bank (Kenya) Limited



### Banque SBM Madagascar SA



### SBM (NBFC) Holdings Ltd









# Delivering Sustainable Value to our Stakeholders (cont'd)

## Overview of the SBM Group Sustainability Agenda

### Statement from the Chairperson of the Corporate Governance, Conduct Review & Sustainability Committee of SBM Holdings Ltd

Dear Esteemed Partners,

As Chairperson of the Corporate Governance, Conduct Review & Sustainability Committee, I am deeply encouraged to witness the increasingly prominent role that sustainability – in its broadest and most accomplished sense – is taking in the operations and business development agenda of SBM Holdings Ltd and its entities. Indeed, I am thankful to our employees for their committed and resolute efforts in ensuring that the Group makes a meaningful difference to the purposeful and wholesome advancement of the economies and societies in which we operate, notably in Mauritius where we are a leading banking player.

The role of sustainability is decisive in an era when the global financial landscape is undergoing profound transformative changes, driven, conspicuously, by a growing awareness of our collective responsibility towards the wellbeing of the planet and its people. At the SBM Group, as an integral part of the institution's fabric, sustainability is embedded in our DNA, while being also entrenched in our value creation model. We acknowledge that our real success goes beyond financial metrics and is measured by the lasting impacts on the jurisdictions where we are present. We are dedicated to promoting the wellbeing of the people with whom we interact as well as assisting them in achieving their ambitions. Indeed, we believe that the SBM Group has, by virtue of its rich history and corporate mandate, an influential responsibility to promote economic progress, social inclusion and environment protection, in addition to helping in the reduction of greenhouse gas emissions over the longer run. It is in this spirit that climate risk consciousness has garnered a key spot on our agenda, the more so given its growing significance in Mauritius.

Over the past 50 years, SBM has been instrumental in advancing social and economic development in Mauritius. As a matter of pride, the bank was the first to offer banking services in rural areas, with a purpose rooted in social inclusion. Today, as it sets out to further elevate and enrich its corporate responsibilities and stakeholder duties, the SBM Group is being guided by a comprehensive and coherent Sustainability Agenda, anchored on core pillars and commitments. In the course of our journey, we seek to ensure that our sustainability strategies are shaped up



***At the SBM Group, as an integral part of the institution's fabric, sustainability is embedded in our DNA, while being also entrenched in our value creation model***



in ways that can help to cater for the jurisdictional specificities, legal and regulatory landscapes, strategic trajectories and resource levels of our entities operating in Mauritius, India, Kenya and Madagascar. At the same time, we are aiming to align our initiatives with the socio-economic goals and roadmaps being articulated and put forward by the national authorities. Overall, on its chartered course towards achieving its objectives, the Group is being guided by well-defined governance frameworks and structures to ensure that it acts in the best interests of its stakeholders. Concurrently, we are actively partnering with the business community, social stakeholders and NGOs, notably for the judicious execution of our wide-ranging CSR programmes, under the aegis of the SBM Foundation. It is also worth noting that we remain firmly dedicated to promoting adherence to advocated norms and standards, with a keen eye on endorsing ESG principles and complying with our prioritised UN Sustainable Development Goals.

Looking ahead, the SBM Group aims to establish the right capabilities, expertise and paradigm shifts in view of efficiently executing its Sustainability Agenda. We will set the groundwork for our employees to be equipped and empowered towards delivering the necessary impact in the countries in which we operate, in view of forging a fulfilling, sustainable and inclusive future for all.

As such, I eagerly invite you to go through our overall Integrated Annual Report, where you will discover how the SBM Group is building a culture of sustainability across its presence countries.

**Shakilla Bibi Jhungeer**

*Chairperson of the Corporate Governance, Conduct Review & Sustainability Committee*  
**SBM Holdings Ltd**

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Our historical journey

The creation of SBM stems from a powerful social reason: providing the Mauritian community access to banking, irrespective of wealth and culture, especially those in remote rural areas. Since, SBM has been on a growth journey, generating value for the Mauritian economy and society as well as expanding its footprint in India, Kenya and Madagascar. Across the geographies where SBM is present, the philosophy of supporting the community while ensuring sustainable business growth has remained embedded in our operating model.

In fact, since its inception, SBM has been continuously involved in Corporate Social Responsibility (CSR) activities. It has demonstrated its philosophy of implementing sound business practices and launching innovative products and services which promote financial inclusion. The Group has assisted communities in which it operates, thus helping to shape a better and more sustainable society.

## 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 operational and financial 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 principles and practices. In fact, the Group strongly believes in promoting the judicious use of natural resources in view of protecting and preserving the environment, alongside adopting initiatives to optimise its ecological footprint.

## Engaging with stakeholders

Partnering with stakeholders who share our values, have an interest in our business and look forward to forging a sustainable future, together, is of utmost importance to us in view of our ambition to making a difference, both as a corporate citizen and social partner. Our active and well-calibrated stakeholder management model allows us to build positive and long-lasting relationships that help us deliver on our business growth ambitions and sustainable development goals.

## Articulation of our Sustainability Agenda

Our aspiration is to achieve strong and sustainable returns for our various stakeholders, while responding to their expectations and supporting healthy nationwide socio-economic development.

In this spirit, the SBM Group is being guided by a comprehensive Sustainability Agenda. The latter is founded on 3 core pillars of engagement, which are Sustainable Business, Responsible Organisation and Inclusive Communities, and is being underpinned by 13 accompanying commitments. The objective thereof is to have a coherent and consistent approach across operating entities and to focus our efforts on where we can make a difference for SBM, our stakeholders as well as the country and the society at large. Our Agenda has been designed to define what the organisation stands for and how decisions are made. The Agenda has been approved by the Board of SBM Holdings Ltd in October 2022, before being endorsed by all the leaders and Boards of our different operating subsidiaries. The Agenda was officially launched and disseminated to key stakeholders in May 2023.

The SBM Group Sustainability Agenda expresses the type of organisation we are and want to be as well as our unique role in shaping a defining vision for Mauritius and the economies where we operate. Our approach to sustainability is targeted and collaborative, while aiming to address the critical and emerging ESG issues which impact the Group and the communities served. SBM recognises the opportunity to positively contribute to all 17 United Nations Sustainable Development Goals (UN SDGs). However, it has prioritised 12 SDGs which have the highest materiality to its businesses and key stakeholders. With our purpose of creating value for our stakeholders and the society firmly in mind, the UN SDGs continue to provide a sound framework for identifying how the SBM Group can play a more active role in the sustainable development of our presence countries. The UN SDGs help to define how, through our businesses, resources and skills, we respond to and seek to confront prevailing environmental and societal challenges, while also taking into account country specificities and adhering to regulatory guidelines.



Read more on our various sustainability initiatives in the 'Implementation of the Group's sustainability strategy' section on pages 103 to 117



## Our pillars and commitments

Our Group Sustainability Agenda reflects our mission, core values and the deep-rooted philosophy of SBM to drive positive impact for the society and economy.

### Pillar 1 Sustainable business

To promote greater social and environmental responsibility

1. Sustainable financing
2. Sustainable consumption and production
3. Entrepreneurship
4. Climate change mitigation and adaptation



Customers



Suppliers and strategic partners



Shareholders, debt holders and investor community



Governments and regulators



### Pillar 2

#### Responsible organisation

To conduct our activities with integrity

5. Corporate governance
6. Ethical and compliant business practices
7. Employee wellbeing and talent management
8. Environmental consciousness



Customers



Employees



Suppliers and strategic partners



Shareholders, debt holders and investor community



Governments and regulators



### Pillar 3

#### Inclusive communities

To foster inclusion, diversity and equality

9. Poverty alleviation
10. Social and gender equity
11. Education for empowerment
12. Good health and wellbeing
13. Cultural diversity and vibrancy



Societies and communities



Employees

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Our pillars and commitments *(cont'd)*

### Pillar 1: Sustainable business

To promote greater social and environmental responsibility



#### What we mean

SBM, at its core, is a financial institution. Hence, SBM engages to promote long-term prosperity by financing sustainable development, delivering value to all stakeholder groups and creating a positive economic, social and environmental impact.

#### Commitments

##### Commitment 1 : Sustainable Financing

- Enhance and develop green and sustainable financing offerings that drive positive social, environmental and economic impact
- Finance projects that promote long term sustainable development of the economy

##### Commitment 2 : Sustainable consumption and production

- Promote digital products and services to foster safe and inclusive banking
- Leverage technology to enable customers to better understand and manage their own financial behaviours
- Enhance awareness among our customers for responsible use of financial products

##### Commitment 3 : Entrepreneurship

- Support local ingenuity through targeted financial solutions
- Promote financial literacy to empower entrepreneurs
- Facilitate dialogue with market players for a sustainable growth

##### Commitment 4 : Climate change mitigation and adaptation

- Comply with regulatory and legal requirements regarding climate risk
- Establish internal process and build capacity to reduce carbon emissions
- Enhance awareness among customers and employees on climate change

#### SDGs

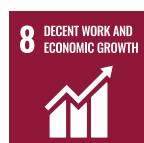


#### Stakeholders



## Pillar 2: Responsible organisation

To conduct our activities with integrity



### What we mean

SBM Group is committed to upholding the principles of integrity, clarity and transparency in all its activities. In other words, SBM fosters a culture of ethics by ensuring decisions are in the interest of our customers, create economic value and are systematically responsible.

### Commitments

#### Commitment 5 : Corporate governance

- Establish strong governance structure and framework to promote a culture of accountability and ethical conduct
- Support the Board of Directors to have oversight of efforts to ensure responsible business practices

#### Commitment 6 : Ethical and compliant business practices

- Comply with all applicable laws and regulations in the jurisdictions where SBM operates
- Monitor and respond to emerging regulatory obligations while continually creating awareness amongst employees and customers
- Establish robust data protection procedure to ensure data is protected during its full lifecycle

#### Commitment 7 : Employee wellbeing and talent management

- Attract and retain talent, in line with the Group's strategic orientations
- Support meaningful career for our employees through capacity building
- Provide a caring environment which fosters a purpose-driven and value-led culture

#### Commitment 8 : Environmental consciousness

- Establish responsible internal practices and processes to reduce the carbon footprint of our operations
- Incorporate smart energy management systems to enhance energy efficiency and measurement

### SDGs



### Stakeholders



Governments and regulators

Employees



Shareholders, debt holders and investor community



Customers



Suppliers and strategic partners



Governments and regulators



Employees



Governments and regulators



Employees



Employees



Suppliers and strategic partners



# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Our pillars and commitments *(cont'd)*

### Pillar 3: Inclusive communities

To foster inclusion, diversity and equality



#### What we mean

SBM thrives in building an inclusive business, by driving and supporting initiatives which provide access to decent living, promote good health and wellbeing and which support reduced inequalities.

#### Commitments

##### Commitment 9 : Poverty alleviation

- Support vulnerable groups through initiatives that reduce poverty and foster inclusive growth

##### Commitment 10 : Social and gender equity

- Promote equal opportunities for all and support in building an inclusive and equitable society
- Promote women empowerment

##### Commitment 11 : Education for empowerment

- Provide tools and technology to vulnerable groups to improve their access to education

##### Commitment 12 : Good health and wellbeing

- Design and support programmes and practices to promote good health
- Support people with disabilities

##### Commitment 13 : Cultural diversity and vibrancy

- Celebrate cultural diversity
- Promote local art and culture

#### SDGs



#### Stakeholders



## Our strategy execution journey

### Key realisations

While facing up to the challenges emanating from the operating landscapes across jurisdictions, the Group has, during the period under review, made further progress against its strategic objectives and upheld its financial soundness. Towards those ends, the Group has capitalised on its healthy and flexible business model. It continuously enriched its value proposition and strengthened customer proximity. Initiatives put in place have helped to further turn around the organisation, alongside reinforcing its growth foundations.

The SBM Group has embarked on a series of strategic initiatives, with a focus on bolstering human capital as well as gearing up its capabilities and credentials in support of sound and sustained business growth. Strengthened corporate governance has remained high on the agenda, with a key development being the appointment of a new Chief Executive for SBM Bank (Mauritius) Ltd.

As a key measure during the period under review with a view to further improving oversight of the different entities, the operating model at SBM Holdings Ltd level has, in some respects, been reviewed, whereby a reallocation of Senior Management responsibilities has been undertaken, following approvals obtained from the Boards of SBM Holdings Ltd and, in specific cases, SBM Bank (Mauritius) Ltd as well as further discussions held at various levels. Overall, the Group has continued to exercise regular strategic monitoring of the positioning and activities of its operating entities through well-structured platforms, notably the Group Functional Forums, which meet on a systematic basis to foster organisation-wide collaboration and alignment around specific topics such as finance, internal audit, human resource, technology, operations, risk management, compliance, marketing and communications as well as sustainability. In the same vein, initiatives in favour of promoting intra-Group synergies have been put into place, while being mindful of the specificities and operating context of the entities. In this respect, it is, for instance, worth

noting that a Group Project Portfolio has been established to act as a central repository of Technology, Operations and Transformation related projects. This allows for increased visibility and promotes dialogue on adoption of good project execution practices at entity level. Of note, regular knowledge sharing sessions have been held during the year to allow for operating entities to leverage the skills and experiences acquired by others within the Group. Common initiatives identified through the Group Technology and Operations Forum, which features amongst the Group Functional Forums, are also discussed towards achieving cost efficiencies and optimisation across the Group.

The following sections demonstrate the Group's specific initiatives and achievements during the period under review. In addition to depicting how we are attending to the needs of our various stakeholders in line with their expectations, emphasis is laid on both our business and sustainability endeavours.

### Our stakeholder model and engagement

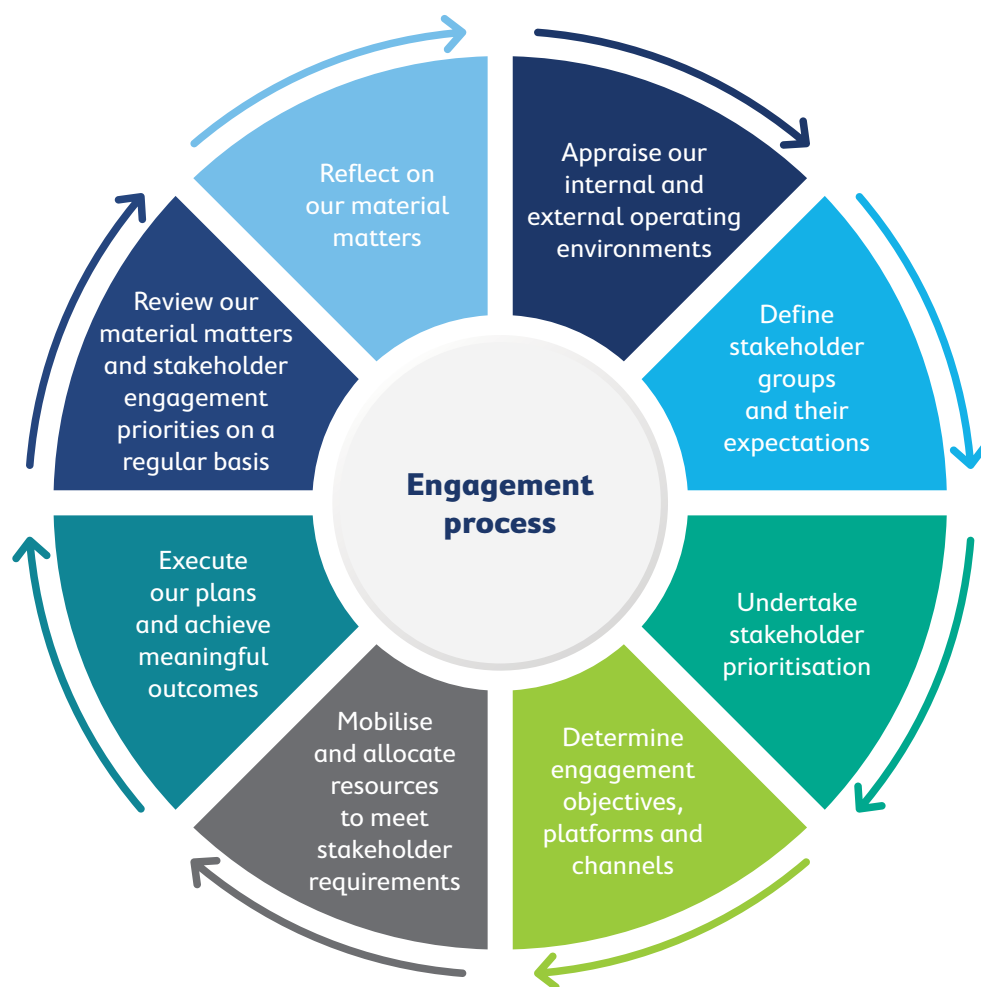
#### Our approach

Since financial institutions play a systematic role in the society, our stakeholders expect that these generate value, while supporting sustainable development and growth. Basically, the Group engages with its stakeholders to understand and respond to their expectations and concerns, thus garnering valuable insights to shape up its priorities and strategies. We are continuously adapting to changing operating environments and delivering relevant solutions and tailored support to address the needs and requirements of our stakeholders. While boosting our financial numbers, we also seek to adopt behaviours and initiatives that are material for generating long-term and meaningful value.

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Our stakeholder model and engagement *(cont'd)*

### Our engagement process



### Our strategic value drivers

- Quality and adaptability of our stakeholder relationships
- Listening and reacting to stakeholder feedback and queries
- Open and constructive dialogues with actual and potential stakeholders
- Informed and pragmatic stakeholder prioritisation and selection
- Capitalising on effective communication channels and platforms
- Regular engagements, discussions and information sharing





# Creating value for our shareholders, debt holders and investor community

## Our philosophy

- We seek to optimise our relations with the broad-based investor community, including shareholders, debt holders and fund managers as well as credit rating agencies, while securing the necessary resources to underpin the Group's growth ambitions.
- We aim to promote the long-term shareholder value of the Group by boosting our franchise and strengthening our revenue base, while upholding solid capitalisation metrics.

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

**Creating value for our shareholders, debt holders and investor community**

## Main capitals impacted



Financial



Intellectual



Social and relationship



Natural

## Main SDGs impacted



## Main material matters impacted



Macroeconomic risks and financial stability



Ethics, trust and transparency



Diversity, equity and inclusion



Climate consciousness

## Reference metrics

**18,042**

Individual and institutional investors

**3,037,402,230**

Issued shares

**20 cents\***

Dividend per share

**4.4%**

Dividend yield

**Ba1**

Credit rating assigned by Moody's Investors Service to SBM Bank (Mauritius) Ltd

\*Paid in June 2023

## The context

### *Key trends observed*

- Increasingly knowledgeable and exigent investor community
- Stringent scorecard and methodology used by rating agencies
- Competitive markets while acceding to externally-sourced funds
- Investors focus on the diversification of their investments

### *Opportunities and challenges*

- Telling an increasingly appealing growth story to prospective investors
- Working towards an investment-grade credit rating for SBM Bank (Mauritius) Ltd
- Expanding the range, diversity and jurisdictional nature of our shareholders
- Sustaining our financial performance to propel our brand equity, while navigating a demanding investment environment and challenging economic conditions

### *Taking stock of stakeholder expectations*

- Continued rise in shareholder value
- Sound and sustainable returns on investment
- Dividend payments and favourable share price evolution
- Robust governance, risk management and compliance frameworks
- Adoption of ethical and responsible behaviours and business conduct
- Endorsement of best-fit sustainability agenda and initiatives
- Reliable and prompt information on the Group's positioning and performance
- Transparent and regular stakeholder reporting and communication channels
- Access to key Group and entity representatives where appropriate



# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## The Group's engagement

### **Frequency of dialogue and modes of engagement**

◇ *Regular and well-timed interactions, as per stakeholder requirements*

◇ *Ad hoc discussions and engagements, depending on the context*

- Interim financial results on a quarterly basis
- Group Management Statement to shed light on our financial results
- Integrated Annual Report to depict our positioning and performance
- Annual Meeting with shareholders
- Discussions with correspondent banks and foreign investors
- Stock Exchange of Mauritius announcements
- Investor Relations information portal on website
- Press releases and corporate announcements
- Regular and close interactions with rating agencies
- Ad hoc meetings

### **Key endeavours during the period under review**

- Group achieving improved core earnings and profitability performance on the back of sharpened competitive edge, market development headway and capacity building moves
- Dividend of 20 cents per share paid by SBM Holdings Ltd in June 2023, based on the Group performance and capital position
- Balance between shareholder returns and retained earnings to support growth initiatives
- Initiatives to bolster the capital position and resources of SBM Holdings Ltd, alongside ensuring that the operating entities' capital adequacy ratios comply with applicable regulatory guidelines
- Close and regular interactions and information sharing with Moody's Investors Service to lay emphasis on the financial and strategic progress of SBM Bank (Mauritius) Ltd in our attempt to retrieve the bank's investment-grade credit rating status
- Pragmatic review of the strategic intents, where need be, to make allowance for the evolving operating environment as well as the resource levels and risk appetite of entities
- Discussions with local and foreign investors to demonstrate the resilience and favourable prospects of the Group and its operating entities
- Participation of Senior Management in conferences and roadshows



Read more on our shareholder relations in the 'Corporate Governance Report' on pages 121 to 164



Read more in the 'Investor Relations' section on our website



# Creating value for our customers

## Our philosophy

- We help our customers achieve their financial and personal goals, thus assisting them in improving their wellbeing and underpinning their growth ambitions over time.
- We aim to make our financial solutions simpler and safer for our customers, while improving their experiences, focusing on digitalisation, investing in technology and building our capabilities.

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Creating value for our customers

### Main capitals impacted



Financial



Manufactured



Intellectual



Social and relationship



Natural

### Main SDGs impacted



### Main material matters impacted



Customer experience



Ethics, trust and transparency



Diversity, equity and inclusion



Climate consciousness

### Reference metrics

**MUR 160.7 billion**

Overall loan book

**~ 28%**

Market share for credit to the Mauritian economy by SBM Bank (Mauritius) Ltd

**175**

Number of ATMs

**4,392**

Number of POS terminals

**26**

Number of branches renovated under 43 Excellence Programme

**98.97%**

Customer complaints resolved

SBM Bank (Mauritius) Ltd



## **The context**

### ***Key trends observed***

- Demand for credit being subject to challenging and volatile market conditions
- Banking operators focused on upholding financial soundness while expanding market shares
- Heightened competitive pressures from non-traditional non-banking operators

### ***Opportunities and challenges***

- Broadening range of individual, corporate and institutional customers to be served, in the wake of growing business/investment activities and the increasing sophistication of the economy
- Demand for increasingly personalised and accessible solutions by customers
- Imperative need to tackle cyber-security risks and promote effective data protection

### ***Taking stock of stakeholder expectations***

- Innovative and differentiated products and services
- Digitally-powered channels, platforms and services
- Prompt, seamless and convenient experiences
- Accessible and reliable touchpoints and channels
- Competitive and predictable pricing
- Protection from fraud and cyber-security risks
- Prompt management of customer complaints
- Reduction in client waiting times

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## The Group's engagement

### Frequency of dialogue and modes of engagement

- ◇ *Everyday interactions, as per stakeholder requirements*
- ◇ *Regular undertakings to boost customer relationship management*
- ◇ *Ad hoc discussions and engagements, depending on the context*

- Dedicated team of professionals for Relationship Management
- Branches and digital channels
- Media and marketing/communication campaigns
- Agile working practices and prompt decision-making processes
- Customer care and complaints management

### Key endeavours during the period under review

- Helping householders to prosper and businesses to establish their operations and grow by means of tailored solutions and continuous guidance, complemented by fair pricing
- Tailored assistance provided to individual and corporate clients facing hardships and challenges
- Enabling clients to protect and grow their wealth, while trading, investing and transacting
- Renovation of branches and delivery channels, assisted by higher operational efficiency
- Review and reshaping of product offerings and value propositions to foster alignment with evolving customer needs, alongside bolstering endeavours meant to build and solidify customer experience and loyalty
- Continuous improvement of customer satisfaction levels, spurred by the improved quality and convenience of services
- Connecting clients to national and international engines of growth, trade and innovation
- Sustained focus on timely and effective customer complaints management
- Accompanying clients in their sustainability journeys, while encouraging the financing of environment-friendly projects and renewable energy undertakings, thus contributing to moves aimed at stimulating responsible business practices and activities at national level
- Delivery of regular, detailed and transparent information on our products and services to customers by means of the press, social media as well as other reporting and communication channels



Read more on our customer excellence initiatives in the 'Business initiatives and achievements posted by the Group's entities' section on pages 95 to 103



Read more on the wide range of banking and non-banking financial products and services offered by the SBM Group on our website



# Creating value for our employees

## Our philosophy

- We offer a competitive employee value proposition, while supporting the Group's interests.
- We are dedicated to investing in our people and creating a conducive workplace.



# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Creating value for our employees

### Main capitals impacted



Human



Intellectual

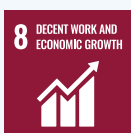


Social and relationship



Natural

### Main SDGs impacted



### Main material matters impacted



Customer experience



Ethics, trust and transparency



Diversity, equity and inclusion



Climate consciousness

### Reference metrics

**3,356**  
Total employees

**~ 54%**  
Female employees

#### Employee retention rate

SBM Bank (Mauritius) Ltd  
**~ 94%**

SBM Bank (India) Limited  
**~ 69%**

SBM Bank (Kenya) Limited  
**~ 83%**

#### Employee turnover rate

SBM Bank (Mauritius) Ltd  
**~ 9%**

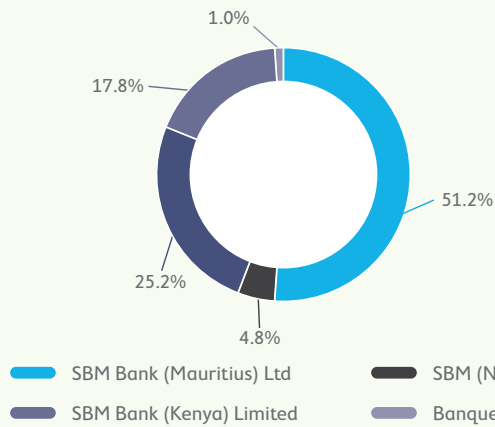
SBM Bank (India) Limited  
**~ 33%**

SBM Bank (Kenya) Limited  
**~ 17%**

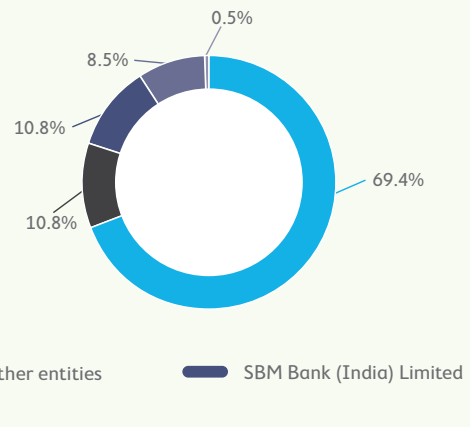
**~ 69,870**  
Number of training hours

**~ USD 724,000**  
Training cost

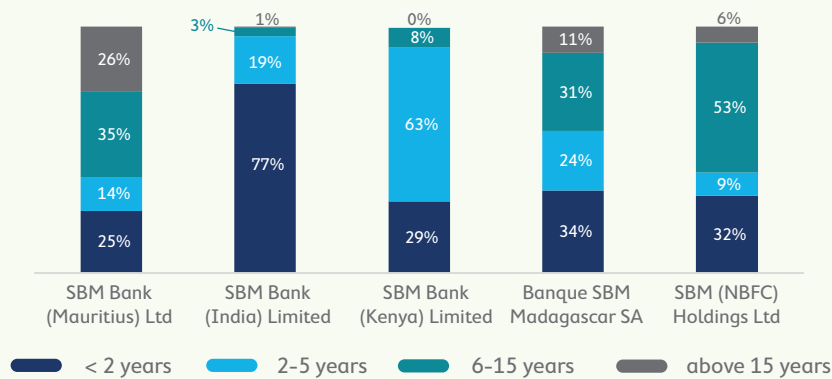
**Training hours per entity**



**Training cost per entity**



**Length of service**



## The context

### Key trends

- Employees increasingly looking for flexible and agile working conditions
- Talent development and coaching viewed as key to thrive in a fast-changing world
- Industries and financial institutions competing for the best human resource talents

### Opportunities and challenges

- Need for constantly reviewing and aligning employee remuneration with industry trends, market dynamics and business growth considerations
- Keeping a vigilant eye on the competitive environment so as to retain and nurture talents
- Ensuring that employee skills are constantly re-assessed and strengthened in view of the changing demands of the financial services sector and efficiency purposes

### Taking stock of stakeholder expectations

- Opportunities for career and personal development
- Safe, healthy and stimulating workplace
- Appropriate remuneration and benefits
- Adherence to principles of meritocracy and fairness

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## The Group's engagement

### *Frequency of dialogue and modes of engagement*

- ◇ *Everyday exchanges and communications, as per needs and exigencies*
- ◇ *Regular and ad hoc discussions and engagements, depending on the context*

- Regular interactions with Management and HR Partners
- Training and development resources and facilities
- Internal communications
- Surveys and workshops
- Performance appraisals
- Staff welfare activities
- Cultural events

### *Key endeavours during the period under review*

- Bolstering staff engagement and empowerment, while protecting the organisation
- Pursuing efforts aimed at attracting, developing and retaining the best talents on the market
- Creating healthy workplace experiences, backed by the availability of relevant tools and facilities, with fair and equitable treatment for all employees
- Focusing on dynamic and considerate working hours, to underpin employee safety and welfare
- Instilling a high-performance culture, in support of strategic and business growth imperatives
- Promoting talent management by supporting the ongoing capacity development of employees in terms of technical and professional skills and aptitudes, under the aegis of the SBM Academy
- Offering fair and competitive remuneration and benefits to staff, in line with industry standards
- Adopting a robust performance appraisal system, as a basis for rewards and recognition
- Promoting key concepts such as leadership, change management, succession planning and self-development
- Supporting the wellbeing of employees through dedicated wellness programmes and sports activities



Read more on our human resource engagement in the 'Implementation of the Group's sustainability strategy' section on pages 109 to 110





# Creating value for societies and communities

## Our philosophy

- We contribute towards achieving increasingly healthy and inclusive societies and communities, while helping to safeguard the natural environment and promote sustainable behaviours.
- We collaborate with social and public sector partners to help them in endeavours aimed at achieving a higher quality of life, anchored on equitable and fair opportunities to prosper.

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Creating value for societies and communities

### Main capitals impacted



Manufactured



Intellectual



Social and relationship



Natural

### Main SDGs impacted



### Main material matters impacted



Ethics, trust and transparency



Diversity, equity and inclusion



Climate consciousness

### Reference metrics

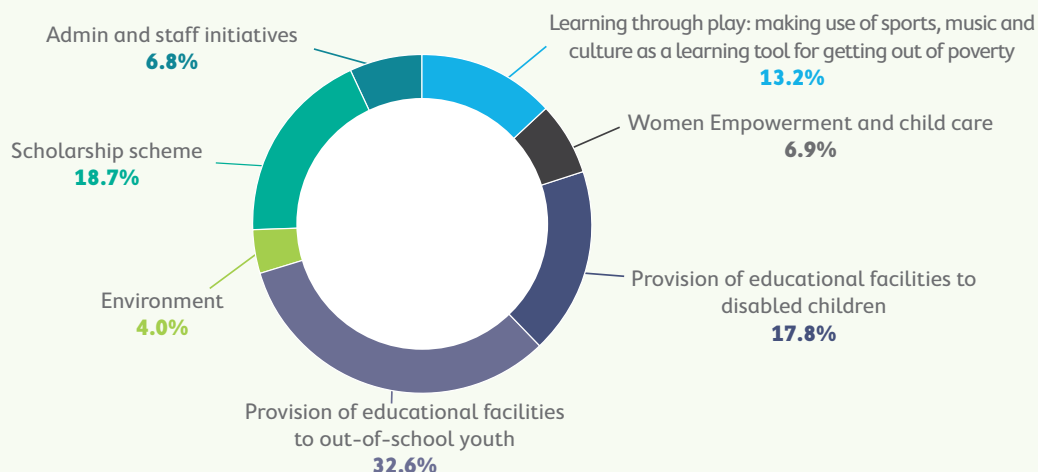
#### Spending by SBM Foundation on CSR projects

**MUR 27.6 million**

Total amount disbursed

**25**

NGOs funded for specific projects



## **The context**

### ***Key trends***

- Social and environmental welfare and progress taking centre-stage in the strategic planning, policy making and decisional stages, as both public and private stakeholders further stress on the importance of fostering responsible, inclusive and environment-friendly economic growth
- Stakeholders looking for customised and continuous CSR support, as well as the necessary flexibility to cater for their evolving needs and exigencies

### ***Opportunities and challenges***

- Becoming an increasingly impactful, responsible and sustainable organisation
- Allocating ample resources to meet social and environmental needs
- Making sense of and responding to mounting climate change risks
- Focusing energies on major topics of interest, including human rights, gender equity, biodiversity, poverty alleviation, education for empowerment and social mobility

### ***Taking stock of stakeholder expectations***

- Community development and social welfare objectives of the authorities
- Need for individuals and families to move up the social ladder
- Promotion of eco-friendly behaviours and environment sustainability
- Empowerment of NGOs and social partners to fulfill their roles and responsibilities
- Fostering cultural vibrancy, in support of more fulfilling living standards



# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## The Group's engagement

### *Frequency of dialogue and modes of engagement*

- ◇ *Systematic exchanges and connections, in line with needs conveyed*
- ◇ *Ongoing and ad hoc discussions and engagements*

- Well-defined CSR framework, policies and programmes
- Partnerships with NGOs, suppliers and public sector entities
- Staff support to the efficient conduct of CSR activities
- Sponsorships to promote noble causes
- Consultative workshops and awareness sessions
- Coverage in the press and social media
- Regular progress reviews and monitoring

### *Key endeavours during the period under review*

- Executing the core pillars and the key commitments of the SBM Group Sustainability Agenda
- Supporting nationwide priorities in favour of sound and inclusive growth, by means of products and services, community service as well as our own resource and supply chain management
- Implementing high-impact CSR activities to support vulnerable groups and foster social progress, while focusing on women empowerment, educational achievements and poverty alleviation, under the aegis of the SBM Foundation and backed by staff volunteering activities
- Delivering financial products and services that have meaningful social and environmental impacts
- Boosting financial literacy and inclusion vis-à-vis the low-income and vulnerable groups of society and delivering dedicated products and services to specific customer groups (e.g. entrepreneurs, self-employed, SMEs and the local industry) to help them achieve their ambitions
- Supporting nationwide initiatives in favour of a low-carbon, resource-efficient and climate-compatible Mauritian economy, alongside supporting unfolding of renewable energy projects
- Reinforcing controls and policies to manage climate risks and support our customers
- Adherence to recognised standards to underpin responsible business conduct and sustainable development imperatives – SBM Bank (Mauritius) Ltd and SBM Bank (Kenya) Limited are signatories to the UN Global Compact; SBM Holdings Ltd adheres to the Diversity, Equity and Inclusion Charter, which reflects its commitment to the National Committee on Corporate Governance



Read more on our various sustainability initiatives in the 'Implementation of the Group's sustainability strategy' section on pages 103 to 117

A green moss ball and a gavel on a book. The moss ball is a spherical object covered in bright green, fine-textured moss. It sits on an open book with dark, aged pages. To the right of the moss ball, a wooden gavel with a dark handle and a light-colored head lies horizontally. The background is a soft, out-of-focus light grey.

# Creating value for Governments and regulators

## Our philosophy

- We aim to maintain strong, regular and transparent dialogue and discussions with the authorities and regulatory bodies to support our business agenda and accompany endeavours aimed at upholding the trustworthy functioning and resilience of the banking and financial systems.
- We aspire to align our strategic intents with the national visions and ambitions of our presence countries, in view of underpinning or catalysing sound and sustained socio-economic progress.

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Creating value for Governments and regulators

### Main capitals impacted



Financial



Intellectual

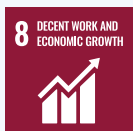


Social and relationship



Natural

### Main SDGs impacted



### Main material matters impacted



Macroeconomic risks and financial stability



Ethics, trust and transparency



Diversity, equity and inclusion



Climate consciousness

### Reference metrics - SBM Bank (Mauritius) Ltd

~ 17%

Domestic loans as a share of GDP at market prices

~ 4,090

Number of reports delivered to the Bank of Mauritius



## **The context**

### ***Key trends***

- Progressive economic recovery in our presence countries, amidst challenges
- Development of new sectors offering appealing avenues for business growth
- Increasingly demanding legal, regulatory and compliance landscapes

### ***Opportunities and challenges***

- Ongoing initiatives to spur national investment and sectorial growth
- Growth avenues linked to the development of the Mauritian IFC

### ***Taking stock of stakeholder expectations***

- Sound and sustained economic growth and prosperity
- Sustained dependability of the Mauritian IFC
- Compliance with national laws and regulatory stipulations
- Comfortable capital and liquidity positions
- Healthy and competitive markets and industries
- Stable and resilient banking and financial systems
- Contribution to financial inclusion and literacy
- Array of financial solutions to support local industries
- Participation in nationwide debates on financial sectors

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## The Group's engagement

### *Frequency of dialogue and modes of engagement*

- ◇ *Frequent interactions, as per rules, stipulations and expectations*
- ◇ *Regular discussions, as per regulatory agenda*

- Filing of returns and reports with the regulators
- Visits and inspections by regulatory authorities
- Regular and ad hoc discussions with the authorities and regulators
- Trilateral and Supervisory College meetings with the Bank of Mauritius
- Participation in the working committees set by the regulatory authorities
- Discussions involving the Mauritius Bankers Association
- Attendance to conferences and workshops

### *Key endeavours during the period under review*

- Partaking in nationwide initiatives aimed at maintaining and strengthening the economic growth and momentum of Mauritius, with focus on financing endeavours that play a key role in boosting the performances and maturity development of the country's primary, secondary and tertiary sectors
- Helping to promote the sustained credibility, image and competitiveness of the Mauritian IFC as a gateway for facilitating and enabling trade and investment into Africa, by delivering tailored solutions to key business players and investment operators
- Accompanying the business community and public sectors in their restructuring and growth-inducing initiatives as they seek to adjust to a volatile and demanding operating environment
- Underpinning the perennity, soundness and resilience of the Group's operations by ensuring that it is well-equipped to submit regulatory reports in a timely manner and effectively responds to regulatory rules and guidelines, while ensuring compliance with applicable norms and standards
- Adherence to operational and business-related policies and processes as well as governance and risk management frameworks as advocated by the authorities and regulatory bodies
- Engaging in regular conversations with the authorities and regulators on a broad range of topics; discussing about policies and regulations that are likely to have non-negligible impacts on our functioning and operations, with a view, notably, to (i) understanding the implications thereof, alongside ensuring that the interests of our customers are safeguarded; and (ii) contributing to the reinforcement of the legal and regulatory landscapes in support of healthy financial sectors
- Propelling thought leadership, especially through interviews, social media posts and the Group's flagship publication, i.e. SBM Insights, which delves into economic analyses and outlooks



Read more on our controls and frameworks to abide by legal and regulatory stipulations in the 'Risk Management Report' on pages 169 to 207



An aerial view of a city with various icons overlaid representing sustainability and business themes. The icons include a heart with a pulse line, a book, a water drop, a globe, a person in a wheelchair, a recycling symbol, a hand holding a plant, a bar chart with an upward arrow, a factory, a wind turbine, a solar panel, a person, and a group of people. The background is a blue-tinted aerial view of a city with many buildings and green spaces.

# Creating value for suppliers and strategic partners

## Our philosophy

- We thoughtfully engage with suppliers and partners while undertaking our business endeavours.
- We provide fair and reasonable contract terms and engage in responsible procurement practices.



# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Creating value for suppliers and strategic partners

### Main capitals impacted



Financial



Manufactured



Intellectual



Social and relationship



Natural

### Main SDGs impacted



### Main material matters impacted



Ethics, trust  
and transparency



Diversity, equity  
and inclusion



Climate  
consciousness

## The context

### Taking stock of stakeholder expectations

- Fair, reasonable contract terms and ethical practices
- Timely payment and renewal of contract

## The Group's engagement

### Frequency of dialogue and modes of engagement

- ◇ Frequency of interactions depending on projects and undertakings unfolding
- ◇ Ad hoc engagements, in line with strategic objectives and internal policies

- Expression of interest
- Procurement process
- Contract management and renewal
- Meetings and working sessions
- Incident handling and escalation

### Key endeavours during the period under review

- Maintaining fair and responsible procurement practices and aligning with best standards
- Monitoring of approval limits with a view to exercising appropriate control and governance
- Maintaining debriefs with regard to tenders to align expectations and provide fair practices to all bid participants

# Business initiatives and achievements posted by the Group's entities

## SBM Bank (Mauritius) Ltd

### Key highlights

- Upholding of the bank's position as a leading banking player in Mauritius, with noticeable contribution to the country's socio-economic development and active support to stakeholders
- Further progress realised in terms of market diversification and financial soundness
- Customer service excellence maintained, backed by multiple delivery channels

### Strategic initiatives and key enablers

#### Salient observations

With the dedicated efforts and resolve of all its employees and stakeholders, the bank has maintained its position as a leading operator in the domestic financial services industry, supported by its sustained growth momentum and diversification endeavours across business segments. It upheld the depth and quality of its involvement vis-à-vis individual and corporate customers, on both the assets and liabilities sides, and remained committed to ensuring that they enjoy a seamless banking experience, anywhere and anytime. Concurrently, important positions were filled across key functions of the bank such as Corporate Domestic Banking, Privilege Banking and International Banking. In terms of capacity building, it is also worth noting that further progress was achieved in terms of the bank's job grading and evaluation exercise, the bolstering of risk management policies and the improvement of operational efficiency levels, as notably supported by the review of specific business operations and functions, especially on the corporate front. In addition to business initiatives deployed by the bank's traditional retail and corporate segments, the Financial Markets Division also contributed to the bottom-line performance by means of its endeavours across the money and forex markets, helped by human capital reinforcements and internal synergies. Importantly, the bank remained a prominent player in the cards and payments segment, benefitting from customised products and growing business volumes.

In general, the bank's initiatives stand as a testament to its unwavering commitment to delivering services that not only meet but exceed market expectations. Its achievements have been reflected through various awards and accolades received during the period under review. For instance, the bank has been attributed the Market Leader distinction by Euromoney magazine for the 'Private Banking' and 'Corporate Banking' segments. These prestigious distinctions reflect the culmination of the bank's commitment to excellence, strategic measures deployed and the staunch dedication to its customers. They place the bank at the forefront of the financial industry, thus underscoring its impact and industry leadership. In the same vein, the bank preserved its prominent domestic market shares, which stood at around 38% and 23% as regard mortgage and corporate banking respectively as at December 2023.

#### Domestic involvement across segments

Despite a challenging operating environment, the bank undertook the disciplined execution of its domestic strategic intents, thus reinforcing and diversifying its involvement in the Mauritian socio-economic landscape. Along the way, it closely monitored impacted files, while offering adapted and

debt restructuring solutions to customers where need be. In line with its modernisation strategy and leveraging committed investments, the bank uplifted its branch network. During 2023, two more branches were renovated and one new branch was inaugurated in Rivière Noire. The bank's branch renovation features amongst the initiatives which reflect its endeavour to continuously improve its touchpoints and customer walk-in experiences. Furthermore, to accompany retail clients, the bank improved its mortgage value proposition, as gauged by the extension of the loan tenor and the review of loan pricing and marketing campaigns. In the same vein, a Special Home Loan campaign for Mauritian households having gross monthly income not exceeding MUR 100,000 and for loans not exceeding MUR 2 million was launched. Besides, to increasingly support customers in distress (i.e. those having financial difficulties in repaying their loans post the successive increases in interest rates), a Financial Assistance Plan was deployed for households having gross monthly income not exceeding MUR 100,000, with key features of this facility including extension of loan tenor and reduced monthly repayments as well as discounted interest rate payments for a specific time period.



The SBM Rivière Noire branch is the latest service unit to open its doors in mainland Mauritius, bringing the total number of branches currently operating across the Republic of Mauritius to 41

It is also worth mentioning that the bank has further deployed its Zero Interest Medical Loan Scheme to the domestic market. The loan is a special scheme which has been designed in collaboration with the Ministry of Health and Wellness as well as selected private hospitals, with the objective to provide relief, on favourable terms and conditions, to citizens of Mauritius undergoing treatment. As another key undertaking, the bank has reinforced its focus on eco-friendly banking, as testified

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Strategic initiatives and key enablers *(cont'd)*

### Domestic involvement across segments *(cont'd)*

by the launch of the SBM Eco Auto Lease campaign, which is a tailored leasing facility for Mauritian residents seeking to buy an electric or hybrid vehicle. Designed for two specific segments, namely retail and SME banking, this facility further reflects the bank's commitment to help the country's transition to a low-carbon economy, with focus on sustainable and environmentally-responsible development.



The launch of the SBM Visa Infinite Credit Card was one of several initiatives unfolded in 2023 for the Private Banking and Wealth Management segment

As for the Private Banking and Wealth Management division, it continued to reinforce its human resource capabilities, boost market credentials and promote its visibility through networking events, alongside reducing the turnaround time when onboarding new clients. On this front, it is, on overall, worth noting that the bank has revised its new client onboarding criteria and engaged into a rebranding exercise to comply with the evolving Bank of Mauritius guidelines. A new External Assets Managers department was set up, while customer service quality was enhanced and the value proposition was refined and, in some instances, restructured. The bank launched the SBM Visa Infinite Credit Card, which is an exclusive premium card offering distinctive benefits and lifestyle privileges.

While being firmly dedicated to supporting and accompanying the local economy and entrepreneurs, the bank has sustained its support to SMEs and micro enterprises, with emphasis on restructuring its internal operations as well as delivering an innovative and tailored range of products and services to accompany clients in their development journeys. As a key move, the bank introduced Special Agriculture Schemes with attractive features and benefits for farmers, plantation owners and agri-entrepreneurs. The solutions offered consist of Crop Loan, Agricultural Term Loan and Agricultural Mechanisation Loan. To better serve targeted markets, it is worth underscoring that the bank (i) capitalised on a revisited team structure, the recruitment of additional staff and continuous upskilling; (ii) boosted its customer proximity across regions, as gauged by the decentralisation of its services and the setting up of dedicated SME desks and hubs across the network of branches situated in different regions of Mauritius and Rodrigues, with innovations brought about being welcomed by clients; and (iii) improved its operational efficiency levels, notably by means of the judicious allocation of portfolios to Relationship Managers in view of

providing increasingly personalised services. In the same vein, the client turnaround time has witnessed major improvements, whereby the account opening process has been streamlined and credit facilities are processed and approved in around two weeks as compared to an average of two months previously. Overall, to realise its business development ambitions, the bank actively participated in fairs, campaigns and workshops to meet and discuss with current and potential clients, while achieving greater market visibility and awareness with respect to the panoply of financial solutions that it has in store to respond to customer requirements. Reflecting initiatives unleashed, the bank has received two awards with respect to its innovative SME approach, namely Best Bank for SMEs in Mauritius - Euromoney Awards for Excellence 2023 and Best SME Bank in Mauritius - The Asian Banker Global Middle East and Africa Awards 2023.

As for the Corporate Banking department, it underwent substantial transformations to support its strategic ambitions, characterised by the establishment of new sub-divisions – notably the Business Banking segment to look after Corporate Domestic entities having an annual turnover of up to MUR 500 million – and the enhancement of offerings to align with and meet the evolving needs of customers. In support of its objectives, the bank reinforced its market presence and customer proximity. Corporate domestic clients were invited to key events, namely Golf event, Sustainability event and the 50<sup>th</sup> anniversary celebrations, thus further strengthening the bank's relationships with its long-standing and loyal clients and other stakeholders.

### Steady and prudent growth of international footprint

During the period under review, the bank pursued its efforts in the wake of its objective to thoughtfully, gradually and effectively re-ignite its international business. In this spirit, by setting priorities which are consistent with the bank's espoused strategic directions and its values of prudence and customer centricity, the bank has set out to review its risk appetite and its country limits, alongside being guided by strengthened policies and procedures to support sound business involvement across markets and geographies. With the strategic objective of growing its international footprint steadily and prudently, added focus has been put towards building appropriate capacity in terms of human resource and operational expertise, as substantiated by the recruitment of key capabilities along with the restructuring of the teams and the planned set-up of a Middle Office for better task segregation and monitoring.

### Building and solidifying customer loyalty

While the bank remains dedicated towards acting in its clients' best interests, it also aims to build trust through its adapted solutions, active client engagement and regular customer feedback surveys, alongside making allowance for the increasingly sophisticated market needs. Customer-centricity, being a core value, sets the standards by which the bank prioritises decisions about all touchpoints, alongside improving the convenience of financial solutions offered and continuously hearing the voice of customers through regular surveys. As highlighted above, the bank's branch renovation features amongst the initiatives that reflect its endeavour to provide a comprehensive range of digital services and a full suite of banking solutions to its customers. The efforts made by the bank to enhance customer experience is illustrated by the year-on-year increase in its Customer Satisfaction Index. With



the Information Age being the main driver of evolving customer behaviours, focus was laid on IT transformation in order to pave the way for the appropriate organisational structure, processes, tools and channels that would allow the bank to achieve its aspirations. The bank set out to strengthen its IT ecosystem and lay the foundations of its longer-term digital journey, while engaging in specific endeavours aimed at achieving business simplification and transformation, creating business-enabling platforms, fostering cost optimisation and addressing end-of-life issues. It is focusing on revamping its digital platforms by replacing its current Internet Banking and Mobile Banking solutions with upmarket offerings, along with introducing more attractive experiences covering customer journeys, credit journeys and payment journeys. Lately, SBM Bank (Mauritius) Ltd became the first Mauritian bank to accept RuPay card payments – a payment system launched in 2014 by the National Payments Corporation of India – at its terminals, thus marking a significant advancement in the field of payment processing. The bank has one of the largest networks of payment terminals across the country, including all major shopping centres and hotels, thus enabling RuPay cardholders to make their payments with ease when travelling in Mauritius.

#### **Promoting sustainability**

In line with the SBM Group Sustainability Agenda, the bank has resolutely set forward to build the necessary expertise and capabilities to fulfill its role and responsibilities as a responsible and caring organisation. In addition to internal initiatives to foster sound and environmentally-friendly operations, the bank has supported customers in their sustainable and renewable energy projects, alongside boosting business interactions with external stakeholders and institutions with a view to underpinning its growth endeavours and learning about best practices. The bank also takes pride in the positive impacts that it brings to the society and community through CSR events conducted throughout the year.

## **Looking ahead**

Despite the challenging economic and market environments, the bank will pursue efforts aimed at embarking on a renewed and strengthened growth trajectory, alongside reinforcing its commitment to support the socio-economic progress of Mauritius. It will maintain the disciplined execution of its strategy and seek to preserve its financial soundness, with an eye on the quality of its asset book. Overall, Management has devised a three-year plan, with the underlying focus areas being to (i) increase domestic market share across segments; (ii) grow international footprint steadily and prudently; (iii) build and solidify customer loyalty; and (iv) promote sustainability. While focusing on sustainable growth by means of enhanced relationships with its customers and its ability to fulfill client banking needs throughout the various stages of their lives and business development journeys, the bank will tap into appealing business opportunities and further transform the way it functions. Customer service and visibility will continue to be enhanced through additional branch renovations, innovations on the technological and digital fronts, process re-engineering for operational efficiency, continuous customer feedback surveys as well as active presence and participation in the media and public space. While further consolidating and strengthening its foothold in the domestic markets along with closely monitoring problem files, the bank is intent on further diversifying its revenue streams through unique value propositions for emerging sub-segments, notably Business Banking and External Assets Managers. It will gradually, prudently and thoughtfully execute its international banking strategies on the basis of a selective market development approach, backed by bolstered capabilities and a fitting risk appetite. The bank will remain dedicated to continually evolve its capabilities, to ultimately provide a simple and safe customer journey, driven by data management and continued emphasis on cautious monitoring of operating costs. As a major endeavour, the bank will move forward to fill important Management positions as it further bolsters its capabilities, alongside attracting, developing and retaining key talents across different areas. Prominently also, the bank will increasingly embrace key sustainability principles across its internal operations, business development initiatives as well as its risk management framework and practices, with due emphasis laid on the adoption of ESG principles.

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## SBM Bank (India) Limited

### Key highlights

- Pursuance of initiatives to further strengthen the business development thrusts and resilience of the bank, in line with market, industry and regulatory trends and requirements
- Delivery of a comprehensive and diverse suite of retail and corporate banking products and services to meet the payments, settlements, remittances and credit needs of clients
- Leveraging multiple channels, including Branch Banking, Mobile Banking and Internet Banking
- Striving to deepen business partnerships, expand market reach and contribute to financial inclusion

### Strategic initiatives and key enablers

The bank implemented several initiatives aimed at reinforcing its market competitiveness and customer proximity, while moving forward in a thoughtful manner when onboarding new business. It added 1 branch in Ludhiana in 2023 and further 3 branches across Vashi, Andheri and Tennaka (Unbanked Rural Centre) in January 2024, thus bringing the total network to 16 branches and reaching out to a broader range of communities and an enlarged customer base. Also, the bank renovated and upgraded existing branches to align with its branding goals. Moreover, the bank increased its brand visibility through co-sponsorship of key events organised by reputed associations and communities representing significant business opportunities. Such events included the Global Fintech Fest, MSME events organised by professional bodies active and well-networked in such segment and relevant community-led events such as the ones co-sponsored for the mariners' community in Kolkata, the association of affluent medical practitioners in Ludhiana and NRI focused international events held in the UAE and Thailand. The bank believes in the power of stories and, thus, on social media, it has continued to narrate engaging and emphatic stories that portray the people behind the brand, i.e. employees and customers, who are the true brand ambassadors.

In line with its strategic ambitions, the bank has built a dedicated MSME unit, segregated into secured funding and unsecured funding. The bank has managed to minimise shrinkage in the asset book, despite the challenges faced in growing the book in view of limited capital availability and steady churn arising from the calculated decision to operate in the short term and medium term lending space. The bank has gradually absorbed the burden of increasing cost of funds into its yield on advances, which moved from around 9% to nearly 11%. This has helped the bank to sustain the interest income over the course of the calendar year. The bank also managed to keep deposits levels in complete alignment to asset book movement through calibrated maintenance of bank savings accounts and term deposits levels. The bank has made significant progress in implementing its Digital Referral Model, which will enable it to originate Priority Sector Lending (PSL) through quality referral agents and, thus, directly lend to PSL beneficiaries, hence allowing more control on both the beneficiary type and margins earned.

Over the year 2023, the bank has faced considerable challenges which impacted business and operating parameters. Such

challenges included the stoppage of LRS transactions, discontinuation of all major prepaid card programmes run by the bank, discontinuation of certain commercial credit card programmes which were not aligned to Reserve Bank of India guidance on various aspects. The bank has addressed these issues by enhancing systems and processes, adding security layers and various capabilities, process and product audits and reviews, including a comprehensive KYC audit across products, to ensure alignment with the bank's own controls and governance framework as well as regulatory expectations.

Moreover, the bank has worked towards strengthening of its controls through the implementation of the Enterprise Fraud Risk Management solution, which enhances its capabilities in monitoring fraud transactions initiated through Internet Banking, Mobile Banking, UPI, Cards and Branch Banking. Lastly, the bank has also put in place a Compliance Intranet Portal to ensure complete compliance framework awareness and foster better understanding of regulatory requirements.



SBM Bank (India) Limited reaffirmed its commitment to supporting small and medium businesses and actively participated in the MSME India Business Convention 2023

In view of the above, the bank is hopeful that the various restrictions imposed will be relaxed shortly. Apart from the above, the bank has, in 2023, made significant strides in improving and upgrading its technological readiness and information systems, while streamlining banking processes, gearing up its operational efficiency levels as well as improving customer access and experiences. It completed Phase 1 of the Smart Banking Platform. The latter will include capabilities targeting Digital/Online account opening, which help to boost customer acquisition, increase close rates, reduce cost, improve risk management and enhance user experience. It is a must-have for retail banks because many consumers demand self-service options for opening and servicing of accounts. Banks stand to benefit significantly from the operational efficiencies of leveraging their online channel as a means of sales and account acquisition. Online account opening is also an effective way to acquire new customers with minimal cost. Furthermore, the bank has added various capabilities to its suite of Cash Management services, which include the going live of Payment Gateway Services, of e-NACH (a crucial tool in enabling recurring payments and to track/clear recurring bills), of Virtual Account, of E-Tax payments, of POS network enablement and of Cash and Cheque collection services.

## Looking ahead

As it forges ahead, the bank is driven by its vision to become a trusted customer-centric entity by leveraging technology and

providing efficient solutions, thus leading to value creation for all stakeholders. Along its journey, the bank shall retain focus on business growth, while increasingly catering for the needs of the MSME and retail segments through a balanced approach of secured and unsecured lending models. Expansion of the distribution network is on the agenda, by means of the continued establishment of branches in key business and MSME hubs across the country by rolling out both full-scale and small-scale branches. Moreover, the bank's relentless pursuit of enhancing customer servicing capabilities promises advancements, with focus on bolstering Smart Banking capabilities, augmenting the transaction banking product suite, releasing additional features to the corporate Internet Banking solution and enabling UPI on RuPay credit cards. The bank's embrace of financial technology solutions has revolutionised its operational landscape, facilitating smoother processes and heightened efficiencies. Sustaining the drive, the bank has planned for several initiatives, including, but not limited to (i) the implementation of an end-to-end Digital Supply Chain Finance Solution that includes sourcing, underwriting, onboarding and transaction management through an omnichannel dashboard providing access to all the parties involved in the supply chain; (ii) the completion of the Automated Dataflow Project which is a regulatory data technology platform for all data submissions to the regulators; and (iii) the introduction of monitoring tools and capabilities to enhance the AML monitoring framework.



# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## SBM Bank (Kenya) Limited

### Key highlights

- Serving a broad range of customers via a large network of channels and platforms
- Positioned as a niche bank with value proposition targeting corporate and High-Net-Worth clients
- Leveraging ecosystem banking to attend to the needs of SMEs and consumer banking customers
- Operating as an Authorised Depository and Securities Dealer, licensed by the Capital Markets Authority of Kenya

### Strategic initiatives and key enablers

Several initiatives were undertaken by the bank, which testify to its commitment to fostering sound business growth, enhancing customer experiences, supporting renewable energy initiatives, empowering entrepreneurs and underpinning the country's socio-economic progress. The bank entered into a risk-sharing agreement with the African Guarantee Fund (AGF), amounting to USD 10 million, which is aimed at increasing financing opportunities for Micro, Small and Medium-sized Enterprises (MSMEs). The facility unlocks opportunities for the MSMEs, alongside enabling women-led enterprises to access credit on favourable terms, thus mitigating the challenges they experience in scaling up their businesses and increasing their contribution to wealth creation and job opportunities. This partnership is timely, considering the financial hurdles experienced by most SMEs due to their risk profiles and relative lack of security. As a progressive player, the bank is purposefully playing a part in transforming the livelihoods of the Kenyan people by opening up markets for green businesses, accelerating wealth creation and improving the quality of life. Additionally, the bank provided funding to a next-generation renewable energy company in Kenya. This investment will facilitate the deployment of off-grid solar home systems, thereby extending access to clean, reliable and affordable energy to nearly half a million people, thus aligning with the ambition to contribute to the UN Sustainable Development Goals and with endorsed ESG objectives. It is worth highlighting that the bank recognises the crucial role of renewable energy in addressing poverty challenges and mitigating climate change. It has also allocated financing towards the construction of a solar-powered plant in Athi River, thus furthering its commitment to sustainable energy solutions and environmental stewardship. As part of its dedication to promote gender equality and empowerment, the bank has provided capacity building to over 1,500 women-owned businesses, thus enabling them to formalise their operations and to access financial services. Efforts deployed have been recognised through various awards, including the Best Bank in Women Banking Kenya 2023, by the World Business Outlook.

In line with its efforts to boost customer experiences, the bank has revamped the look and feel of seven branches, while initiatives in favour of the branch network rationalisation was kick-started to optimise resources and better serve the evolving needs of customers. Besides, the bank conducted deposit mobilisation campaigns and launched card campaigns to increase awareness and utilisation. Moreover, new products such as Aspire Plus have been introduced, the online banking platform has been upgraded and short codes have been introduced to the bank's M2B

offering, thus contributing to further improving existing services. Additionally, focus has been laid on marketing and promoting the brand image, particularly within the middle-income and affluent target audience. Through sponsorship of sports and cultural events such as golf tournaments, the Nairobi Polo Club season, a music concert featuring renowned artists and a Cricket World Cup Finals viewing party, the bank has effectively engaged with targeted demographics and reinforced its brand presence in the market. In addition to the aforementioned undertakings, the bank has implemented enabling measures aimed at improving organisational efficiency including the revisiting of internal processes, reinforcing risk management and controls as well as managing ecosystems and partnerships. In the same spirit, the bank remained intent on nurturing a skilled workforce and fostering a culture of continuous learning and development, with focus areas on the training front pertaining, notably, to risk management, financial solutions delivered and anti-money laundering practices. Worth noting also, reaffirming its commitment to delivering exceptional customer service, the bank conducted a comprehensive customer service week campaign.



SBM Bank (Kenya) Limited has signed a Memorandum of Understanding with Tata Holdings Africa that will see customers access 100 percent financing for vehicle purchases

The bank's sustainability agenda was rolled out in line with Group-level strategies, while aligning with ESG principles and standards. As part of this commitment, the bank received official acceptance as a participant of the United Nations Global Impact, thus further solidifying its dedication to corporate responsibility and ethical business practices. Furthermore, policies were proactively reviewed to stay abreast of changes in the operating

environment, including emerging trends such as climate change.

## Looking ahead

Aligned with its vision to becoming a leading and trusted financial services provider, the strategic priorities set by the bank are to (i) strengthen customer experiences in line with market trends; (ii) increase brand awareness; (iii) enhance its products and services offering, particularly its digital solutions, while focusing on target segments; and (iv) maximise returns alongside growing the balance sheet. The bank endeavours to provide its valued customers with an exceptional customer experience through the revamping and modernisation of its branches, the

enhancement of its value proposition and the upgrade of its IT infrastructure. It shall prioritise innovation and technology to enhance its operations and competitive edge. To achieve these objectives, the bank will capitalise on collaborations with Group entities to support growth initiatives, sign and forge strategic and value partnerships as well as advance its business process re-engineering and digital transformation initiatives. Overall, the bank remains committed to driving positive change and contributing to the socio-economic development of the communities where it operates. It shall continue to pursue growth and innovative initiatives as well as support sustainable principles in its operations and interactions, while prioritising customer satisfaction.

# Banque SBM Madagascar SA

## Key highlights

- Pursuance of business growth across economic sectors in spite of testing operating context
- Focus laid on serving corporate clients and well-established SMEs, alongside providing dedicated services to High-Net-Worth Individuals, supported by strategically located branches

## Strategic initiatives and key enablers

Overall, the bank has strengthened its relationships with long-standing customers, studied novel business prospects, and strived to cultivate a more sustainable revenue stream. This was, notably, supported by initiatives aimed at diversifying the loan portfolio into emerging sectors within the corporate banking segment where the bank currently has limited presence. Towards enhancing its appeal as an employer of choice, improving its brand reputation and elevating customer service standards, the bank undertook the renovation and upgrade of its headquarters, while enhancing both layout and amenities. Moreover, it has sustained its focus on service excellence to deliver compelling customer experiences, alongside refining pricing structures and boosting the responsiveness to customer needs. Efforts were directed towards progressively enhancing the operational controls implemented by the bank to promote discipline and coherence in its operations and interactions with stakeholders. The bank's operational framework was re-evaluated to uphold sufficient safeguards against potential business disruptions. The bank's core banking platform, nearing end of life, was upgraded. Major progress has been achieved in fortifying the overall risk management function and compliance framework, supported by dedicated resources who are focused on identifying, evaluating, mitigating, and reviewing risks. Furthermore, policies and procedures were reviewed, after leveraging the expertise and capabilities of the Group, to foster the adoption of best practices. Training programmes and team building activities, both internal and external, were conducted to enhance the knowledge, skills sets as well as the engagement and wellbeing of employees. Furthermore, the bank pursued several sustainability measures, while reflecting its corporate responsibility and contributing to the enhancement of its reputation and visibility.

## Looking ahead

The bank remains steadfast in the pursuit of its vision which revolves around (i) becoming a trusted, agile, responsive and influential provider of financial services in the country; (ii) becoming an employer of choice, while attracting and retaining top talent; (iii) prudently managing risks and costs; and (iv) supporting the sustainable development of economic activities in Madagascar. The bank endeavours to enhance its contribution to the Group by fostering enduring relationships with its stakeholders to continuously grow and diversify its business. In this journey, a key objective of the bank is to broaden its lending book by targeting sectors witnessing appealing growth prospects. To this end, the bank will provide comprehensive training to staff to enhance expertise and knowledge in those sectors as well as cultivate proficiency in credit evaluation and management. This will be coupled with proactive efforts to improve its Internet Banking offering, set up a dedicated customer service desk and strengthen collaboration with Group entities to enrich the value proposition. Cost optimisation remains on the agenda, with initiatives around migration towards e-statements, telecommunication system upgrade and process automation being, amongst others, planned. Moreover, the bank is committed to strengthening its risk and governance framework as this is paramount to effectively monitoring its operations and activities.

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## SBM Non-Banking Financial Cluster (SBM NBFC)

### Key highlights

- Notable player engaged in shaping up the domestic financial services landscape
- Appealing financial solutions offered to clients in various sectors of activity, including investment management, CIS funds, trading and structuring, corporate finance advisory, capital raising, registry, fund administration, factoring, insurance agency and Payment Intermediary
- Growing focus laid on strengthening brand image and market visibility

### Strategic initiatives and key enablers

Despite delicate market conditions and a fiercely competitive environment, SBM NBFC has actively pursued diversified market strategies to support its continued business expansion, alongside ensuring that the entity adheres to principles of good governance, accountability and transparency at all times. The entity's prudent risk management strategies have resulted in a healthy balance sheet, thus ensuring stability and resilience in spite of the challenging economic climate.

Overall, the entity has continued to capitalise on the business expertise of its internal sales and operations teams and fostered synergies with the Group entities to strengthen relationships and broaden its client network. The Asset Management arm has achieved a new milestone with Asset Under Management exceeding the MUR 18 billion mark, reflecting successful endeavours to expand client mandates and subscriptions in CIS funds. On the insurance front, increased engagement with SBM Bank (Mauritius) Ltd has been a focal point, aligning with initiatives to diversify business volumes, enhance revenue across segments and elevate market visibility, while seeking to position the entity as a one-stop financial solutions provider to the corporate segment. The trading business continues to benefit from synergies with the Global Business and External Assets Managers teams of SBM Bank (Mauritius) Ltd via joint meetings and shared insights. Further progress was made in the Corporate Finance business, with the conclusion of two major deals and the building of a pipeline for the year ahead. The client base of the factoring business has been consolidated, with focus on supporting clients smoothen their payment cycles.

Recognising the critical role of customer satisfaction and the upholding of lasting relationships, SBM NBFC is embarking on a customer service-learning programme to set the standard for service excellence. By prioritising this initiative, the entity is not only aligning with its core values, but also seeks to position itself as a trusted partner in meeting the diverse financial needs of its clients. With a view to enhancing client and employee experience, SBM NBFC has relocated its offices from Hennessy Tower, Pope Hennessy Street, Port Louis to new premises in Wall Street, Ebene, which is a growing financial centre. This move represents a major milestone as it offers excellent opportunities in terms of greater accessibility and proximity to key business hubs and allows the entity to strengthen partnerships with key players and better serve its clients, while providing a conducive work environment for employees.

SBM NBFC envisions a financial environment where it can help to break down barriers and pave the way for universal access to innovative financial solutions, alongside empowering individuals to realise their aspirations and making meaningful contributions to their communities. In this regard, several initiatives have been conducted to improve the entity's brand credentials and visibility, including marketing campaigns across various platforms and the media as well as financial literacy campaigns. The latter involved a series of workshops on financial investments, which have targeted mainly tertiary students and emphasised the importance of personal and long-term investment as well as the technicalities of asset allocation.



A team of the SBM Insurance Agency Ltd, which operates under the aegis of SBM (NBFC) Holdings Ltd, showcased home insurance solutions at the Salon de la Maison 2023, one of the largest trade fairs in Mauritius



As a key initiative to meet the expectations of multiple stakeholders and maintain the soundness of its activities, the workforce has been strengthened to support clients navigate through increasingly demanding economic environments, with emphasis laid on tailor-made training to bridge knowledge, skills and competency gaps as well as recruitments undertaken across different lines of operations, both at management and non-management levels. Human capital building also took the form of leadership development and wellness-related activities for healthier lifestyles. The collective efforts and dedication of all employees not only fostered higher levels of customer experience, but also promoted improved operational efficiency. Moreover, the initiative, put in place a few years back, to set up a dedicated team to assess and improve operational efficiency across business lines has, in various respects, resulted in streamlined processes and workflows. At the same time, steadfast adherence to prudent risk management strategies has been preserved, with risk policies having been reviewed and revamped as appropriate so as to better identify and deal with risks as they crop up. In addition to people and processes, enabling technologies are critical to the success of SBM NBFC. As such, the IT network infrastructure is being upgraded, a workflow management solution is being considered and existing systems are being revamped and replaced by more sophisticated ones.

## Looking ahead

Despite the challenges being faced, SBM NBFC aims to reinforce its strategic position and financial stability across all its operations, while being guided by its robust business model and the principles of innovation, resilience and adaptability. It aspires to drive sustainable growth via innovation and remains steadfastly focused on fulfilling its main mission, which is to empower individuals and businesses to achieve financial wellbeing by offering innovative end-to-end financial solutions through enabling technology and personalised services that complement and elevate the value proposition of the other entities of the SBM Group. In this journey, SBM NBFC aims to explore attractive growth opportunities and expand in traditional and new markets and business segments, after notably leveraging the Group's international presence and forging strategic alliances with key business partners and players in alignment with established risk policies as well as legal and regulatory guidelines. To achieve its objectives, SBM NBFC is looking forward to further invest in technology, enhance customer service standards and improve operational efficiency. Focus will also be cast on further boosting market visibility, especially through industry events and conferences. It is also committed to investing in its workforce, thus ensuring that employees are agile, adaptive and well-equipped to navigate in an ever-changing financial ecosystem. It will nurture a culture of continuous learning, while empowering teams with advanced skills and fostering a collaborative environment.

## Implementation of the Group's sustainability strategy

### Background

As a key achievement, the SBM Group has formally launched its Sustainability Agenda in 2023 and pursued the execution thereof by means of various initiatives. This milestone has, in parallel, been communicated on the social media pages of SBM and through internal communications to employees. In this journey, the SBM Group is being guided by an external Sustainability Specialist Partner, which is accompanying the Group entities in envisioning and articulating their relevant strategies and foundations. Through this ongoing engagement, the SBM Group has, thus far, benefitted from strategic guidance and dedicated training being delivered on sustainability-related topics and aspects, with (i) workshops conducted on key sustainability imperatives; and (ii) ongoing discussions held in relation to important focus areas such as materiality assessment and sustainability strategy, roadmap and governance structure, capacity building as well as reporting and communication.

As we move along and undertake our activities, we recognise that there is further progress to be made with respect to the clear, coherent and up-to-date envisioning, articulation and execution of our Sustainability Agenda, but we are resolutely committed to gradually achieving our set ambitions over the short to medium term. Over the coming years, we will aim at increasing our momentum and we will continue to be transparent about our initiatives and achievements. Towards these ends, we will further reinforce capabilities in specific areas, alongside being assisted by subject matter experts.

### Holistic approach and undertakings

From a general angle, Group entities have actively promoted sustainability as a key pillar of their operational initiatives, business development thrusts and stakeholder management model, thus leading to the picturing and formulation of short to medium term strategic intents and roadmaps. Importantly, Group entities have, in several instances, financed green projects shaping up the socio-economic landscape, notably those relating to clean and renewable energy. Through its operations, the Group has, amongst priorities, laid emphasis on climate risk management, while complying with applicable legal and regulatory stipulations. As for our CSR activities, they have, notably, been spearheaded by the SBM Foundation. Also, reflecting our sustainable business model, initiatives have been rolled out to attract and retain talents, alongside fostering the engagement and empowerment of employees.

### Enabling foundations and mechanisms

The Group has anchored its activities on solid structures and foundations. As a major consideration, our corporate governance approach ensures that we operate in the best interests of our stakeholders, alongside embedding sustainability throughout the Group. Indeed, while this remains work-in-progress, fitting governance frameworks and conducive operating models have been put in place to ensure proper oversight and guidance as well as to bring alignment and synergies across business lines and functions with regard to sustainability initiatives.

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

In fact, during the period under review, the governance set-up, policies, and procedures as well as relevant operating paradigms of the Group and its entities have, in some respects, been enhanced/strengthened with a view to further promoting a culture of sustainability and ethics. Of note, a Corporate Governance, Conduct Review & Sustainability Committee is in place at SBM Holdings Ltd, while matters at the level of SBM Bank (Mauritius) Ltd are being tackled by its Corporate Governance and Sustainability Committee. Besides, the Group Sustainability Forum, which is chaired by the Group Chief Sustainability Officer, is up-and-running. In another respect, training programmes – notably to the attention of Senior Management and Directors

– have been conducted with a view to promoting informed knowledge and dissection of sustainability-related matters, while participation in conferences/seminars have helped the organisation in keeping pace with ongoing trends. Moreover, our commitment towards the environment is formalised through a Group-wide Environmental and Social Policy, which provides clarity and transparency in our operations and activities. Of note also, SBM Holdings Ltd reaffirmed its commitment to sustainable practices through its entry in the Stock Exchange of Mauritius Sustainability Index (SEMSI) in 2019.

## Corporate Governance, Conduct Review & Sustainability Committee

Amongst its core mandates, the committee monitors the envisioning and execution of the Group Sustainability Agenda, encompassing its Environment, Social and Governance (ESG) strategy, including KPIs and targets, to ensure alignment with strategic objectives. The meetings are held on a quarterly basis to achieve an appropriate grasp of what is being planned and envisioned across entities and the Group as a whole. Key responsibilities of the committee are to oversee and supervise progress being realised on the prioritised or selected sustainability initiatives & KPIs, review proposed major sustainability initiatives/projects for approval by or recommendation to the Board, based on eligibility criteria and risks that may affect the Group, and escalate ESG risks and proposed mitigation plans, as identified by Management, to the Board.



Read more on our governance frameworks and practices in the 'Corporate Governance Report' on pages 121 to 164

## Group Sustainability Forum

The Group Sustainability Forum is a Functional Forum which is chaired by the Group Chief Sustainability Officer. It comprises members overseeing sustainability in their respective operating entity. The primary objectives of the Forum are (i) to ensure alignment and a consistent approach to the execution of the Group Sustainability Agenda; and (ii) to promote regular dialogue with stakeholders on sustainability and Environment, Social, and Governance (ESG) matters. The Forum assists the Corporate Governance, Conduct Review & Sustainability Committee, a sub-committee of the Board of SBM Holdings Ltd, in discharging its duties relating to the implementation of the Group Sustainability Agenda and the related strategies. It has an important role to play as regard information sharing and encouraging constructive discussions for the ultimate benefit and progress of the operating entities and SBM Holdings Ltd.

## Adherence to international standards and principles

The Group has signed and publicly committed to international sustainability principles, as it sets out to convey its underlying directions, reinforce its vision and intent around sustainability, improve the transparency and comprehensiveness of its reporting and disclosures, further enhance its credibility and reputation on the subject matter, and promote structured peer learning and knowledge sharing.

In 2023, SBM Holdings Ltd has, as a responsible organisation committed to endorsing sustainable actions that create value for all its stakeholders, signed the Diversity, Equity and Inclusion (DEI) Charter championed by the National Committee on Corporate Governance (NCCG). Of note, the accompanying commitments and metrics relate to the Group's Mauritian-based entities. Overall, by pledging allegiance to this Charter, organisations are underlining their internal objectives and commitments to sharing their progress towards set targets on an annual basis with the NCCG. As for the SBM Group, its endorsement of the DEI Charter underscores its continued efforts to assess and enhance diversity, equity and inclusion across all levels of the organisation. By putting in practice the DEI Charter, we are not only aligning with societal expectations, but are also better positioned to cater for our diverse customer base, stimulate innovation and financial prosperity and attract top-tier talent, while adhering to applicable laws and regulations.

Moreover, SBM Bank (Mauritius) Ltd and SBM Bank (Kenya) Limited have become official participants of the United Nations Global Compact. As part of a global network comprising more than 17,000 participants across 160 countries, this involvement signifies our continued endeavour to promote a culture of integrity and construct a sustainable future. The aim is to uphold the ten principles outlined by the UN Global Compact, which are encompassed in the following areas: Human Rights, Labour, Environment and Anti-Corruption. By this means, we are looking forward to making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations of the Group.

## The Ten Principles of the United Nations Global Compact

### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

### Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## Overview of specific initiatives across entities and sustainability pillars

### Pillar 1: Sustainable Business

To promote greater social and environmental responsibility

#### **SBM Bank (Mauritius) Ltd**

- The bank has pursued the delivery of dedicated sustainability-linked products, notably the SBM Eco Auto Lease which caters for the demand for electric and hybrid vehicles. The bank has deployed the SBM Eco Loan, which offers a series of financing solutions that enable individuals, SMEs and corporates to invest in eco-friendly equipment and technology in support of their commitment to sustainability. This loan is geared towards financing projects promoting climate change mitigation or adaptation (see table below). This is in line with the bank's endeavours to strive to make a change towards a greener environment and better future for the next generations.

#### **Climate mitigation projects**

- Renewable Energies: solar PV, wind farm, hydro, biomass
- Investment in energy efficiency projects
- Investments in green buildings with technologies/ solutions to reduce energy consumption: LED lamps, occupancy sensors, efficient air conditioning systems
- Electric mobility

#### **Climate adaptation projects**

- Water savings: rainwater harvesting or any investment in technologies that reduces water consumption
- Investment in energy efficiency projects
- Sustainable agriculture: Classic, tunnel or tropic greenhouse, micro-irrigation or drip irrigation, resilient varieties, use of technology, etc.s
- Coastal zone protection & rehabilitation
- Thermal insulation (using bio/plant-based materials, green roofs, etc.)
- Treatment of wastewater & effluents
- Investments in green buildings with resilient solutions (with regards to treatment on water management, resilience against strong winds, risk of flooding, extreme temperatures, etc.)

- The bank has, in view of its initiatives aimed at accompanying SMEs and fostering a healthy national economic paradigm, launched Special Agriculture Schemes, consisting of Agricultural Crop Loan, Agricultural Term Loan and Agricultural Mechanisation Loan.

#### **SBM Bank (India) Limited**

- The bank has undertaken four Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) cases/transactions and is actively promoting the Government of India's financial support scheme to catalyse the flow of institutional credit to Micro, Small and Medium Enterprises (MSMEs).
- To support and empower women entrepreneurs, several applications were approved for an unsecured loan of up to INR 5 million under a special women entrepreneurs' programme.
- The bank is actively participating in the Priority Sector Lending (PSL), a lending requirement administered by the Reserve Bank of India (RBI) to support sectors of development. The focus of the bank is largely cast on the agriculture sector, followed by other sectors which are employment intensive. As at December 2023, the bank had built a PSL portfolio of INR 23 billion, comprising advances towards the agricultural sector (including lending to small marginal farmers), micro enterprises, weaker sections and other priority sector segments. The objective is to ensure that the benefits of economic growth reach various segments of the population and sectors that might otherwise have limited access to credit.
- To promote start-ups and entrepreneurship initiatives, multiple events were organised in Delhi and Mumbai during which more than 500 SMEs participated. These events were held by the enterprises that are affiliated with the Government of India's Ministry of Micro, Small and Medium Enterprises.

#### **SBM Bank (Kenya) Limited**

- To promote sustainable energy, the bank has partnered with Safer Power Limited for a project that helped connect Stoni Athi Resort to off-grid solar power. The bank has stamped its commitment to offering sustainable finance for projects that provide access to clean, reliable and affordable energy through similar collaborative initiatives in the past. This demonstrates the bank's unrelenting efforts to address climate change and promote investment in green projects alongside safeguarding the future of the next generations.
- To assist SMEs, the bank organised workshops in collaboration with its local partners. Additionally, the bank hosted a POP-UP market to provide women-owned enterprises with a platform to network, become more visible and increase sales. More than thirty businesses showcased their products and services to potential buyers during this event.

## **Pillar 2: Responsible organisation**

### **To conduct our activities with integrity**

#### **SBM Bank (Mauritius) Ltd**

- In alignment with regulatory requirements and international standards, the bank has set forward to protect itself from and manage the impact of climate change while supporting sound business activities, backed by fitting risk controls and the review of its operating paradigm.

### **Responding to and managing climate change**

Following the release of the Bank of Mauritius Guideline for Climate-related and Environmental Financial Risk Management in April 2022, the bank's Climate-related, Environmental & Social Risk Policy (CES Policy) has been revamped to incorporate elements of climate-related and environmental risks. The bank revised its Risk Appetite Statement (RAS) to integrate climate-related risks in addition to the pre-existing components on environmental and social risks. A high-level materiality assessment was performed on climate-related risks. The bank currently monitors, year-on-year, its energy, paper usage and water footprints. With a firm dedication to adhering to the requirements of the regulator, the bank has initiated its Greenhouse Gas (GHG) accounting exercise and has performed a Financed Emissions exercise on its Corporate Book by using the Partnership for Carbon Accounting Financials (PCAF) methodology. To garner a deeper understanding of its resilience against climate-related and environmental financial risks, the bank has started to engage into and explore climate scenario analysis, particularly climate stress testing.

- The bank pursued efforts aimed at promoting sound and environmental-friendly operations. It took initiatives to automate and streamline processes, while encouraging paperless transactions and educating clients to use alternate channels, ranging from transfers to e-statements.

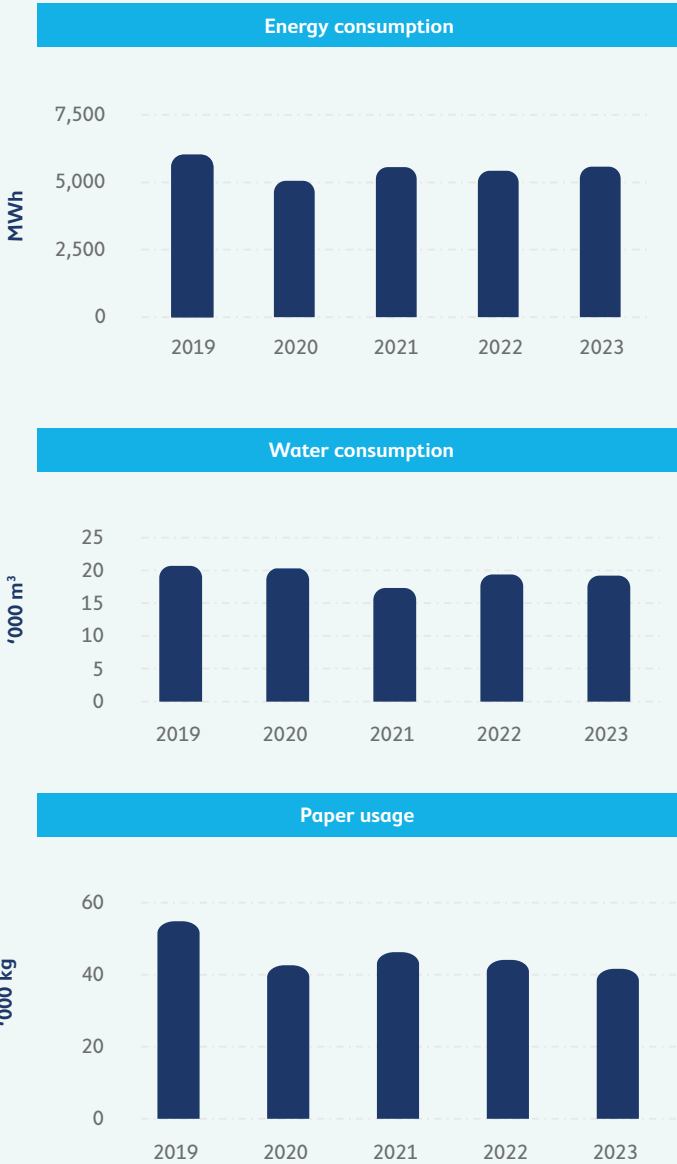
# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## To conduct our activities with integrity *(cont'd)*

**SBM Bank (Mauritius) Ltd *(cont'd)***

### Internal sustainability and environmental commitments and initiatives

The bank's approach to environmental sustainability is to be on the constant look-out for new ways to be more sustainable and environmentally friendly. This can be illustrated in the way the bank uses its resources, such as paper, electricity, water, etc. The bank is currently renovating its branches, using the most recent technology and energy-saving materials such as motion sensors, LED dimmable lights, natural lighting, re-engineering opportunities and the use of efficient equipment like inverter air conditioning, in an effort to reduce the amount of electricity consumed. Employees are being encouraged to consume less paper by promoting digital means of communication and information consumption. We constantly educate our staff about the need to use less paper and we are working to implement a paperless strategy that will reduce our carbon footprint. Outdated paper disposal is something that recycling companies frequently manage effortlessly to save energy, lessen pollution and protect the environment. Visitors to SBM Park are also helping us to reduce our usage by bringing their own reusable water bottles instead of using single-use plastic ones.





- The bank remained committed to promoting talent management, with focus on the professional advancement, skills upgrading and engagement of its employees. It strived to develop a positive work environment and improve the wellbeing, interests and safety of its staff. Various activities were organised for employees, such as Yoga, Tai Chi and Zumba sessions as well as Sports Day.

## **Fostering the wellbeing, health and safety of employees and creating a conducive work environment**

In its ever-evolving landscape, the bank's most valuable asset continues to be its people. In 2023, the Human Resources Division (HRD) played a pivotal role in fostering a dynamic and inclusive workplace environment where employees can thrive. Attracting and retaining top talent has remained a strategic priority for our organisation. Throughout the year, the HRD has implemented innovative recruitment strategies, leveraging technology to identify and bring on board exceptional individuals as well as meeting business requirements in terms of talent pipeline.

The HRD has also implemented various initiatives to enhance employee engagement, ranging from celebrating the employee, to wellness and sports activities. Recognising the importance of employee wellbeing, a culture that prioritises the holistic health of the workforce was encouraged. A positive and engaged workforce is crucial for sustained success. Recognising and upholding the contribution of its employees, the bank celebrated the International Women's Day in 2023. A mosaic of our lady employees at all levels was also published on social media to convey the contribution and importance of women in our workplace.

2023 has been a special year and we went back to the roots while SBM celebrated its 50<sup>th</sup> Anniversary with immense pride and gratitude, with its human capital, past and present, being at the heart of this historical milestone. The bank also excelled on the sports front, securing podium positions in different activities. Moreover, our commitment to excellence is reflected in our performance management system. The HRD worked closely with the Leadership team to align individual and organisational goals, providing constructive feedback and recognition. This approach not only enhances individual performance, but also contributes to the overall success of the organisation. As we navigate the challenges and opportunities of the coming year, the HRD remains dedicated to fostering a workplace culture that attracts, develops and retains exceptional talent. The organisation is confident that ongoing initiatives will contribute to its long-term success by ensuring that its people are motivated, engaged and well-equipped to drive innovation and excellence in their respective roles.

Furthermore, Health and Safety has always been a fundamental part and a top priority at SBM, with the interests of employees, customers and other stakeholders in mind. In 2023, the following activities and events were conducted:

- Safety and Health Committees as planned
- Internal communications issued on a regular basis to advise employees on various health and safety matters
- Inductions carried out with all new recruits to raise awareness on health and safety at work
- Health and safety inspections of all SBM Service units including SBM Tower and in Rodrigues
- Fire drills in all our Service units and SBM Tower
- Implementation of additional wellness activities such as Tai Chi and Zumba
- Provision of the services of a Company Doctor
- Training of first aiders and fire wardens
- Pink October – Breast Cancer Awareness sessions

In addition to the above, the Health and Safety team has overseen where need be, the existing health and safety protocols implemented by the bank, including policies, procedures, training programmes and emergency response plans. The team continuously performed the identification and evaluation of potential hazards within all the bank's sites, including physical risks such as ergonomic hazards, slips, trips and falls. Moreover, assessment of the bank's adherence to relevant health and safety regulations, standards and guidelines – as set forth by regulatory bodies, such as Occupational Safety and Health Administration (OSHA) or other local authorities – is performed on a regular basis.

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## To conduct our activities with integrity *(cont'd)*

### Key strategic thrusts and undertakings of the SBM Academy

While assisting in terms of training envisioning, design, administration, facilitation and execution, the key mission of the SBM Academy is to collaborate with internal stakeholders to help them achieve their strategic objectives and goals in terms of talent development. It aims to design and facilitate customised training solutions of international standards that create value added experience for internal stakeholders. Towards this end, the main strategic goals are as follows: (i) establish continuous improvement in the training programmes to develop leaders capable of managing complex challenges faced by businesses and the society; (ii) empower women and develop female Executive Talent; (iii) promote training programmes on mental health, wellness and healthy lifestyles; and (iv) deliver environment-conscious training, notably with respect to green financing, waste management, etc.

During the year under review, the SBM Academy focused on specific endeavours involving employees at various echelons of the organisation as we embark on an important journey of transformational change (notably on the technological and human resource fronts), supported by training needs analysis conducted in relation to set strategic pillars and business development aspirations. It organised induction courses and tailored training programmes, delivered by both internal and external subject matter experts, for Board Directors, with focus on topics that *inter alia* pertain to (i) creating resilience through governance; (ii) driving sustainability from the Boardroom; (iii) cybercrime prevention; and (iv) Anti-Money Laundering and sanctions. In the same vein, various training programmes were scheduled for Senior Management and other staff with a view to delving into and sharing knowledge on key topics of significant interest to the organisation. Online courses and tests were organised through GIEOM, including mandatory trainings as well as training associated with AML/CFT, cyber-security awareness and fraud awareness. Moreover, a Leadership Development Programme has been designed and put in place towards cultivating a pipeline of capable leaders who can drive growth and navigate challenges. Of note, SBM Bank (Mauritius) Ltd launched the SBM Talent Finder 2023, which is a customised training and internship programme that provides young candidates with expert monitoring in all banking-related fields, while providing them with the fundamental tools to embark on a successful professional journey. In this respect, the SBM Academy helped to design, execute and manage the overall programme, alongside conducting a formal evaluation of applicants and eventually defining career progression plans for selected candidates.

#### SBM Bank (India) Limited

- In line with its commitment to employee wellbeing and satisfaction, the bank introduced new benefits for its staff, such as staff loans at preferential rates and car lease. As part of a recognition programme, the bank has recognised and rewarded 85 high performers.
- The bank has set out to enhance its talent management practices and succession plan to ensure strong alignment between leadership and organisational goals and to thrive in the future.
- A Quality Assurance and Improvement Programme has been implemented at the bank level to enable the Internal Audit Function to evaluate its audit processes against its own standards and those of the Institute of Internal Auditors Professional Practices, with a view to responding to regulatory expectations pertaining to internal audit effectiveness.
- The bank implemented a policy framework for Environmental and Social Risk, thus reinforcing its strategic moves to address and manage potential risks associated with its activities.

#### SBM Bank (Kenya) Limited

- The bank has been promoting equal opportunities by including women-owned businesses through its supplier diversity policy to foster a diverse and inclusive business ecosystem.
- To enhance its resilience and contribute to long-term sustainability, the bank's Board Charter and Board Risk Committee terms of references have been updated to include focus on climate-related risk management.
- While focusing on the significance of an excellent customer-centric culture, the bank organised an annual Customer Service Week. This celebration marked the importance of customer service and of the people who make it happen. The theme of the Customer Service Week was aligned with the global theme of 'Team Service'. Employees wore unique attires to honour various African cultures and professions during that week.
- Staff members participated in several awareness campaigns on topics such as stress management, breast cancer, nutrition and wellbeing.

#### **Banque SBM Madagascar SA**

- The bank pursued its efforts towards lowering carbon emissions and minimising the environmental impact of its operations by installing energy-efficient lighting in its premises and promoting the use of e-documents.
- The risk department of the bank was strengthened, towards promoting responsible practices.

#### **SBM (NBFC) Holdings Ltd**

- The entity has relocated its offices to new premises located at the Hyvec Business Park, Wall Street, Ebene Cybercity. This move represents a major milestone in line with the entity's strategy, philosophy and commitment to provide a more conducive business environment to its valued stakeholders. The new office space has been designed with state-of-the-art facilities by incorporating several eco-friendly amenities such as energy-efficient lighting and air conditioning, special curtains to curb heat, green walls and desks that are embellished by plants amongst other initiatives.
- To endorse good corporate governance and promote sustainable practices, a review of the entity's procurement policy was carried out in 2023 to integrate ESG criteria into the processes. ESG-compliant service providers are considered during the entity's selection process and the request for quotes, while aligning with the Group's commitment to promoting responsible business practices for positive impacts on both internal operations and the broader community.
- To foster employee wellbeing, the entity has been working on a series of wellness-related activities to encourage staff to adopt healthier lifestyles in addition to the conduct of Group-wide initiatives such as Family Day, Christmas Celebrations and End-of-Year Party.

### **Pillar 3: Inclusive communities**

#### **To foster inclusion, diversity and equality**

#### **SBM Bank (Mauritius) Ltd**

- By means of its dedicated financial solutions and schemes to the retail and corporate segments, the bank has moved forward to support households and businesses in their endeavours, with focus on helping them navigate difficult times and on supporting financial inclusion in the country.
- The bank has launched a Special Package for 18-year-olds, with tailored solutions comprising (i) an SBM All-In-One account packed with other benefits; (ii) discounted facilities for pursuing an academic career; (iii) the opportunity to enrol in an intensive workshop designed to increase the potential to better manage or to start a successful business; and (iv) an attractive microfinance offer to kick-start a business, with discounted interest rates and zero processing fee.
- Various CSR activities were organised by business segments with the close collaboration of the SBM Foundation. Besides, staff provided assistance in the organisation of national cultural events and programmes as well as in the conduct of blood donation activities.
- As a staunch advocate of the development of sports, the bank has always been at the forefront of sponsoring the country's athletes. It sponsored the Club Maurice for the 11<sup>th</sup> Indian Ocean Island Games that were held in 2023 and has been the gold sponsor of Club Maurice for the 2024 African Games that took place in Ghana in March 2024.



Read more on our customer excellence initiatives in the 'Business initiatives and achievements posted by the Group's entities' section on pages 95 to 103



# Delivering Sustainable Value to our Stakeholders *(cont'd)*

To foster inclusion, diversity and equality *(cont'd)*

## Positioning of the SBM Foundation in Mauritius and key activities

### Introduction

The SBM Foundation, which was set up in 2016, drives the Corporate Social Responsibility (CSR) agenda within the SBM Group. The strategy revolves around supporting high-impact sustainable projects which are targeted at needy and vulnerable groups, with focus on education and empowerment, providing tools, promoting employability and combatting social ills with a view to alleviating poverty. The purpose of the SBM Foundation revolves around the following:

- (a) Alleviation of poverty
- (b) Advancement of education of vulnerable groups
- (c) Provision of scholarships to bright and needy students
- (d) Education of school dropouts and/or low achievers
- (e) Protection of the environment

Overall, the CSR initiatives are spread into three main categories, namely (i) the SBM Scholarship Scheme; (ii) funding of projects from NGO partners (notably in the field of education and empowerment); and (iii) SBM staff involvement initiatives. As a general rule, our NGO partners should have a legal status and be operating on a non-profit making basis along with a proven track record of activities with sound financial management and good governance. There is also an exclusion policy, which pertains to political parties or bodies, religious organisations, sponsorship to individuals, medical research and medical charities, academic research, overseas travel and student exchange programmes and Charity dinners amongst others. The Foundation operates in a transparent and independent manner in the pursuance of its set objectives. Moreover, the SBM Foundation is convinced that education is a very important means of empowerment for citizens to become active participants in the transformation of the society and that education is an essential path to get out of poverty. In this context, emphasis has been laid on the unique SBM Scholarship Scheme for bright and needy students.

### I. The SBM Scholarship Scheme for bright and needy students

The SBM Scholarship Scheme was set up in 2010 with the aim to provide bright students from low-income households with the opportunity to pursue further studies and, thus, be in a position to aspire for a brighter future. The SBM Scholarship Scheme is the flagship CSR initiative of the Group. We are the largest single provider of scholarships in the Republic of Mauritius. To date, we have allocated more than 2,600 scholarships (including some 60 students from Rodrigues Island). The scholarship covers full-time undergraduate courses in Higher Education Commission (HEC) recognised institutions in Mauritius as well as vocational courses run at any of the Mauritius Institute of Training and Development (MITD) Centres.

### II. Funding of projects from NGOs (in the field of education and empowerment)

The SBM Foundation recognises the importance of NGOs and, as such, it has provided funding and assistance to projects run by various social partners across the following themes:

- A. Learning through Play: Making use of Sports, Music and Culture as a learning tool for getting out of poverty
- B. Women Empowerment and Childcare
- C. Provision of Educational facilities to Disabled children
- D. Provision of Educational facilities to out-of-school Youth
- E. Environment (added recently in line with the endorsed Sustainability Agenda)

#### **A. Learning through Play: Making use of Sports, Music and Culture as a learning tool for getting out of poverty**

Projects under this category make use of an area of interest to the child (e.g. sports or music) as a pedagogical tool to impart knowledge. The concept is based on 'learning through play'. In addition, an educational support system can be added to this concept to ensure follow-up of academic results at school as well as a social support system to the family members. The SBM Foundation supports several projects for nearly 750 children.

#### **B. Women Empowerment and Childcare**

Under this category, the SBM Foundation supports some 200 children aged between 3 months and 3 years by supporting kindergarten projects emanating from various NGOs, with a view to providing childcare services to infants and toddlers while promoting the employability of mothers. Young mothers, especially those with low skills from poor families, are unable to undertake paid employment as the cost of a nursery is not proportionate to their expected income. With a view to breaking the vicious cycle of poverty, qualified nursery facilities are being provided free of charge, thus enabling mothers to undertake paid employment and support their family financially. In addition and as agreed by professionals, providing quality care at a younger age has a positive incidence on the educational possibilities of the child. Working with parents as from an early age enables the building of trust, which helps to tackle and solve social issues along with prompting educational follow-up in the long term.

#### **C. Provision of Educational facilities to Disabled children**

The provision of education to disabled children has its own specificities. Our support caters mainly for the provision of professional services such as Occupational Therapists, Physiotherapists and/or Psychologists, bearing in mind the current gaps in the disability sector with regard to such services. We presently support more than 1,500 children through 10 NGOs. We also expect that such support would help the NGOs to deliver relatively higher level of services.

#### **D. Provision of Educational facilities to out-of-school Youth**

The youth represents the future of the country. We believe that there is a need to support the out-of-school children, in addition to the scholarships provided to the vocational sector through the MITD. Therefore, the SBM Group has moved one step further to support associations feeding students to these centres. We support 5 different NGOs (catering for a network of 17 such schools), which are all working towards providing education to nearly 1,400 out-of-school children. This support ensures a consistent approach in the pedagogical process through their umbrella organisation. Interestingly, in one of the projects, the attendance rate has risen from below 35% to over 85%. At the end of the educational cycle, these students have the opportunity to pursue further studies through our scholarship scheme.

#### **E. Environment**

In line with our Sustainability Agenda, the SBM Foundation also has a soft corner for environmental protection. Through one of our NGO partners, we are providing training in bio-farming to help women get out of poverty. This NGO is running backyard/kitchen gardening programmes for women from underprivileged regions. This project adopts a holistic approach and goes beyond the environmental aspect and, while partly addressing the food security issue, also cuts across our other pillars, including the empowerment of women from vulnerable backgrounds.

### **III. SBM Staff involvement initiatives**

As part of its strategy, SBM encourages its employees to share their time and skills with the local underprivileged communities. Seven such community services and volunteer activities have been organised by staff members in 2023. This promotes and encourages staff involvement in social activities, while helping them to become even better and more responsible individuals.

# Delivering Sustainable Value to our Stakeholders *(cont'd)*

## To foster inclusion, diversity and equality (cont'd)

### **SBM Bank (India) Limited**

- As part of its corporate social responsibility efforts, the bank organised a donation drive across its Mumbai offices. Employees donated books, stationeries, clothes and toys for underprivileged children and visited the Salaam Baalak Trust for distribution.
- To contribute to the wellbeing of the community, particularly for elderly citizens who face challenges with vision-related issues, the bank sponsored the cataract surgeries of 200 senior citizens in the district of Palghar through the non-profit organisation (NGO) Help Age India.
- The bank sponsored the Each One Educate One Program, in partnership with the Each One Educate One Foundation, for the expenses related to the education, accommodation, food and other essentials of the lesser fortunate students from Grade VI to Grade XII.
- The bank sponsored the 'Mother and Child Health and Nutrition' project, carried out by the social enterprise ANNADA, in Shahapur Taluka of Thane district. This project aims to eradicate malnutrition and to address related health and development complications in infants, toddlers and young children as well as pregnant and nursing mothers.
- In the district of Palghar, the bank funded the planting of 40,000 fruit and flower plants with the aim of boosting farmer income and expanding the amount of green space on the land. This was done through the 'Global Vikas Trust NGO'.
- The bank supported the setting up of the Science Technology and Innovation (STI) Hub I, implemented by the Shri Chaintanya Health and Care Trust in association with the Department of Science and Technology of the Government of India. This included a two-acre nursery and farmer training blocks in Mokhada, Palghar. The project is part of the broader green skilling and livelihood programme put in place for 500 tribal families in Mokhada.
- The bank financed medical equipment to aid in the development of social infrastructure.

### **SBM Bank (Kenya) Limited**

- With tree planting endeavours being impactful ways to address environmental concerns and make a positive impact on the local ecosystem, the bank organised three drives, while around 8,000 trees were planted in 2023. This is likely to contribute to carbon sequestration, while enhancing air quality and providing habitat for various species, thus supporting biodiversity.
- The bank organised an immersion trip to evaluate a turtle conservation project, demonstrating its commitment to environmental stewardship and community engagement.
- The bank commemorated world blood donor day with some 52 staff members donating blood that equates to a blood supply that would save 156 persons. This initiative goes a long way in saving the lives of people in times of need and the bank is committed to supporting this initiative. The bank continues to encourage more staff members to participate in this noble cause and looks forward to a bigger participation in future.
- To empower small-scale women businesses by helping them formalise their operations and build solid business structures, training was provided to 171 women-owned enterprises. Ten women groups, each with ten members, received training from the Wadatashi Women Group Programme on how to launch small businesses for livelihood.
- To encourage cultural exchange and celebrate diversity, the bank sponsored a music concert featuring the Clarisse Sisters and Anto Neo Soul, bringing together artists from both Mauritius and Kenya. This event brought forth the vibrancy of the local cultural scenes, fostering unity and providing a platform for the artists to shine.



#### **Banque SBM Madagascar SA**

- The bank collaborated with HUG Madagascar and Rotary Club Ivandry to provide school materials to 450 underprivileged kids and sponsored the school fees of 25 students. This initiative aims at addressing educational disparities and promoting equal opportunities for all children. Vocational training was provided to the parents of children who are members of HUG Madagascar association to help improve their living conditions and empower them to become financially independent.
- The bank provided school materials to 130 students of EPP Ambohitrakoho.
- The bank has sponsored meaningful initiatives for street children and their families during the Christmas period. Warm clothes and food as well as gifts and shoes were provided to them. This reflected the spirit of giving, while helping to create a sense of warmth and happiness within the community.
- The bank took a holistic approach to employee wellbeing by providing medical services and free doctor consultation to employees and their families.
- The bank celebrated the International Women's Day with a range of activities, including wellbeing workshops as well as conferences and seminars, thus demonstrating its commitment to supporting and empowering women in various aspects of their lives.
- The bank commemorated the Pink October month with a series of talks on breast cancer to boost awareness.

#### **SBM (NBFC) Holdings Ltd**

- The entity executed a Financial Literacy Campaign, which involved a series of workshops on financial investments for tertiary students: (i) 1-week financial literacy campaign in Rodrigues with the Financial Services Commission, Financial Services Institute and Financial Services Fund; (ii) presentation on the theme of 'Personal Investment and the Asset Allocation Puzzle' for students of the Charles Telfair Institute, with remarkable level of engagement from the students; and (iii) presentation dealing with subjects around the importance of personal and long-term investment, investment decision, lifecycle and asset allocation to some 200 students during the Annual General Assembly of the Accounting and Finance Society at the Paul Octave Wiehe Auditorium.

# Our CSR and Sustainability Commitment

During FY 2023, we rolled out several initiatives, including the launch of the SBM Group Sustainability Agenda. These snapshots tell the story of our commitment to social responsibility, woven with passion and purpose. From empowering communities to embracing sustainability, they illustrate the impact of our collective efforts.



**Embellishment of the walls and green area at the Angel Special School and Welfare Association (Mauritius)**



**Awareness campaign on cancer for SBM staff in Mauritius during Pink October**

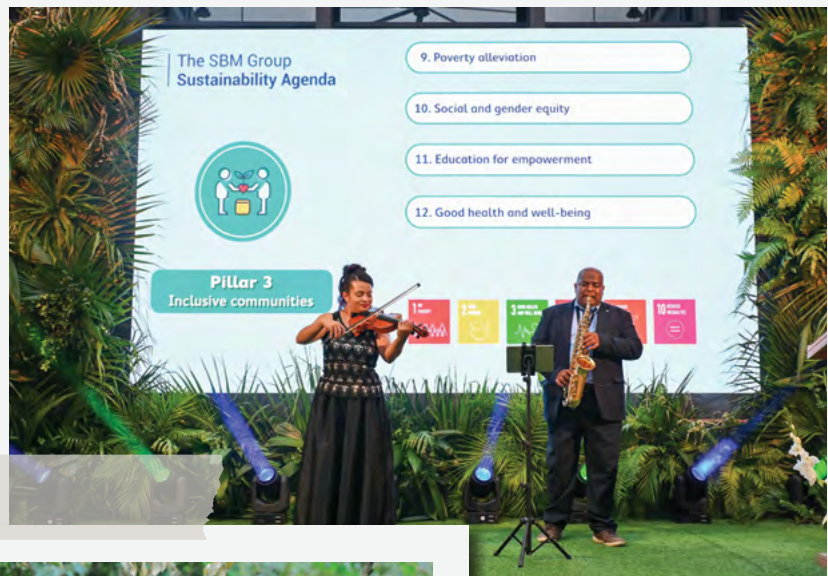






**Recreational day for the beneficiaries of the Southern Handicapped Association (Mauritius)**

**On the 31st of May 2023, we launched our Sustainability Agenda, representing a major step in our relentless commitment to creating a positive impact on the environment, society and the economy**



**Tree planting activity organised by the staff of SBM Bank (Kenya) Limited**

**Banque SBM Madagascar SA is helping communities with a water well in a drought-prone area for the benefit of residents**





A blurred background image of a modern office interior. It features glass partitions, a potted plant, and a table with chairs. The lighting is warm and ambient.

# Investing for tomorrow: delivering sound returns

Guided by our stakeholder commitment, we aim to pave the way for a prosperous tomorrow, while delivering sound returns to our valued shareholders and providers of capital













# Corporate Governance Report



# Corporate Governance Report

## A glance at our Governance Journey in 2023

Dear Shareholder,

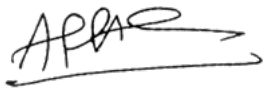
We are pleased to present to you our Corporate Governance Report (the Report) for the year ended 31 December 2023. It sets out the Board and Committees' activities of SBM Holdings Ltd ('SBMH or the Company') during the Financial Year (FY) 2023, explains how the Board of Directors of SBMH (the Board) has discharged its responsibilities during the year and provides details of our governance framework and practices.

The Board, consisting of a dynamic group of professionals and boardroom experts, ensures that SBMH and its subsidiaries (collectively referred to as the 'Group' or 'SBM Group') are continuously managed in a responsible, efficient and sustainable manner, while maintaining the highest standards of corporate governance, professionalism, integrity and commitments at all levels, to enhance shareholder value.

As ever, the priority of the Board remains to constantly fulfill the expectations of its different stakeholders through responsible business decisions and governance. With the establishment of a strong Management Team at the Group level, the Board assures its shareholders that it will maintain its focus in attaining the strategic objectives of the Group and further improving its financial performance over the coming years, while ascertaining that the activities of the Group are reinforced by strong internal controls, risk management systems and regulatory effectiveness, being mindful of the operating environment.

On this note, we would like to thank all the Board Members, the Management Team, the Company Secretariat Team and all the employees for their contribution, commitment and dedication towards the SBM Group throughout the year.

Moving forward, the Board commits to continue keeping abreast of trends and upholding the tenets of corporate governance for business transformation, corporate success and sustainable growth.

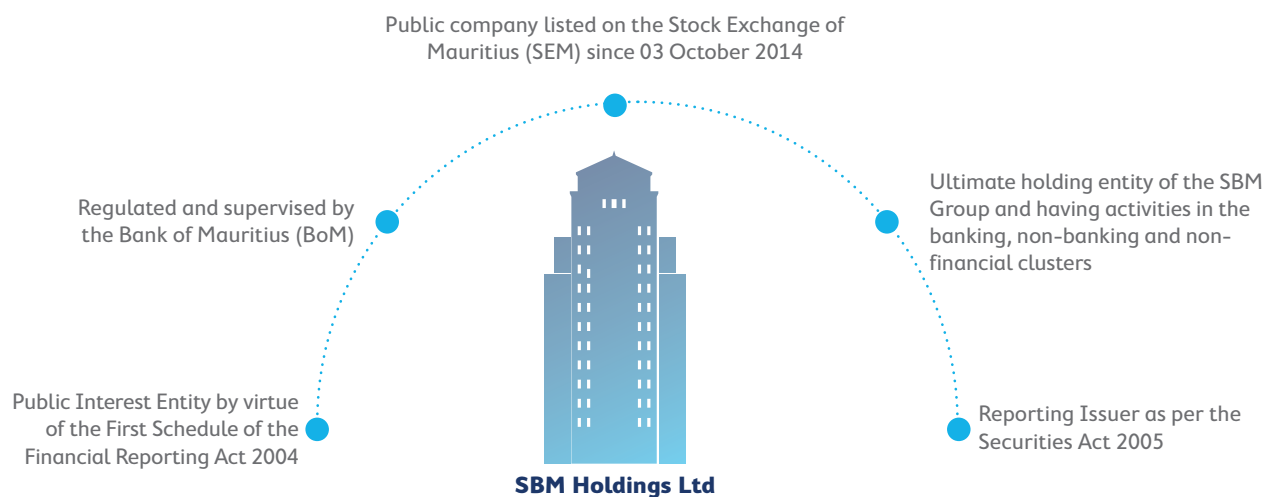


**Mr Abdul Sattar Adam Ali Mamode Hajee Abdoula**  
*Group Chairman*



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

## Introduction



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

SBMH operates within the best practices of good corporate governance appropriate to the Company. For the year ended 31 December 2023, the Board confirms that SBMH has continued to meet its obligations under the National Code of Corporate Governance for Mauritius (2016) (the Code) and where appropriate, adopted the recommended best practices as stipulated in the Code, except for Principle Three. Reason for non-application is further provided in this Report.

## Our Corporate Governance Philosophy

SBMH believes that good corporate governance emanates from the application of the best and sound management practices and compliance with the in-country laws and regulations coupled with adherence to the highest standards of transparency, trust and business ethics. The Board ensures that its governance framework is anchored on competent leadership, effective internal controls, strong risk culture, accountability to stakeholders and that major decisions taken are ethical, transparent and prudent. The Board undertakes to work towards the vision and mission of the Group and to ensure that this philosophy is upheld across the Group.

## Corporate Governance Scorecard for Mauritius

To demonstrate its dedication towards transparency and good governance, SBMH participated in the second edition of the Corporate Governance Scorecard assessment (the Scorecard) organised by the National Committee on Corporate Governance (NCCG) in 2023. SBMH's compliance with governance was assessed based on three main aspects, being: (i) Board Effectiveness; (ii) Audit Oversight & Effectiveness and (iii) Relations with Stakeholders, Shareholders, Sustainability & Inclusiveness. Participation to the Scorecard evaluation exercise was on a voluntary basis and the detailed ratings and results of all participants were treated with utmost confidentiality. Following an individual feedback report received from the NCCG, SBMH proudly announces that its rating has improved as compared to the results of the first edition.

In view to further improve its disclosures in terms of governance practices, the Board of SBMH is pleased to inform its shareholders of its participation in the third edition of the Scorecard.

## Diversity, Equity and Inclusion Charter






























As a commitment to work towards promoting a diverse, equitable, inclusive and sustainable business community and society, SBMH is a proud signatory of the NCCG's Diversity, Equity and Inclusion (DEI) charter since 2023. To this end, internal targets were established for diversity, equity and inclusion at all levels across the Mauritius based entities of the SBM Group. SBMH aims at creating a better environment for its internal as well as external stakeholders to feel valued, respected and have equal opportunities for growth and success. The DEI charter shall encourage representation and participation of different groups of people with diverse backgrounds, experiences, skills and knowledge and also, includes the diversity of the Board, as further explained in this Report. SBMH undertakes to report on its progress annually to the NCCG.






















# Corporate Governance Report *(cont'd)*

The following legends have been used across the Report to identify our impacted Stakeholders, Capitals and Material matters:

Stakeholders					
					
Shareholders, debt holders and investor community	Customers	Employees	Societies and communities	Suppliers and strategic partners	Governments and regulators
Capitals					
					
Financial	Manufactured	Intellectual	Human	Social and relationship	Natural
Material matters					
					
Customer experience	Macroeconomic risks and financial stability	Employee wellbeing	Ethics, trust and transparency	Diversity, equity and inclusion	Climate consciousness

## Our key focus areas for the Financial Year 2023

Key focus areas	Main stakeholders impacted	Main capitals impacted	Main material matters impacted
Maintain strong and effective governance		  	
Work diligently to attain the vision, mission and strategy of the Group		  	 
Create long-term sustainable shareholder value while ensuring fairness to all stakeholders	 	  	  
Robust internal controls and sound risk management framework across the Group		  	
Improve financial performance		  	

Key focus areas	Main stakeholders impacted	Main capitals impacted	Main material matters impacted
Cost containment			
Exercise due oversight and control over the subsidiaries			
Promote equity, diversity and inclusion across the Group			
Promote sustainability initiatives across the Group			
Strengthen existing policies and procedures			
Promote talent management and succession planning			
Ensure a safe working environment for the employees of the Group in view of the recent climate change			
Compliance with the in-country laws and regulations			



# Corporate Governance Report *(cont'd)*

## Principle One – Governance Structure



### Accountability Statement

SBMH is headed by an effective and committed Board which oversees its business performance and affairs, while being also entrusted with the responsibility to lead, control and provide guidance to the Management Team to ensure its long-term sustainable success, reputation and governance. The Board, assisted by its specialised Board 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 subsidiaries, with the objective of ensuring that all legal and regulatory requirements are fulfilled.

### Our Corporate Governance Structure

Strong and effective corporate governance fosters a culture of integrity, leading to positive performance and sustainable business. It sets the tone as to how an organisation operates, creates transparent rules and controls, guides leadership and also ensures that the appropriate decision-making processes are in place so that the interests of all stakeholders are balanced.

We believe that setting the tone at the top is a prerequisite for a strong governance culture. This approach, as adopted by our Board, acknowledges that good corporate governance delivers signals to the market that the organisation is well managed and that the interests of all the stakeholders are safeguarded. The Board plays a vital role in the development of corporate governance policies and remains committed to defining, following and practicing the highest level of corporate governance across the Group. Despite a dynamic business environment, the Board has always ensured that the affairs of the Group are managed in a fair and transparent manner while maximising the interest of the stakeholders legally, ethically and sustainably.

The main governance practices at SBMH are depicted as follows:



## Group Structure

The Group Structure can be viewed on page 27.

## SBMH Governance Structure and Leadership

Shareholders						
<b>Chairman</b> As the highest-ranking official on the Board, the Chairman is responsible for the leadership and control of the Board and ensures that it plays a full and constructive part in the development and determination of the Group’s strategy and policies.						
Board of Directors						
The Group is led by an effective and committed Board, which is responsible for its long-term success. The Board is committed to entrenching the highest standard of governance across the Group and to ascertain that the interests of all its stakeholders are safeguarded, while maintaining a balanced approach to risk within a framework of effective controls.						
<b>Biographies</b>  <i>Read more on pages 32 to 35</i>	<b>Strategic orientations</b>  <i>Read more on pages 56 to 62</i>	<b>Stakeholder model and engagement</b>  <i>Read more on pages 71 to 94</i>	<b>Board activity during the year</b>  <i>Read more on page 135</i>			
Board Committees						
The Board is supported by the activities of its Board Committees, which ensure that specific matters receive the right level of attention and consideration. The Terms of Reference of each Committee which are documented and agreed by the Board, are available on the SBM Group’s website.						
<b>Strategy Committee</b>  <i>Read more on page 137</i>	<b>Risk Management Committee</b>  <i>Read more on page 138</i>	<b>Audit Committee</b>  <i>Read more on pages 139 to 140</i>	<b>Corporate Governance, Conduct Review &amp; Sustainability Committee</b>  <i>Read more on page 141</i>	<b>Nomination &amp; Remuneration Committee</b>  <i>Read more on page 142</i>	<b>Business Review Committee</b>  <i>Read more on page 143</i>	<b>Projects Assessment Committee</b>  <i>Read more on page 144</i>
Group Chief Executive Officer						
As the highest executive position within the SBM Group, the Group CEO is responsible for the day-to-day running of the Group’s operations in accordance with the business plans and budget approved by the Board and oversees the operations of its subsidiaries.						
Executive and Management Office						
Internal Audit & Investigation	Risk Management & Compliance	Performance Management & ALM	Strategy Management & Execution, Investor Relations, Research & Development	Sustainability	Marketing and Communications	Operations, Technology & Transformation
					Human Resource	Finance & Capital Management
<i>Read more on page 145</i>						

The Management Team of SBMH is composed of (a) an Executive Office and (b) a Management Office. The profiles of each team member are disclosed on pages 36 to 44.

Each subsidiary of the Group has its own Board/Board Committees which are in line with the best governance principles applicable as per the in-country laws and regulations. The Chief Executive Officers (CEOs) of the banking subsidiaries and SBM (NBFC) Holdings Ltd (SBM NBFC) report to their respective Board/Committees and in parallel, they have an indirect reporting line to the Group CEO of SBMH on all matters concerning the operations of their respective entities. As regards SBM (NFC) Holdings Ltd (SBM NFC), it falls under the purview of the Group Chief Investment Officer and it reports to its Board.

# Corporate Governance Report *(cont'd)*

## Board Charter

The Board has adopted a Board Charter (the Charter) which sets out its functions, objectives, roles and responsibilities. The Charter is an extension of the Constitution of SBMH and should be read in conjunction. The Charter was reviewed during the FY 2023, to keep abreast of developments in law, regulations and governance practices. The changes proposed were approved by the Board through the Corporate Governance, Conduct Review & Sustainability Committee (CGCRS Committee).



The Charter is available on the SBM Group's website

## Code of Ethics and Business Conduct

The Board has approved and adopted a Code of Ethics and Business Conduct (COEBC) with the aim of achieving long term growth and sustainability through sound service provision and ethical behaviours. The COEBC sets the tone with regards to value and ethics in determining the expected principles and standards of behaviour at all levels of the Group with the objective to achieve the predetermined organisation goals, both internally and externally.

Its applicability ranges from the employees (both temporary and permanent) to all the strategic partners of the SBM Group, including contractors and consultants. The Group also encourages its subsidiaries to adopt and maintain similar conduct and ethical standards to those outlined in the COEBC. In the event of non-applicability by a subsidiary, that particular entity is recommended to ensure adherence to the best practices of corporate governance, as applicable in the specific jurisdiction in which the entity is operating.

The Board is fully committed to abiding to the COEBC and as such, regularly monitors and evaluates compliance with same. Moreover, the COEBC is reviewed at regular intervals.

The SBM Group also has an Equal Opportunity Policy (EOP), published on its website, which has been drafted in line with the Equal Opportunities Act 2008, with a view to minimising the risk of an employee being discriminated and to promote recruitment, training, selection and employment on the basis of merit.

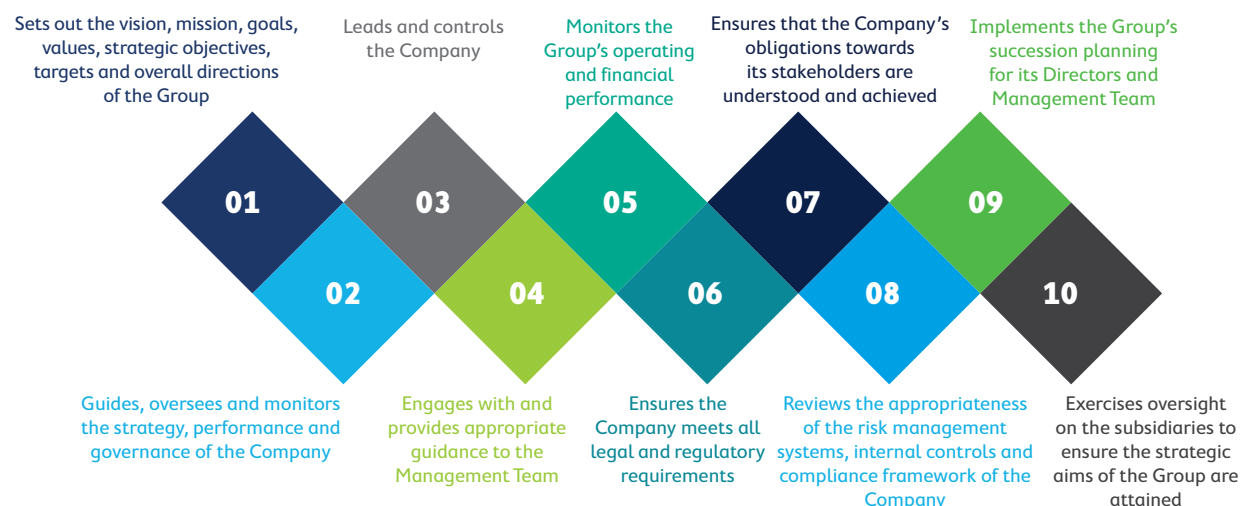


The COEBC and EOP are available on the SBM Group's website

## The Role and Responsibilities of the Board of Directors

The Board is elected by the Shareholders at the Annual Meetings and remains the supreme decision-making authority of the Company. The Board is collectively responsible for promoting the long-term sustainable success of the Group, generating value for shareholders as a whole and contributing to wider society by fulfilling its purpose. It exercises its duties in line with the provisions of Constitution and the Board Charter of the Company as well as in accordance with the in-country laws and regulations as currently in force. In addition, the Board actively engages with the Management Team in fulfilling its obligations and responsibilities and continually assesses the Company's financial, non-financial and strategic position, amongst others.

The key roles and responsibilities of the Board are depicted as follows:





## Key governance positions

Both the Chairman and the Group CEO are collectively responsible for the leadership of the Group and for promoting the highest standards of integrity and probity, while nurturing a culture in which the Board works harmoniously for the long-term benefit of the Company and all its stakeholders. In line with good governance practice, there is 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 Abdul Sattar Adam Ali Mamode Hajee Abdoula (Sattar Hajee Abdoula), assuming the responsibilities of Chairman of the Board, leads the Board, with focus on strategic matters, overseeing the Group's business as well as setting high governance standards. He ascertains that appropriate decisions are taken to ensure continuity at the Board level and facilitates effective communication with the Directors. In line with Section 21 of the Constitution of SBMH which stipulates that *"The Chairman of the Board shall be an independent director"*, and according to the Board Charter, Mr Hajee Abdoula classifies as an Independent Director on the basis that he has no relationship with the Company or its subsidiaries, such that his independence is ascertained.

Mr Raoul Claude Nicolas Gufflet (Raoul Gufflet) is the Group CEO of SBMH since November 2022 and by virtue of Section 14.1 of the Constitution of SBMH, he is an Executive Director on the Board of SBMH. He spearheads the business and the day-to-day management of the Company and is also a Non-Executive Director of various subsidiaries of the SBM Group.

The following listed key governance positions have been identified and approved by the Board of SBMH through its CGCRS Committee and are depicted in the following tables.

### Chairman

- Responsible for the leadership and control of the Board and ensures its effectiveness in all aspects of its role, including the good governance of the Company and the effective operation of its Committees
- Presides all Board Meetings and Annual Meetings of the Company
- Ensures that the Board, as a whole, plays a full and constructive part in the development and determination of the Group's strategy and policies and that the decisions taken by the Board are in the Group's best interests and fairly reflect a consensus reached by the Board
- Ensures that all key and appropriate issues are discussed by the Board in a timely manner
- Promotes the highest standards of integrity, probity and corporate governance within the Group, particularly at Board level
- Ensures that the strategy and policies approved by the Board are effectively implemented by the Management Team
- Sets the Board Meeting schedules and agendas, in consultation with the Company Secretary and Group CEO, to take full account of the important issues facing the Group and the concerns of all Directors. Also ensures that adequate time is allocated for thorough discussion on critical and strategic matters
- Ensures the composition of the Board reflects the skills, attributes and experience appropriate to the Company's existing and planned business operations
- Arranges informal meetings of the Directors at least once annually including meetings amongst the Non-Executive Directors in the absence of the Group CEO, and ensures that sufficient time and consideration is given to complex, contentious or sensitive issues
- Takes the lead, in liaison with the Company Secretary and Group CEO, in ensuring a properly constructed formal induction programme for all new Directors be provided, which shall be comprehensive and tailored to cover the key businesses and issues facing the Company
- Leads, in collaboration with the Company Secretary, Group CEO and the CGCRS Committee, in identifying and meeting the training and developmental needs of individual Directors
- Ensures Directors receive clear, accurate, reliable and timely information to fulfill their duties vis-à-vis the Company
- Responsible for encouraging and facilitating active engagement by and between all Directors and ensures a culture of openness is maintained
- Oversees and facilitates Board, Committee and Board Member evaluation and succession planning
- Ensures effective engagement between the Board and its stakeholders, including shareholders

# Corporate Governance Report *(cont'd)*

## Group Chief Executive Officer

- Leads the Management in the day-to-day running of the Group's operations in accordance with the business plans, strategy and budget approved by the Board and oversees the operations of its subsidiaries
- Conducts the affairs of the Group in accordance with the practices and procedures adopted by the Board
- Responsible for recommending the Group's strategy to the Board and for delivering the strategy once approved
- Ensures that all decisions of the Board are implemented timely and effectively
- Monitors the ongoing financial and non-financial performance and management of the Group so as to ensure maximum shareholder value, consistent with observing its obligations to all its stakeholders
- Responsible for the recruitment, leadership and development of the Group's Management Team who will contribute in delivering the Group's strategies and objectives
- Acts as a liaison between Management Team and the Board of SBMH
- Supports the Chairman and the Company Secretary to ensure compliance across the Group in relation to all aspects of corporate governance and promotes high standards of integrity, probity, ethics, diversity and inclusion across the Company
- Works in concert with the Chairman and the Company Secretary to ensure a tailored-made induction programme is provided to newly appointed Directors and also supports in determining the training needs of the Board Members
- Consults and maintains regular dialogues with the Chairman, the Board and the CEOs of the subsidiaries on important and strategic issues facing the Group and ensures bringing these issues to the attention of the respective Boards/Committees
- Ensures that the Management Team and CEOs of the subsidiaries give appropriate priority to providing reports to the respective Boards which contain relevant, accurate, timely and clear information necessary for the Boards to fulfill their duties
- Ensures that the corporate culture and values are embraced throughout the Group
- Establishes, in consultation with the Group Chief Risk & Compliance Officer (Group CRCO), a sound and optimum internal control and risk management framework across the Group

## Directors

- Collectively responsible for the long term sustainable success of the Group
- Attend all Board/Committees meetings and participate actively in the decision-making process while exercising independent judgement and bringing valuable knowledge and experience to the Board/Committees
- Take decisions in the best interest of the Company and its stakeholders
- Monitor the delivery of the Group's strategy and constructively challenge and assist the Management in the development of same
- Monitor the performance of the 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
- Exercise reasonable care, skills and diligence in discharging their duties
- Exercise their powers in line with the Constitution/Board Charter of the Company and the applicable laws and regulations
- Act prudently and avoid any situation of conflicts
- Maintain confidentiality at all times

## Leadership Team

The SBM Group has a diverse and experienced Management Team, comprising the representatives of the Executive and Management Office of SBM level and the CEO of each operating entity, who effectively collaborate to achieve the strategy and objectives that contribute to the overall success of the Group. The profiles of the Management Team of the SBM Group are found on pages 36 to 44.

## Principle Two – The Structure of the Board and its Committees



The Board is appointed by and represents its shareholders for creating and delivering sustainable value. All Directors contribute to the Board's collective decision-making process, having regards to their proper mix of qualifications, background, experience and skills, to effectively perform their duties towards the Company.

### Composition and size of Board

As defined in Section 14.1 of the SBMH Constitution, "the number of Directors shall not be less than Seven (7) nor more than Eleven (11). Moreover, the Chief Executive of the Company shall be an ex officio member of the Board."

Considering the above, SBMH has a unitary Board of Seven Directors as detailed below:

THE BOARD	
Independent	
<ul style="list-style-type: none"> <li>Mr Abdul Sattar Adam Ali Mamode HAJEE ABDOULA (Chairman)</li> <li>Ms Shakilla Bibi JHUNGEER</li> </ul>	<ul style="list-style-type: none"> <li>Ms Sharon RAMDENEE</li> <li>Dr Subhas THECKA</li> </ul>
Non-Executive	
<ul style="list-style-type: none"> <li>Mr Jean Paul Emmanuel AROUFF</li> </ul>	<ul style="list-style-type: none"> <li>Mr Visvanaden SOONDRAM</li> </ul>
Executive	
<ul style="list-style-type: none"> <li>Mr Raoul Claude Nicolas GUFFLET</li> </ul>	

Appointed since 2017 on the Board of SBMH, Dr Subhas Thecka has served around 6 years as Independent Director as of June 2023. Following a due diligence exercise undertaken internally and discussion held at the SBMH Board Meeting, the BoM has not expressed any objection with respect to the extension of the tenure of Dr Thecka as Independent Director until June 2024.

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." Following the appointment of Mr Raoul Gufflet as the Group CEO of SBMH in November 2022, he has been appointed as Executive Director in line with Section 14.1 of the Constitution of SBMH. Based on the size of the Company, complexity of the business operations and its relative shareholding structure, the Board believes that it has a judicious mix of Executive, Non-Executive and Independent Directors, who have the adequate set of expertise, skills, competencies as well as different professional background, to manage the Company in an efficient and effective manner. The Board is of the view that the spirit of the Code is met through the attendance and/or participation of the Group CEO as Executive Director and the Management Team in relevant Committees and Board deliberations as and when needed.

# Corporate Governance Report *(cont'd)*

Having an appropriate balance of Independent Directors on the Board improves corporate credibility and governance standards whereby Directors also provides valuable mechanism for checks and balances, mitigating potential conflicts of interest and ensuring ethical decision-making. As defined in the Board Charter, approved by the SBMH Board as part of the annual review process, a Director is deemed to be independent where in general, he has no relationship with the Company or any other subsidiaries such that his independence could be called into question. SBMH ensures that the assessment of independence is conducted in accordance with the applicable laws, legislations and best practices in force in Mauritius and same is reflected in its Board Charter. The Board affirms that a search for suitable candidates to join the Board of SBMH as an *'Independent Director'* is considered on a regular basis.

The Board further affirms that it has sufficient number of Directors at present who do not have any relationship with the Company and with the majority shareholders. All the Directors reside in Mauritius and are of Mauritian nationality.

SBMH ensures that its Board is committed and adequately balanced. This helps the Group in achieving its objectives while optimising the decision-making process. A culture of openness and transparency is promoted throughout Board and Committee meetings and Directors are encouraged to participate actively and to share their views and opinions in order to avoid groupthink.

The Board acknowledges its fiduciary duties towards the Company and ensures that the Group adheres to all applicable rules and legislations in force in all the jurisdictions where it operates. The profiles of the Directors are found on pages 32 to 35.

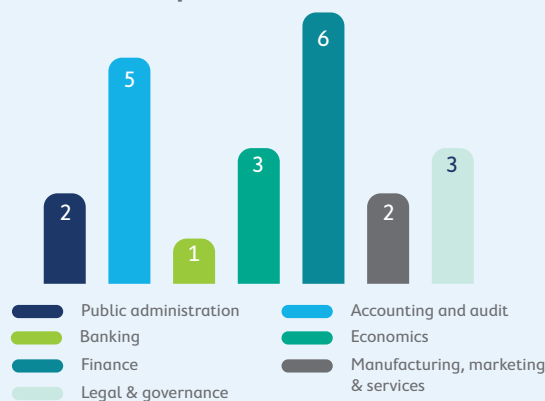
## Board diversity

A diverse and effective Board of Directors is essential for good corporate governance and a Company's long-term success and sustainability. The Board, through the Nomination & Remuneration Committee (REMCO), ensures that all appointments made onto the Board are based on merit, while ensuring the balance of skills, knowledge and experience required for the Board and its Committees to operate effectively. Further explanations regarding the nomination and appointment process are provided under Principle Three of the Report.

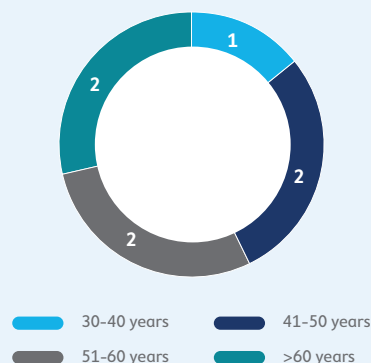
SBMH is an equal opportunity employer whose policies and practices aim at creating an environment that promotes equal opportunities for its employees across the Board and as such SBMH acknowledges the importance of gender parity on its Board of Directors and in respect thereof, the SBMH Board ascertained that on the gender front, it has satisfied the criteria of having the minimum requirement of 25 percent of women representatives on its Board.

## Board at a Glance

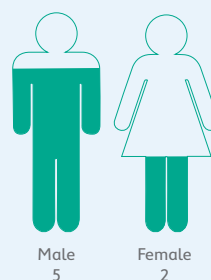
### Board skills and experience



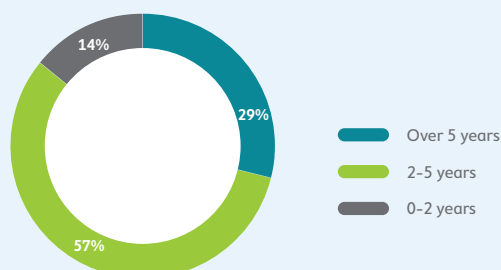
### Age group



### Gender



### Non-Executive Director's tenure





## The Company Secretary

The Company Secretary emerges as a keystone in the complicated world of corporate governance, ethical standards and regulatory compliance by engaging in upholding corporate governance standards by ensuring transparency and accountability in the decision-making processes and safeguarding the interest of the stakeholders. The Company Secretary assures that SBMH complies with the relevant legislations and regulations, while ensuring that the Company maintains a high standard of corporate governance. The Company Secretary acts as a bridge between the Board and the Management Team, facilitating effective communication and promoting ethical behaviour within the Company.

The appointment or removal of the Company Secretary remains a matter for collective decision by the Board. The Company Secretary is accountable to the Board, through the Chairman, for: (a) advising and guiding the Board on corporate governance, legal and regulatory matters, (b) ensuring that Board procedures are followed and applicable rules and regulations are complied with, (c) ascertaining that the Board Members are kept informed and updated of their legal and other duties and (d) assuring that due account is taken of relevant codes of best practice.

### Key roles and responsibilities of the Company Secretary

- Plays a central role in enhancing and maintaining a high level of corporate governance across the Company and its Board
- Responsible for the efficient administration of the Company, particularly with regards to ensuring compliance with statutory and regulatory requirements
- Provides guidance to the Board in respect of its duties, responsibilities and powers in line with all applicable laws and regulations
- Arranges meetings of the Shareholders and the Directors and ensures that minutes of proceedings of all these meetings are properly recorded in accordance with applicable provisions of the Mauritius Companies Act 2001 ('the Act')
- Responsible for ensuring proper information flow within the Board and its Committees and between the 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 of Companies (ROC)
- 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

Mrs Dayawantee (Poonam) Ramjug Chumun is the Company Secretary of SBMH and has extensive experience in company secretariat and corporate governance matters. She is a Fellow of the Chartered Governance Institute (UK) and an ACCA Affiliate. She joined the SBM Corporate Affairs function in 2007 and was formerly the Company Secretary of the SBM Non-Banking cluster and SBM Bank (Mauritius) Ltd (SBMBM). She was appointed as the Company Secretary of SBMH in March 2015 and since then, she has been leading the company secretariat function of SBMH. She has been instrumental in the implementation of several Group corporate governance initiatives. She attends all Board and Committees Meetings and is also the Secretary of other SBM subsidiaries.

## Board meetings

Board meetings are considered as a critical aspect of corporate governance and decision-making process and serve as a platform for Board Members to discuss and evaluate important strategic initiatives and overall financial and non-financial health of the SBM Group. They form an essential part of how the Company operates and are equally crucial for the survival as well as the growth of the business. They remain an important mechanism through which the Directors discharge their duties as defined by the in-country laws and regulations.

In line with good corporate governance practices, the Company Secretary sets the annual calendar at the beginning of each FY for Board meetings, in consultation with the Chairman and the Group CEO. Upon finalisation, the calendar is then communicated to the Directors and the Management Team. The schedule and agenda for Board meetings are set by the Chairman of the Board, in liaison with the Group CEO and the Company Secretary, taking into account the challenges and concerns faced by the Group and its Directors and also ensuring that adequate time is allocated for thorough discussion of critical and strategic matters. Board papers are circulated to the Directors within the prescribed time frame as specified in the Board Charter, ahead of scheduled meetings and the latter are expected to rigorously prepare for, attend and participate in the Board/Committee meetings. The documents are normally uploaded on a secured software installed on an iPad, which are handed over to the Directors at the time they are on-boarded.

At SBMH, Board meetings are held physically, however where physical attendance is not possible, hybrid meetings are conducted, by means of audio and/or video conferences in accordance with the Constitution of the Company. During the year under review, Board meetings were conducted both physically and virtually.









# Corporate Governance Report *(cont'd)*

The Board Meetings are attended by the Board Members, however, for matters requiring specific input and observations from other parties, the Management/Officers of the Company and its subsidiaries, advisors and subject matter experts are also invited to attend the meeting or part thereof as deemed appropriate by the Chairman of the Board.

In the ordinary course of business, Board meetings are conducted on a quarterly basis, however, ad hoc meetings are also convened to discuss on specific strategic, transactional and governance matters as and when required. The frequency of Board meetings is determined in such a way that Directors can consider general as well as crucial matters effectively and in a timely manner. The Board and Management Team collaborate effectively, ensuring continuity in effective governance and decision-making.

The SBMH Board held 17 meetings, with an average attendance of 82%, during the FY under review to analyse reports, discuss key performance indicators and provide guidance to the executive team on how to navigate through challenges and capitalise on opportunities. The attendance is depicted in the table below.

 - Independent Director     - Non-Independent Director     - Executive Director

Members	Independent	Board Member since	Meeting attendance
<b>Non-Executive Directors</b>			
Mr Sattar Hajee Abdoula (Chairman)		March 2020	17
Mr Jean Paul Emmanuel Arouff		March 2020	14
Ms Shakilla Bibi Jhungeer		March 2020	16
Mr Ramprakash Maunthrooa*		December 2021	2
Ms Sharon Ramdenee		December 2018	16
Mr Visvanaden Soondram		March 2020	12
Dr Subhas Thecka		June 2017	17
<b>Executive Director</b>			
Mr Raoul Gufflet		November 2022	17

\*Mr Ramprakash Maunthrooa resigned as Board Member effective 14<sup>th</sup> July 2023

In line with good governance practices, the following meetings were conducted in closed session by the Chairman on a quarterly basis:

- Separate meeting of the Independent Directors without the Non-Executive and Executive Director;
- Separate meeting of the Independent Directors with the Non-Executive Directors and without the Executive Director.

The primary objective of these sessions is to provide the Independent 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 Directors or the Executive Director. Independent Directors can provide their insights and recommendations based on their expertise and experience, helping to enhance the overall performance and governance of the Company. This collaboration fosters a culture of constructive dialogue and enhances board effectiveness.

## Board activities and principal decisions

The key topics discussed at the Board level for the year ended 31 December 2023 are as follows:

### Strategy

- Monitored developments in the operating environment
- Approved the 3-year strategic plan and budget 2024-2026 of SBMH (stand-alone basis) and the Group
- 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
- Monitored the implementation of approved strategic initiatives of the Group and provided guidance to deal with risks and issues that arose
- Monitored the evolution of SBMH share price
- Monitored the execution of the Group Sustainability Agenda

### 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 and approved dividend payment
- 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 Company 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 the SBM Group for FY 2023 to its shareholders for approval

### Governance, legal and risk

- Reviewed and approved the organisational structure of SBMH
- Reviewed and approved the Directors' Fees of SBMH and applicable subsidiaries
- Reviewed and approved the Directors' training needs for FY 2023
- Reviewed and approved new policies and amendments proposed to existing policies for the Group
- Considered matters relating to Board succession and approved appointments to the Board Committees and subsidiaries 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 Team, applicable employees and their associates as defined by the internal policies
- Reviewed and approved proposed amendments to the Board Charter of SBMH
- Approved the creation of a Governance page for SBMH on the website
- Approved the participation of SBMH in the second Scorecard Assessment exercise run by the NCCG in FY 2023
- Approved that SBMH signed the NCCG's DEI charter
- Reviewed and approved the Terms of References (TORs) of the Board Committees during the reporting period
- Approved to carry out an externally facilitated Board Evaluation Exercise for FY 2023
- Recommended to the shareholders the nomination of Directors

### Others

- Approved/took note of the minutes of proceedings of Board/ Board Committees of SBMH
- Reviewed reports from Chairpersons of Board Committees of SBMH
- Approved the remuneration/productivity bonus for employees of SBMH
- Approved the selection of the agency for the design of SBMH Integrated Annual Report 2023
- Reviewed and approved the SBMH Annual Report 2022
- Monitored the Group's governance initiatives being driven at Management level
- Approved the recruitment/novation of staff to SBMH
- Approved the arrangements pertaining to the Annual Meeting of the Shareholders

# Corporate Governance Report *(cont'd)*

## Access to information and independent professional advice

In line with the Board Charter, Directors wishing to have information on the Company and its subsidiaries, have unrestricted access to the relevant officers and employees of the Company provided that they abstain from interfering in the day-to-day activities of the Company or give instructions. Furthermore, Directors, on an individual basis or jointly, shall have access to the independent professional advice relating to the Company’s business subject to the approval of the Board or if it relates to the affairs or business of a Committee, upon approval of the Chairperson of that Committee.





## The SBMH Board governance structure

The Board is supported by the activities of the Board Committees, which have been established in line with the applicable laws and regulations as well as per the requirements of the business, to ensure that specific matters receive the right level of attention and consideration. The Board Committees operate within well-defined TORs, duly approved by the Board and are chaired by experienced Chairpersons, who report to the Board on the issues discussed at each Committee meeting. The Board evaluates and reviews the membership as well as the roles and responsibilities of these Committees on a yearly basis or as and when required.

The profiles of the Directors provide thorough insights on the background, qualification and experience and other list of directorships of the Directors, based on which they are nominated on the respective Board Committees. The governance framework is illustrated under Principle One.

 The TORs of the Board Committees are available on the SBM Group’s website

## Board Committees

Board of Directors						
						
Strategy Committee	Risk Management Committee	Audit Committee	Corporate Governance, Conduct Review & Sustainability Committee	Nomination & Remuneration Committee	Business Review Committee	Projects Assessment Committee



## Strategy Committee

The Strategy Committee is responsible to: (i) review, validate and recommend the Group strategic plan to the Board; (ii) monitor the progress of the execution of selected strategic initiatives; (iii) discuss and recommend strategic endeavours that have a meaningful impact on the Group to the Board; and (iv) review and assess the utilisation of capital, alongside ensuring that the Company and its subsidiaries meet their respective underlying capital adequacy, funding and liquidity requirements.

Independence

**50%**

Members





**4**

Meetings

**3**

Attendance

**75%**

Members	Independent	Committee member since	Meeting attendance
Mr Sattar Hajee Abdoula ( <i>Chairman</i> )		March 2020	3
Mr Raoul Gufflet		March 2022	2
Ms Sharon Ramdenee		August 2020	1
Mr Visvanaden Soondram		March 2020	3



- Independent Director



- Non-Independent Director



- Executive Director

### Principal areas of focus in 2023

- Reviewed the performance and outlook of the Group's operating environment including the economy and competing peers
- Monitored progress realised with regards to the execution of the strategy of the Group and its operating subsidiaries against their respective strategic plans
- Monitored the implementation of the Group strategic initiatives and capital morphing
- 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 the strategic initiatives in line with the Group Sustainability Agenda
- Track the progress on the execution of the Group's strategy and make necessary recommendations to tackle any areas of underperformance
- Ensure that all future strategic investment decisions are implemented as approved by the Board
- Monitor the evolution of the share price of SBMH and take appropriate actions based on feedback/comments from investors

# Corporate Governance Report *(cont'd)*

## Risk Management Committee

The Risk Management Committee (RMC) assists the Board in fulfilling its corporate governance oversight responsibilities with regards to the identification, evaluation and mitigation of strategic, financial (credit, market and liquidity/funding), non-financial (operational, reputational, legal and compliance) and external environmental risks amongst others, facing the Group. It reviews the Group's overall risk appetite and makes recommendation to the Board for any probable material amendments. It also assists the Board in establishing a sound risk management framework, including policies, processes and practices geared towards managing the risks faced by the Group.

Independence

**67%**

Members




**3**

Meetings

**4**

Attendance

**92%**

Members	Independent	Committee member since	Meeting attendance
Ms Sharon Ramdenee ( <i>Chairperson</i> )		July 2019	3
Mr Raoul Gufflet		January 2023	4
Dr Subhas Thecka		August 2017	4



- Independent Director



- Non-Independent Director



- Executive Director

The Group CRCO attended all the RMC meetings.

### Principal areas of focus in 2023

- Ensured that the Group has a robust risk management system in terms of human resource, systems, policies, control and reporting
- Considered and advised the Board on risk management activities, including the identification and mitigation of principal and emerging risks and the risk appetite statements
- Monitored the Group's financial, operational and legal risk profile and the risk heat map on a quarterly basis
- Reviewed and assessed the robustness of the Company's internal control including internal financial control and business risk management
- Monitored the implementation of the Enterprise Risk Management Framework (ERMF)
- Reviewed its mandate to ensure compliance with 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 legal cases against the Company and its subsidiaries
- Reviewed new policies and amendments proposed to existing policies for the Group

### Looking ahead

- Focus on the impact of the external environment on the Group's risk profile
- Monitor the progress of the implementation of the ERMF
- Review the effectiveness of the Group risk management process on a regular basis and recommend the appropriate strategies to address potential risks throughout the whole Group
- Maintain a sound risk management and internal control system
- Focus on cyber-security risk, climate change and ESG related risks

## Audit Committee

The Board delegates its responsibilities for oversight of the Company's financial reporting and audit functions to the Audit Committee, which ensures that appropriate policies, processes and internal controls are in place for the prevention and identification of fraud. The Audit Committee is responsible for creating an environment that accommodates an open discussion in a culture of integrity, respect and transparency between Management and the External Auditors. It also oversees the audit reviews performed by the Internal and External Auditors and ascertains that the latter exercises their duties with professional scepticism.

Independence

**100%**

Members

**3**

Meetings

**5**

Attendance

**80%**



Kindly refer to the 'Group Governance and Leadership' section for the financial literacy and expertise of the Members of the Audit Committee

Members	Independent	Committee member since	Meeting attendance
Dr Subhas Thecka ( <i>Chairman</i> )		August 2017	5
Ms Shakilla Bibi Jhungeer		July 2021	5
Ms Sharon Ramdenee		April 2019	2



- Independent Director



- Non-Independent Director



- Executive Director

Selected members of the Management Team are invited to the Audit Committee as and when required. The Committee met in private and also separately with the Head of Internal Audit & Investigation Department and the External Auditors respectively, without the presence of the Management Team, once quarterly.

## Principal areas of focus in 2023

### Financial reporting

- Considered, analysed, reviewed and debated on information, key judgements and significant matters raised by the Management Team, the Internal Auditors and the External Auditors, to ensure that the financial results provide a true and fair representation of the performance of the Group
- Reviewed and challenged Management Team's judgements in relation to credit impairments and the underlying assumptions, methodologies and models applied. Also considered the impact of macroeconomic risks on the credit environment
- Monitored the integrity of the annual and interim financial statements during the year, with focus on key accounting policies, financial reporting issues, assumptions and judgements used by Management, together with the findings set out in the reports from the External Auditors
- Monitored any formal announcements relating to the Group's financial performance
- Considered the clarity and completeness of the disclosures within the financial reports

### External audit

- Discussed critical policies, judgements and estimates used by the External Auditor as part of the review of the annual and interim financial statements of the Group
- Maintained the integrity of the relationship with the External Auditors
- Reviewed and monitored the relationship with the External Auditor, including their independence, objectivity, effectiveness, terms of engagement and level of fees
- Considered significant audit matters regarding the audit opinion
- Recommended the re-appointment of Deloitte as Statutory Auditors of the Company for FY 2023 to the Board for consideration and for onward recommendation to the Shareholders for approval

# Corporate Governance Report *(cont'd)*

## Internal audit

- Monitored and reviewed the effectiveness of the internal audit functions in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation
- Considered quarterly reports prepared by the Internal Audit Team on the overall effectiveness of the governance, risk management and internal control framework, current issues and adequacy of remediation activity
- 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 Management Team to address the adverse findings, if any, from the Internal Audit Team
- Where appropriate, the Management Team was invited to attend meetings to present an update on the status of measures implemented to address audit findings and recommendations
- Ensured that there was effective communication between the External Auditors and the Internal Audit Team to ascertain reliability of evidence

## Internal control systems

- Reviewed the internal controls and processes of the Group on a quarterly basis. The regular monitoring of the Internal Control Framework allowed the identification of issues and formal tracking of remediation plans
- Ensured that significant controls are in place with regards to cyber-security
- Ensured integrity and accountability from everyone working for the Group

## Looking ahead

- Further strengthen the relationship with the Audit Committees of all operating entities to ensure that the Group operates effectively and in a streamlined manner
- Review policies and procedures to adapt to the rapidly changing and challenging environment
- Ensure that the Group continues to provide accurate, true, fair and timely financial results and implements accounting standards and judgement effectively



## Corporate Governance, Conduct Review & Sustainability Committee

The CGCRS Committee keeps abreast with the current environmental, social and governance trends to ensure that the Group develops and maintains a healthy and effective corporate governance framework, culture and stays compliant with the applicable legislations and best practices. The CGCRS Committee also ensures that the Directors, Management and employees act in an ethical and responsible manner. It bears the responsibility of handling any governance related breaches or issues as reported or highlighted during the year. Additionally, it oversees and monitors progress of the implementation of the Group Sustainability Agenda.

Independence

**67%**

Members




**3**

Meetings

**4**

Attendance

**67%**

Members	Independent	Committee member since	Meeting attendance
Ms Shakilla Bibi Jhungeer ( <i>Chairperson</i> )		March 2020	4
Mr Jean Paul Emmanuel Arouff		March 2020	4
Ms Sharon Ramdenee		February 2022	Nil



- Independent Director



- Non-Independent Director



- Executive Director

The Group CRCO attended the meetings by invitation as and when required.

### Principal areas of focus in 2023

- Reviewed the Corporate Governance Report and Sustainability Report for FY 2022
- Reviewed the Governance Review Report and monitored progress relating to actions initiated
- Assessed the Directors' professional development needs for FY 2023 and made recommendations to the Board
- Reviewed the related party transactions reports on a quarterly basis
- Discussed and made recommendation to the Board for an external Board Evaluation exercise for FY 2023
- Reviewed the amendments proposed to the Board Charter and made recommendation to the Board
- Reviewed and recommended to the Board, the proposal for the creation of a Governance page for SBMH on the website
- Monitored the dealings in SBMH shares by Restricted persons as defined by the applicable guidelines and internal policies
- Monitored progress in the execution of the Group Sustainability Agenda
- Considered other governance matters

### Looking ahead

- Ensure that sound governance principles prevail across the Group
- Review and update Group policies at regular intervals and ensure alignment across the Group, wherever possible
- Ensure that specialised training sessions are regularly provided to Directors to enable them deliver their fiduciary duties vis-à-vis the Company effectively
- Ensure the effective execution of the Group Sustainability Agenda
- Ensure that the recommendations of the Board Evaluation Report 2023 are duly implemented

# Corporate Governance Report *(cont'd)*

## Nomination & Remuneration Committee

The REMCO, having regards to applicable legislation and sound corporate governance, provides guidance and support to the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders by ensuring that: (a) the right resources are onboarded, (b) the employees of the Company are appropriately and equitably compensated for their services to the Company and (c) the employees are motivated to perform to the best of their ability in the interests of all stakeholders. The REMCO assists the Board in overseeing the establishment of appropriate human resource strategies and policies of SBMH. In concert with the CGCRS Committee, it also formulates criteria to determine the expertise, qualifications and independence of Directors so that the composition of the Board and its Committees have the balance, diversity of experience and skills to operate in the best interests of the shareholders and more so, are adequately remunerated.

Independence

**33%**

Members




**3**

Meetings

**7**

Attendance

**86%**

Members	Independent	Committee member since	Meeting attendance
Mr Jean Paul Emmanuel Arouff (Chairman)		August 2020	6
Ms Shakilla Bibi Jhungeer		August 2020	7
Mr Visvanaden Soondram		January 2023	5

 - Independent Director     - Non-Independent Director     - Executive Director

The Group CEO and the Officer-in-Charge of the Human Resource Department of SBMBM were invited to the meetings held during the year, as and when required.

### Principal areas of focus in 2023

- Considered matters relating to Board succession planning, including the recruitment and appointment of key executives positions at SBMH level and the nomination of Members to the Board/Board Committees
- Monitored the recruitment and departure of senior personnel across all subsidiaries
- Ensured transparent and fair recruitment across the Group
- Recommended the payment of the productivity bonus and annual salary increment of SBMH employees to the Board
- Discussed on the implementation of a Career Architecture for the Mauritius based entities of the SBM Group and governance structure for grading of jobs roles

### Looking ahead

- Devise a comprehensive succession plan for the Board and the Management Team, taking diversity, skills and tenure into consideration
- Review the composition of the SBMH Board, in consultation with the CGCRS Committee, and make the appropriate recommendation for the nomination of additional (preferably independent) Directors onto the Board
- Review talent pipeline and ensure that any gaps are plugged in a timely, fair and transparent manner
- Continue to update the training needs of the Directors, in conjunction with the CGCRS Committee after taking the changing operating and regulatory environment into account
- Ensure that employees are remunerated fairly and based on merit

## Business Review Committee

The Business Review Committee has been established to assist the Board in overseeing and monitoring the overall performance of the SBM Group, i.e. SBMH and its subsidiaries within the Banking and the Non-Banking Financial Clusters.

Independence

**50%**

Members



**2**

Meetings

**3**

Attendance

**100%**

Members	Independent	Committee member since	Meeting attendance
Mr Jean Paul Emmanuel Arouff (Chairman)		April 2023	3
Ms Shakilla Bibi Jhungeer		April 2023	3



- Independent Director



- Non-Independent Director



- Executive Director

The Group CEO, selected Management staff and the CEOs of the subsidiaries were invited to attend the meeting. Prior to the Committee meeting, the Management team of SBMH conducted a one-to-one review session with the CEO of each operating entity.

### Principal areas of focus in 2023

- Reviewed the performance of each banking subsidiary entity and of SBM NBFC on a quarterly basis
- Considered the business review pack for each entity and reviewed key financial highlights and statistics, summary of risk and compliance related issues, update on initiatives undertaken during the reporting period and any other critical items which require the attention of the Committee

### Looking ahead

- Continue to ensure a fair review of the performance of SBMH and its subsidiaries in view of fostering improved results
- Continue to monitor performance through effective discussion between SBMH and the CEO of each subsidiary

# Corporate Governance Report *(cont'd)*

## Projects Assessment Committee

The Projects Assessment Committee (PAC) provides an oversight on strategic projects having an impact across the SBM Group's operating entities. It oversees the implementation of Group related projects to ensure that the goals and objectives of those projects are achieved within the prescribed time frame, budget and scope of work.

Independence

**33%**

Members



**3**

Meetings

**3**

Attendance

**78%**

Members	Independent	Committee member since	Meeting attendance
Ms Shakilla Bibi Jhungeer (Chairperson)		April 2023	3
Mr Jean Paul Emmanuel Arouff		April 2023	3
Mr Raoul Gufflet		October 2023	1

  - Independent Director     - Non-Independent Director     - Executive Director

The Group Chief Operations and Transformation Officer was in attendance at all PAC meetings.

### Principal areas of focus in 2023

- Provided strategic oversight over Group related projects
- Monitored and supervised Group related projects
- Assessed potential risks associated with specific projects

### Looking ahead

- Continue to direct major strategic projects to ensure execution in a timely manner
- Ensure that the appropriate resources and assets are in place to effectively manage the proper execution of the strategic projects.



## Management Committees

Under the guidance and supervision of the Group CEO, the SBMH Management Team (Executive and Management Offices) is responsible for setting, managing and executing the strategies of the Company which are approved by the Board, including but not limited to running the operations of the Company, under the oversight of the Board and keeping the Board informed of the status of the Company's operations. The Governance Structure of SBMH as detailed under Principle One, provides an overview of the delegated authorities and powers.

### • Group Executive Committee (Group ExCo)

The SBMH Board established the Group ExCo, under the leadership of the Group CEO and having as members, the: (i) Deputy Group CEO, (ii) Group Chief Investment Officer, (iii) Chief Financial Management Officer of SBMBM, (iv) Group Chief Operations and Transformation Officer, (v) Group CRCO, (vi) Group Chief Strategy Officer, (vii) Group Chief Sustainability Officer and (viii) Group Head Finance and Capital Management. The Group ExCo assists to: (a) implement the Group's strategy, operational plans, policies, procedures and budgets, (b) provide support to the entities, (c) assess and manage risks and (d) improve synergy and alignment across the Group. The Group CEO holds individual meetings with each member of the Committee on a regular basis, to stay up-to-date with the progress of the various tasks/assignments across the Group and to facilitate swift resolution of any potential issues.

### • Group Functional Forums

In addition to the existing Group Functional Forums that have been established at Management level, to continuously ensure adequate oversight, effective control and improve synergy across all entities of the Group, the SBMH Board approved the setting up of a Group Governance Forum in late 2023 with the aim to further solidify the governance principles throughout the Group. The Group Functional Forums, as depicted in the table below, discharge their responsibilities as defined in their respective TORs, which are reviewed annually and approved by the Group CEO in his capacity as Chairperson of the Group ExCo and as mandated by the SBMH Board.

Group Functional Forums									
									
Group Communications Forum	Group Compliance Forum	Group Finance Forum	Group Governance Forum	Group Human Resource Forum	Group Internal Audit Forum	Group IT Audit Forum	Group Technology and Operations Forum	Group Risk Management Forum	Group Sustainability Forum

Except for the (a) Group Internal Audit Forum, (b) Group IT Audit Forum, (c) Group Communications Forum and (d) Group Human Resource Forum which are each chaired by representatives of SBMBM, also assuming Group function, the remaining Group Functional Forums are each chaired by a Member of the Group ExCo. The frequency of meeting is defined in the respective TORs and each Chairperson has the obligation to highlight any matter of significant concern to the attention of the SBMH Board/Board Committees through the Group CEO. Any governance related issue will also be escalated to the CGCRS Committee.

# Corporate Governance Report *(cont'd)*

## Principle Three – Director Appointment Procedure



### Appointment of Directors

The Constitution of SBMH includes specific provisions with regards to the criteria for the appointment and re-appointment of the Directors, as depicted below:

#### Section 14.1

*"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"*

#### Section 14.2

*"No Director shall be required to hold shares in the Company to qualify him for appointment/election."*

**14.2.1** 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 recognised University or Institution.

**14.2.2** No person shall if he does not qualify to be a fit and proper person as per the criteria laid down in the relevant BoM guideline and/or has ever been convicted of an offence relating to financial crime or other criminal acts shall be eligible for election or appointment as a director on the Board of Directors of the Company".

#### Section 14.3

*"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"*

#### Section 14.6

*"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."*

All appointments are made on a merit basis against a set of objective criteria, in the context of skills and experience required for the Board to be effective and guard against groupthink. Appointment of Directors at SBMH is subject to a pre-determined formal, rigorous and transparent process implemented by the Board, supported by the CGCRS Committee and the REMCO, which are also responsible for reviewing the composition of the Board and its Committees and for assessing whether the right balance of skills, experience, knowledge and diversity is appropriate to operate effectively. The appropriate recommendations are then made to the Board of SBMH.

The responsibility for the appointment of Directors rests with the Board, 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, the Code and other applicable legislations and guidelines, in terms of the board balance. Moreover, when appointing new Directors, the Board carefully considers the needs and strategy of the Company and several components such as, but not limited to, previous experiences, independence and conflict of interest.

In line with the SBMH Constitution, all Directors are elected/re-elected on the Board by way of separate resolutions by the shareholders at the Annual Meeting of Shareholders (Annual Meeting) and hold office until the next Annual Meeting.

## Selection and appointment of new Directors



The profiles of the Directors are located on pages 32 to 35.

## Board induction

The SBMH Board recognises that effective induction of Directors instils confidence and skills in new Board Members and contributes to a successful Board. At SBMH, the Chairman, with the assistance of the Board and the Company Secretary, through the CGCRS Committee, assumes the responsibility for the induction and orientation of new Directors as this enables the latter to be onboarded in an informed manner, allowing them to better contribute at the board room table, to feel more confident about their knowledge of the Company, its activities, its staff and risks and to ultimately improve their ability to govern.

On appointment, new Directors are provided with tailored and comprehensive induction programmes to facilitate their understanding of the business and to be able to perform and discharge their statutory responsibilities and duties effectively, including the process for dealing with conflicts. Generally, the induction pack sets out the following key items:

- Background information about the SBM Group;
- Expected roles and responsibilities of the Director;
- Governance documents, policies and procedures;
- Details about Board Committees, composition, TOR, amongst others.

During the year under review, the composition of the Board remained unchanged. However, in line with good governance, a review of the induction programme was undertaken by the Company Secretary, under the guidance of the Group CEO, to keep abreast of the amendments in legislations, governing laws, guidelines and to keep pace with the continuously changing business environment and markets.

## Continuous development programme

The environment in which the SBM Group operates is considered to be dynamic and to this end, the Board recognises that ongoing professional development helps the Directors to keep abreast of the current trends and issues facing the SBM Group, while enabling them to update and refresh the skills and knowledge necessary for the performance of their duties.

# Corporate Governance Report *(cont'd)*

The Board, with the assistance of the CGCRS Committee, the Company Secretary and the SBM Academy, co-develop a formal and customised training plan for the Directors and the Management Team of the Group on an annual basis, to ensure that they have adequate level of knowledge and expertise to navigate through the challenges and complexity of the business environment. Directors are constantly encouraged to attend courses, workshops, seminars and other knowledge sharing sessions. A training log is maintained for each Director by the SBM Academy.

The pillars covered under the Director Development Programme for the year 2023 were: (1) Creating Resilience through Governance, (2) Driving Sustainability from the Boardroom, (3) Cybercrime Prevention - Board Responsibilities, (4) Board Updates on Anti-Money Laundering and other governance matters and (5) Dynamics of Board. The training programmes were facilitated by both internal and external subject matter experts.

Training courses and continuous development initiatives undertaken by the Directors are closely monitored by the CGCRS Committee.

## Succession planning

The Board believes that sound succession planning for its Directors and Management Team is vital to delivering the Group's strategic initiatives and creating a robust as well as a sustainable future for the Group. There are regular discussions on talent and succession planning by the Management Team and the Board, with regular oversight by the REMCO. A Group Succession Planning Policy is currently being worked upon in order to comply with Principle Three of the Code.

## Principle Four – Directors' Duties, Remuneration and Performance



## Legal duties

The Directors are aware of their legal duties as defined in the Act, the SBMH Constitution, the Board Charter and other laws and regulations currently in force and have constantly carried out same diligently during FY 2023.

The Induction Pack for newly appointed Directors contains some governance documents to help the latter better understand the Company and the governance system in place within the SBM Group, for the effective discharge of their duties and responsibilities.

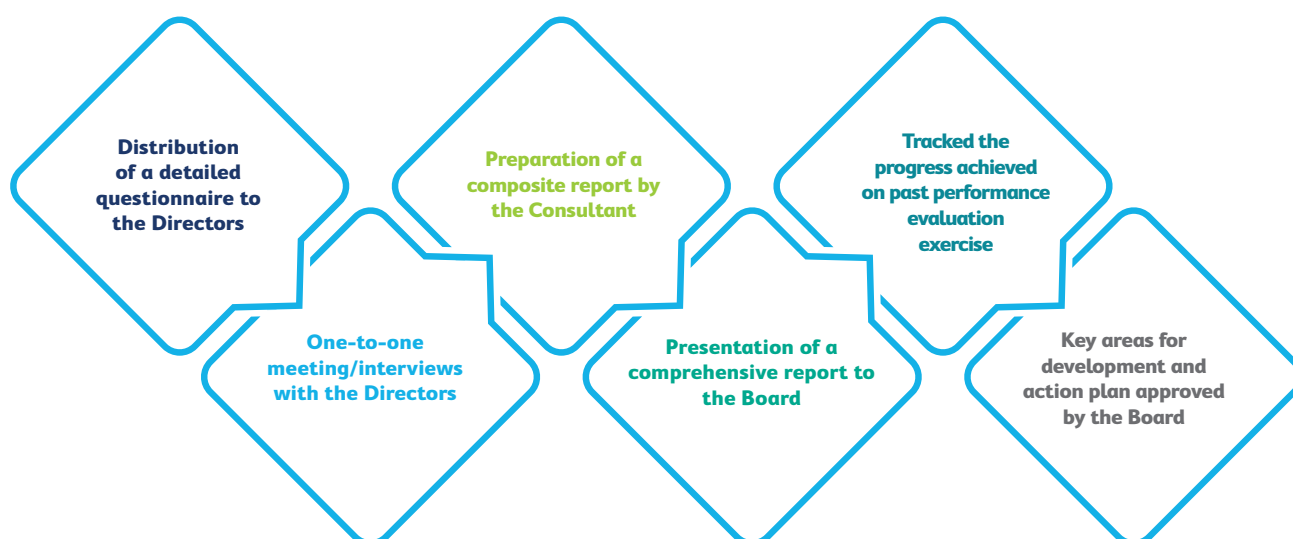
## Performance evaluation

In accordance with the provisions of the Code, the Board undertakes a rigorous annual evaluation of its own performance, its Committees, individual Directors and the Chairman of the Board. This exercise aims to identify the Board's strengths and weaknesses and to identify further opportunities for improvement, as well as highlighting any training and development needs.

Unlike FY 2022, the SBMH Board enlisted the services of Value Alpha Limited, under the supervision of Mr Seamus Gillen (the Consultant), to conduct an independent Board Evaluation exercise ('the exercise') for FY 2023. The exercise was conducted end of November 2023 and was focused on several topics such as board dynamics, committees' effectiveness, information flow within the SBM Group, governance, importance of succession planning and training and development, amongst others.



The process adopted for the external evaluation is set as follows:



The Consultant delivered a comprehensive presentation to the Board which concluded that the Board remained constructive, collegiate, well-balanced, strong with positive boardroom behaviours and fit-for-purpose, all of which ensure that appropriate corporate governance practices prevail across the Group. Some recommendations have been put forward to the SBMH Board held in March 2024 for consideration and included, but not limited to: (a) establishing a board matrix, (b) initiating culture change, (c) strengthening current approach to risk management, (d) creating shareholders' map and (e) revisiting the approach to learning and development including induction, continuous professional development and coaching and mentoring, amongst others. An appropriate action plan will then be devised to address the weaknesses highlighted during the exercise, through close monitoring by the CGCRS Committee.

## 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 on a regularly basis and is based on the requirements of the BoM guideline on related party transactions to ensure proper approval process, disclosure and reporting of transactions as applicable between the Group and any of its related parties are in the best interests of the Group and its stakeholders.



The Policy is available on the SBM Group's website

The Board affirms that all conflicts of interest and related party transactions had been conducted in accordance with the Policy.

The Directors and the Management Team have statutory duties to avoid situations where they have, or could have, a direct or indirect conflict with the interests of the Company. They have an obligation to immediately notify the Board/Company Secretary of any actual or potential conflicts as and when they may arise and, if authorised, to be included in the Interests register, which is maintained and updated on a regular basis by the Company Secretary. The Policy, as such, provides for the safeguards and how situations of conflict are managed.

As part of the induction process, a newly appointed Director is required to complete a Related Party Declaration Form and needs to thereafter submit a quarterly return through the Company Secretary, in line with the Policy. Related party transactions are inevitable, however, same needs to be done on market terms and at arms' length. In line with good governance, each Director has a continuing duty to report any actual or probable situation of conflict directly or indirectly, at the beginning of each Board and Board Committee Meeting or before a particular proposal is discussed at that meeting. If such conflict exists, the Directors must abstain themselves from the deliberations.

## Interests register

The Company Secretary maintains an Interests register which records all actual conflicts of interest arising when Directors perform their duties and is available for consultation to the shareholders upon written request to the Company Secretary.

The SBM Group recognises that the Non-Executive Directors have other business interests and directorships outside the Company. All the existing directorships are detailed within the Directors' profiles on pages 32 to 35.

# Corporate Governance Report *(cont'd)*

## Directors' interests and dealings in SBMH shares

### Compliance with the SEM Listing Rules

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

### Compliance with the Group Insider and Share Dealing Policy

The Board has adopted a Group Insider and Share Dealing Policy which is applicable to Directors, Management and applicable employees of the SBM Group, providing a guidance on the best practices to be followed when dealing in shares of SBMH to avoid the abuse of price-sensitive information 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 and any of their associates of the following entities: (a) SBMH, (b) SBM (Bank) Holdings Ltd, (c) SBM NBFC, (d) SBM NFC and (e) the banking entities of the Group.
- Staff of selected departments as approved by the Board and their associates.

The register is updated regularly and a reporting is made to the CGCRS Committee/Board of SBMH quarterly, highlighting the dealings and breaches noted for the period under review.

The table below outlines the interests of the SBMH Directors in the Company as at 31 December 2023:

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

No other Director of SBMH had an equity stake in SBMH or its subsidiaries (which are in turn/ultimately wholly owned by SBMH) either directly or indirectly as at 31 December 2023.

## Remuneration

### Board of Directors

The remuneration of the Non-Executive Directors was revised during FY 2023 in line with the provisions of the SBMH Constitution to align with market standards and also taking into consideration the competencies, skills scarcity, complexities, efforts and time commitment of the Non-Executive Directors to the Company.

The table below depicts the remuneration earned by Directors in 2023 and 2022 in their capacity as Board and Committee Members of SBMH and its subsidiaries:

Name of Directors	SBMH	Subsidiaries	SBMH	Subsidiaries
	FY 2023		FY 2022	
Independent Directors	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Mr Sattar Hajee Abdoula (Chairman)	3,245	6,129	3,085	4,229
Ms Shakilla Bibi Jhungeer	1,705	2,080	812	1,939
Ms Sharon Ramdenee	1,350	1,935	902	1,519
Dr Subhas Thecka	1,000	-	792	-
Non-Executive Directors				
Mr Jean Paul Emmanuel Arouff	1,540	2,042	710	1,875
Mr Ramprakash Maunthrooa*	129	-	260	-
Mr Visvanaden Soondram	720	2,282	370	2,235
Executive Director				
Mr Raoul Gufflet (Group CEO)	35,809	-	22,266	-

\*Mr Ramprakash Maunthrooa resigned as Director effective 14<sup>th</sup> July 2023.

The Board confirms that none of the Non-Executive Directors have received any kind of variable remuneration, neither in the form of share options nor bonuses associated with the Company's performance, other than the fixed fees as stipulated in the table above.

With regards to the Executive Director, the amount disclosed in the Report represents the total remuneration paid to him during FY 2023. This includes variable remuneration such as bonuses linked to personal Key Performance Indicators (KPIs) and to the performance of the SBM Group, as stipulated in the employment contract. Furthermore, the Executive Director does not derive any fees as Director of the subsidiary of SBMH, in line with the practice of the SBM Group.

- Executive Management

SBMH ensures that it attracts, retains and motivates the talent capable of delivering the Group's purpose and strategy and provides clear leadership, regardless of gender, ethnicity and age. In this way, SBMH aims to create long-term sustainable performance and increased shareholder value. The remuneration packages of the Management Team are approved by the Board through the REMCO. Various criteria are considered prior to agreeing to the quantum namely: qualification, skills, experience and achievement of KPIs, amongst others.

### Information, Information Technology and Information Security Governance

SBM Group has a well-structured governance in place to ensure Group policies as well as entity policies are aligned to the vision of the Group, complemented by industry best practice standards and supported by well established procedures. Policies undergo specified periodic review to reflect any regulatory changes and emerging trends, taking into account the local nuances of the countries of operations. IT teams across the operating entities are responsible to implement these policies, standards and procedures and to obtain approvals at required levels, including at the Board level, where there are any deviations.

Operating entities across the Group have implemented multiple security policies and deployed technological and logical controls to ensure that the appropriate restrictions are in place and that data is safeguarded both within premises as well as those hosted on the cloud. In parallel, regular awareness initiatives are run across the Group, stressing on the confidentiality, protection, integrity and availability of information. The Board of Directors are apprised on all relevant security initiatives for proper oversight.

With the objective of strengthening the governance around Technology, the Group Technology and Operations Forum has been established at the SBMH level. This Group Functional Forum comprises the Chief Operating Officers and Chief Information Officers of all entities of the Group as attendees. It provides a structured platform for the sharing of information on major IT initiatives, as well as lessons learnt and best practices. To further enhance synergies around Group Transformation intents, a Group Project Portfolio monitoring mechanism has been established which ensures that all technology related projects across entities are well monitored at the Group level. Similarly, cyber-security topics are also discussed in a Group Risk Management Forum comprising the Chief Risk Officers of the various entities. Information flows to the Board through the Group CEO, who is provided with regular updates.

With the objective of having a more focused approach on the oversight of major projects by the SBMH Board, the PAC has been established in 2023, where key technology projects which are expected to benefit in cost efficiency, operational excellence and agility at subsidiaries level, are further discussed.

## Principle Five - Risk Governance and Internal Control



The ultimate responsibility for maintaining and reviewing the effectiveness of risk management and internal control system resides with the Board. They also determine the nature and extent of the principal risks that the Group is willing to assume in the pursuit of its strategic objectives.

The Group operates under the 'Three Lines of Defence' model, which articulates the responsibilities and accountabilities in the identification, evaluation, management and monitoring of both financial and non-financial risks. In 2023, the Group embarked on a comprehensive exercise to review its ERMF with the objective of strengthening it and enhancing harmonisation across all its subsidiaries.

# Corporate Governance Report *(cont'd)*

The Board, with the assistance of the RMC, ensures the independence and effectiveness of the risk management function. The fundamental responsibilities of the RMC are to advise the Board on the overall risk appetite, providing oversight of the various strategies undertaken with arising risks and challenges. This is achieved by establishing frameworks, policies, limits, and key control requirements under which, the first line activities are performed, in alignment 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 the delivery of its accounting, internal control and financial reporting responsibilities alongside safeguarding the assets and reputation of the Group. It reviews the effectiveness of internal control 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 as well as governance and risk management in place to monitor, manage and mitigate the key risks to the Group towards 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 satisfactory resolution. The Audit Committee also engages with External Auditors, independent of Management, 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 independent assurance from Internal Audit and that there are no material breaches or issues to highlight.

## Whistleblowing policy

The Group Whistleblowing Policy 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. This Policy is being adopted by all the entities across the Group with local requirements customisation where necessary.

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. The staff are encouraged to speak up about actions and behaviours that have no place in the Company. Reporting of such concerns or unlawful acts can be done through secure and independent channels such as toll-free number, hotline, emails or letters as defined in the Policy.

After preliminary enquiries are carried out, a full investigation shall follow where such action is deemed appropriate. All investigations are given due consideration and are carried out independently. The time taken to close an investigation depends on the nature and complexity of the issue. Due care is taken to close investigations within a reasonable time frame. All investigations are subsequently reported to the Audit Committee of SBMH, which is responsible for the oversight and effectiveness of the Group's whistleblowing arrangements. The Whistleblowing Policy is applicable to all employees of the Group, irrespective of their contractual engagement



The Whistleblowing Policy is available on the SBM Group's website

The following channels are available for whistleblowers:

Levels	Whistle-blow against	To be channeled to	Email addresses	Address	Hotline
Level 1	Staff of SBMH (excluding Group CEO)	i. Head of HR	chandurdeo.luchmun@sbmgroup.mu	P.O. Box 11, Caudan, Port-Louis, Mauritius	8002111 (Toll-free)
		ii. The Group CEO	Raoul.Gufflet@sbmgroup.mu (For SBM Group only)		
Level 2	Group CEO	The Group Chairman	sbmhwhistleblowing@sbmgroup.mu (For SBM Group only)		



## Principle Six – Reporting with Integrity



SBMH has adopted the integrated reporting format to provide additional and transparent information to its stakeholders. This Integrated Annual Report 2023 has, in various respects, been prepared in accordance with the guidelines of the International Integrated Reporting Council (IIRC).



The Integrated Annual Report 2023 is published on the SBM Group's website

Following a Practice Direction issued on 21<sup>st</sup> December 2022 by the ROC pursuant to Section 12(8) of the Act with regards to “*Sending of Annual Report and Financial Statements*”, **companies may now send the Report in an electronic version and by any electronic means. Nevertheless, a shareholder retains his right to receive a copy of the report or the financial statements at any time upon request within three working days**, as stipulated in the Practice Direction.

For the Integrated Annual Report 2023, the SBMH Board has adopted such a practice which aligns with its Sustainability Agenda.

### Directors' responsibilities

The Board is responsible for the fair preparation of the financial statements in accordance with the International Financial Reporting Standards and in compliance with the requirements of the Act 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 fraud or error.

Any material deviation from the above is reported in the Independent Auditor's Report attached to the Financial Statements. The Board affirms that appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates in the preparation of the Group Financial Statements for FY 2023.

The Board also focuses on various issues such as strategy, risk, IT security, CSR, sustainability and governance, amongst others. The aspects related to the strategy and sustainability are elaborated in the Strategy Report, being also further explored in other sections of the Report.

### Human resources

- *Employees engagement and wellness*

Our people are at the core of our business. They are the biggest differentiator, having a direct and significant impact on our overall performance. We continuously strive to create an inclusive and a caring workplace, driven by meritocracy and equal opportunities for all at all levels of employment, that brings out the best in our people to passionately serve our clients, deliver operational excellence and contribute to achieving sustainable growth. At present, the SBM Group has a talented workforce of more than 3,300 employees.

During the year 2023, many initiatives were carried out to enhance both the employee and candidate experience.

In line with our commitment to growth, innovation and providing our team with the best possible work environment, our offices at SBM Tower and our branches are undergoing renovation in a phased manner. Our new offices are being designed around a theme specific to our DNA: Sustainability, Teamwork, Technology and Customer Focus. In this respect, some of our teams have been relocated and provided with fresh, modern and inspiring workspace.

# Corporate Governance Report *(cont'd)*

- *Employees engagement and wellness (cont'd)*

Through the introduction of the SBM Careers Portal which comes with a host of new user-friendly features and customised job applications, both candidates and employees now enjoy a seamless candidate experience.

'Good health and wellbeing' of our employees, as outlined in the SBM Group Sustainability Agenda, is an integral part of our culture and we employ different measures to safeguard our talent every day. The SBM Group is committed to ensure and maintain the highest standards of health & safety for its employees and other stakeholders. Identifying hazards and controlling risks is of utmost importance. Thus, to meet these commitments, the SBM Group complies with the Occupational Safety and Health Act 2005. Employees have been trained as first aiders and fire wardens. Fire drills are conducted regularly to familiarise staff members on the evacuation routes and practices. Employees are also made aware of the relevant Emergency Action Plan procedures, to ensure smooth evacuation in case of emergency situations.

A number of activities, having at heart the employees' wellbeing, have also been organised, such as Blood donations, Awareness Talks, Yoga, Tai Chi and Sports/Fun Day. The SBM Team delivered impressive performances at the Corporate Sports level, demonstrating exceptional sportsmanship. The team secured podium placements in several events.

The SBM Group also celebrated its 50<sup>th</sup> Anniversary with immense pride and gratitude with its Human Capital, past and present, being at the heart of this milestone in its history. Several staff members, including current and retired long-serving employees whose contribution to the SBM Group has been very significant over the past decades, were honoured. Our long-serving employees continue enjoying some of their benefits even after retirement.

The SBM employees have also been involved socially in CSR activities, sharing heart-warming moments with children and senior citizens at charitable institutions, confirming the SBM Group's commitment for an inclusive community and its will to create a positive impact in our community.

The success story of the SBM Group is written by the dedication, teamwork, and unwavering support of its employees. SBM has turned challenges into opportunities and achieved remarkable growth.

- *Shaping the organisation*

To ensure compliance with the best corporate practices at the SBM Group, all our employees are required to sign and abide, at all times, by the COEBC which has been approved by the Board. Ascertaining adherence remains the responsibility of the HR department, being the custodian of the said policy. HR plays a critical role in creating an environment that fosters open discussion on corporate ethical dilemmas by implementing policies and procedures that encourage transparency and accountability, HR can empower the employees to voice out about potential ethical issues and this ensures that any issues are addressed promptly and effectively. Ultimately, by prioritising ethics in the workplace, HR can contribute to a culture of integrity and trust that benefits both the employees and the Company as a whole.

- a. *Ethics across the Mauritius-based entities*

All the ethics related matters are being handled by the dedicated HR Business Partners of SBMBM, who simultaneously oversee the HR function of the Group.

- b. *Ethics across the Overseas-based entities*

Some key initiatives were undertaken by SBM Bank (India) Limited (SBMBI) during the FY under review to ensure that ethical practices are followed as per the regulatory guidelines and internal procedures, including regular training sessions and refresher courses on compliance related mandatory programs such as AML/CFT, KYC, economic sanctions and cyber-security, covering all the employees through virtual/online trainings as well as e-learning. Moreover, the Values and Vision of SBMBI were curated and the Values were aligned to the Bank's principles and Ethics and it recognises employees who live the Values of the Group in actionable terms with on-the-job rewards and recognition mechanism. Also, in view of creating a compliance culture at SBMBI, their Compliance team formulated the compliance practices & processes that need to be followed along with the disincentive mechanism on compliance breaches/ non-adherence.

As regards SBM Bank (Kenya) Limited (SBMBK), it adopts the relevant changes that took place within the Group as well as, aligns with the Group policies including the COEBC to ensure any areas of ethics are addressed, while ensuring compliance with the in-country laws & regulations including the employment laws and subject to approval of the relevant bodies. SBMBK also ensures timely communication to its staff on such matters.

For Banque SBM Madagascar SA (BSBMM), it adopts the ethics framework of the Group on a best effort basis while ensuring compliance with the local regulation and central bank guidelines.

## Environment

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 (CSR)

Through the SBM Foundation, the Group continues to give back to the community by getting involved in numerous CSR initiatives. Till date, SBM has over 2,600 beneficiaries of the SBM Scholarship Scheme for deserving students coming from low-income families. The Foundation also supports the projects of several social partners/NGOs with the aim of yielding a positive and long-term impact on the society. SBM staff members are also highly dedicated to society and take part in social initiatives.

## Donations

The Company and the Group did not make any political donation during the year under review (2022: Nil).

The below table shows the donations, other than political, made by the Company (on a standalone basis), its subsidiaries and the Group.

Donations	SBM Holdings Ltd		Subsidiaries		The Group	
	2023	2022	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Political	-	-	-	-	-	-
Others	-	-	4,982	6,067	4,982	6,067
Total	-	-	4,982	6,067	4,982	6,067

## Principle Seven - Audit



## External audit

- *Appointment of External Auditors for FY 2023*

Further to the recommendation of the Board of SBMH through its Audit Committee, Deloitte was, at the previous Annual Meeting held in June 2023, re-appointed as the Group's Statutory Auditors for FY 2023, to hold office until the next Annual Meeting. Deloitte is currently serving its fourth year as External Auditors of the Group.

- *Meeting with the Audit Committee*

The Audit Committee is focused on ensuring that the Group's External Auditors deliver a high-quality audit and plays an essential role in overseeing the Group's relationship with the External Auditors to ensure their objectivity, independence, the quality of the external audit process and provide challenge where necessary. The Audit Committee meets the External Auditors at least once quarterly, without the presence of Management, 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 Management.

# Corporate Governance Report *(cont'd)*

## External audit *(cont'd)*

- Evaluation of the External Auditors*

The Audit Committee is responsible for monitoring the External Auditor's independence, objectivity and compliance with ethical, professional and regulatory requirements as well as for maintaining control over the provision of non-audit services.

The Audit Committee considers the effectiveness of the External Auditors on a regular basis during the year and believes that the independence, objectivity and quality of the External Auditors as well as the effectiveness of the audit process are safeguarded and remain strong.

- Audit fees and fees for other services*

The fees paid to the External Auditors for the FY 2023 and 2022 are tabulated as follows:

	2023		2022	
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
	Deloitte	Other Auditors	Deloitte	Other Auditors
<b>SBM Holdings Ltd</b>				
Statutory audit and quarterly reviews	1,093	-	949	-
Other services	28	-	27	-
<b>Subsidiaries</b>				
Statutory audit and quarterly reviews	22,639	2,379	19,902	3,578
Other services	1,422	-	5,018	-



Details of the fees paid to the External Auditors entity-wise are found in the "Additional Information" section

- Provision of non-audit services*

The Group's External Auditors may also be requested to provide non-audit services where, as a result of their position as Group Statutory Auditors, they are deemed to be best placed to perform the work in question.

With a view to safeguarding the independence and objectivity of the Group's External Auditors in relation to the provision of non-audit services, SBMH has established a policy to that effect during Q1 2024. This particular policy is based on the general principle that the External Auditors (incumbent or incoming) should not provide any non-audit services if such service would have a material effect on, or relevance to, the production of the SBM Group's Financial Statements and/or if such services involve taking of decisions or making significant subjective judgements that should be, in general, the responsibility of the SBM Group's Management Team.

In line with its TOR and newly established policy, the Audit Committee oversees the process for approving all non-audit work provided by the External Auditors to safeguard their objectivity and independence and to comply with applicable rules and regulations and ethical guidance. The non-audit work is performed by a separate team that holds the necessary expertise and is independent of the Audit Review Team. The non-audit services provided by Deloitte during the FY ended 31 December 2023 are related to assistance with respect to tax compliance. Their objectivity and independence are not impaired in any manner as the non-audit services are carried out by different teams under the supervision of different partners/managers.

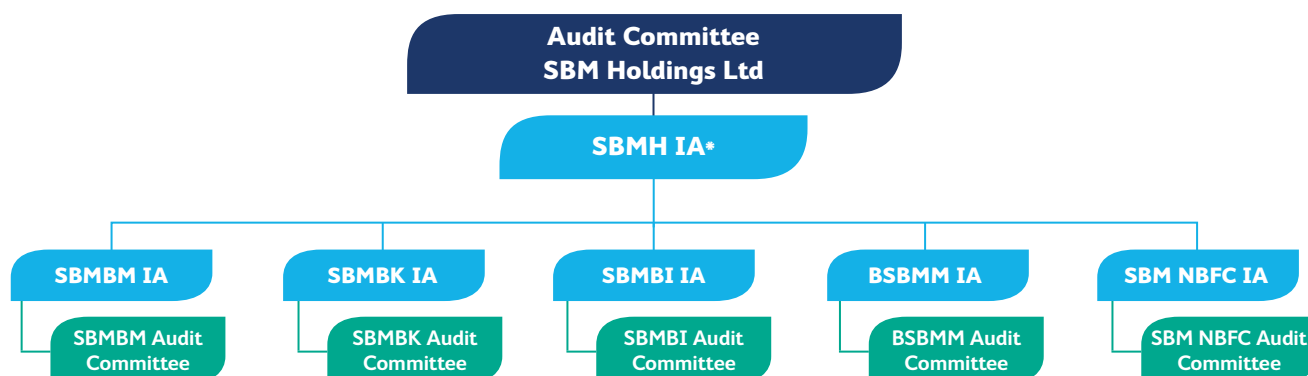
## Internal audit

- Purpose and structure*

The Internal Audit (IA) Function provides independent, objective assurance and consulting activity designed to add value and improve the Group's operations. It helps the SBM Group to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.



The IA structure of the Group is as follows:



The IA structure of the Group can also be viewed on our Corporate Governance page on the website

\*The Group's IA function is being handled by the SBMBM IA Team, headed by Mr Neelesh Sharma Sawoky, the Head of Internal Audit & Investigation. He has a direct reporting line to the SBMH Audit Committee and also reports administratively to the Group CEO. The profile of Mr Sawoky is found on page 41.

The IA of the Group is governed by an IA Charter approved by the SBMH Audit Committee annually. The same principle is adopted by the IA functions of the banking subsidiaries and SBM NBFC.

The SBMH Audit Committee has broad oversight on the local audit plans to ensure coverage of key risk areas and ensures alignment with the audit methodology across the Group.

- **Meetings with stakeholders**

The Head of Internal Audit & Investigation holds regular meetings with the Chairperson as well as the SBMH Audit Committee, in the absence of Management representatives, on a quarterly basis and also as and when the need arises, thereby further establishing the IA's independence. In order to maintain its objectivity, the IA Team is not involved in or responsible for any area of operations within the Group and also has unrestricted access to all books and records of the Company as well as its subsidiaries, to perform its duties diligently. This is also defined in the Group IA Policy.

Meetings are held with the Head of Internal Audit or his/her equivalent, or the person overseeing the Group IA Division, of each entity regularly, with the objective of being closer to audit work being carried out. Once quarterly, each entity submits its findings to the Group IA Team for reporting to the SBMH Audit Committee.

- **Responsibilities of the SBMH Audit Committee**

The following tasks are currently undertaken by the SBMH Audit Committee to assess the quality and performance of the IA Team:

- Ensures that the Head of Internal Audit & Investigation has direct reporting line to the SBMH Audit Committee
- Ensures that the IA Team is appropriately resourced and has sufficient authority and standing to carry out its tasks effectively
- Reviews the annual audit plan of the Group and recommends same to the SBMH Board for approval
- Receives periodic reports on the results of the IA work
- Reviews and monitors closure of audit items
- Meets the Head of Internal Audit & Investigation periodically without the presence of SBMH Management Team
- Receives adequate information to understand the internal audit services provided including tools, techniques and methodologies used.

The same principle is being followed by the Audit Committees at the level of the subsidiaries.

- **Day to day operations**

The IA functions across the SBM Group operate as per their strategic plan, usually a 3-year IA strategic plan approved by the respective entity's Audit Committee. The 3-year audit plan, which is embedded in the 3-year strategic plan, is aligned with the objectives of each entity within the Group and the expectations of key stakeholders. The strategic plan is flexible and is updated at least annually to take into account the changes in the environment.

# Corporate Governance Report *(cont'd)*

- *Day to day operations (cont'd)*

IAs are conducted using a risk-based approach and in conformity with the International Professional Practices Framework of the Institute of Internal Auditors. Other relevant frameworks are also used such as the COSO Internal Control Framework, COBIT and NIST frameworks particularly for IT related audits. In addition, data analytics tools such as Audit Command Language are used to support the internal audit work.

All auditable areas in the audit universe are risk scored, using well defined parameters. The basic principle is that high-risk areas are audited on a more frequent basis compared to low-risk areas. Certain key activities, due to their criticality and risk ratings, are audited every year.

With the objective of aligning the audit methodology across the SBM Group and leveraging on audit resources, key risk areas such as credit risk, AML/CFT and SWIFT audits are covered simultaneously by the IA functions.

- *Open items/Follow-ups*

Audit findings are raised with Business Units and management actions are agreed for prompt rectification. These audit findings are reported to the Audit Committee of each entity on a quarterly basis and to the appropriate Management Forum. Follow ups are also carried out periodically.

As far as the external audit findings are concerned, the Management Letter and Internal Control Review report, where applicable, are submitted to the Audit Committee. Open items from external audits across all entities of the Group are also tracked for timely closure.

- *Qualifications of the IA Team*

The Internal Auditors and IT Auditors of the Group hold relevant academic and professional qualifications along with certifications from recognised institutions. Most of the team members have substantial auditing and banking experience.



The qualifications of the IA Team can be viewed under the Corporate Governance page, found on the SBM Group's website

- *Scope of work of IA Team across the Group*

The scope of work which was covered by the IA Team during FY 2023 is as follows:

- **SBM Holdings Ltd**

The audit plan was achieved satisfactorily, and the reports were submitted to the SBMH Audit Committee. On-site audits of the overseas entities were also resumed in 2023.

- **SBM Bank (Mauritius) Ltd**

IA Team completed the audit plan for FY 2023. In 2024, over and above execution of the audit plan, the Team intends to achieve the objectives set as per the 3-year Strategic plan 2024 – 2026, strengthen capacity with the onboarding of additional resources and explore automation of the audit process through acquisition of a new audit software.

- **SBM Bank (India) Limited**

The audit plan for 2023 has been completed and reported to the SBMBI Audit Committee. High risk open items were also tracked for closure in a timely manner.

- **SBM Bank (Kenya) Limited**

The 2023 approved audit plan tracked well with the review of all high-risk areas completed and reported to the SBMBK Audit Committee, in accordance with IIA standards.

The audit management software was upgraded leading to improved efficiency in the audit processes.

- **Banque SBM Madagascar SA**

The audit plan for 2023 has been achieved to a large extent. Particular attention was given to high-risk areas during the year. Audit observations were attended by BSBMM Management Team and necessary actions were taken to close the open items.

- **SBM (NBFC) Holdings Ltd**

The IA Function covers the following subsidiaries/functions:

- » SBM Capital Markets Ltd
- » SBM Factors Ltd
- » SBM Insurance Agency Ltd
- » SBM Fund Services Ltd
- » SBM Mauritius Assets Managers Ltd
- » SBM eBusiness Ltd
- » SBM NBFC – Finance and Procurement, Compliance and Risk Management
- » System reviews – Miles and Factor In

The audit plan for 2023 was largely achieved. High-risk open items for the current year as well as prior years were prioritised, and close follow-ups were made for closure.

For 2024, the IA functions across the Group will continue with a risk-based approach, with focus on high-risk areas as per the respective audit plan.

## Principle Eight – Relations with Shareholders and Other Key Stakeholders



SBMH recognises the importance of identifying its stakeholders and is committed to continually strengthening its relationship with all of them by responding to their needs and expectations. On a regular basis, SBMH upholds clear, balanced, meaningful and transparent communications with them, through multiple communication channels such as the Annual Reports, Shareholders' Meetings, Website, Social Medias, Communiqués, amongst others, to facilitate their understanding of the Group's performance, its prospects and the market environment in which it operates. The stakeholders of the SBM Group are usually involved with respect to matters pertaining to the organisational position, performance of the Group and the outlook.

Stakeholder engagement and complaint handling are integral to fostering positive relationship and ensuring long term success of the Company. As such, our stakeholders are encouraged to direct complaints or queries to the Company Secretary at [company.secretary@sbmgroup.mu](mailto:company.secretary@sbmgroup.mu).

The main stakeholders of the SBM Group are:



# Corporate Governance Report *(cont'd)*

## • Shareholders

As at 31 December 2023, SBMH had 18,042 shareholders, out of which 349 were foreign shareholders.

The tables below provide further insights on SBMH's shareholding:

Category	Number of shareholders	% of shareholders	Number of shares	% of shares
Foreign	349	1.93%	62,101,279	2.04%
Local	17,693	98.07%	2,975,300,951	97.96%
<b>Total</b>	<b>18,042</b>	<b>100.00%</b>	<b>3,037,402,230</b>	<b>100.00%</b>

## • Top 10 shareholders

Shareholders	Shareholdings	Voting rights
National Pensions Fund	582,202,897	22.55%
State Insurance Company of Mauritius Ltd (Pension Fund)	320,281,684	12.41%
Government of Mauritius	149,526,150	5.79%
National Savings Fund	80,396,721	3.11%
State Insurance Company of Mauritius Ltd (Private Pension Fund)	67,547,776	2.62%
Development Bank of Mauritius Ltd	57,795,000	2.24%
State Investment Corporation Ltd	40,364,380	1.56%
The Mauritius Commercial Bank Ltd Superannuation FD	35,073,789	1.36%
MUA Life Ltd	33,590,116	1.30%
State Insurance Company of Mauritius Ltd (Life Fund)	32,104,775	1.24%

## • Shareholders spread

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1-50,000	15,898	88.11	148,396,134	4.89
50,001-100,000	843	4.67	62,526,741	2.06
100,001-500,000	940	5.21	209,097,071	6.88
500,001-1,000,000	164	0.91	115,434,745	3.80
1,000,001-5,000,000	153	0.85	302,046,785	9.94
5,000,001-10,000,000	19	0.11	130,318,396	4.29
10,000,001-25,000,000	13	0.07	186,249,220	6.13
25,000,001-50,000,000	5	0.03	169,972,580	5.60
50,000,001-100,000,000	3	0.02	205,739,497	6.77
>100,000,000	4	0.02	1,507,621,061	49.64
<b>Total</b>	<b>18,042</b>	<b>100.00</b>	<b>3,037,402,230</b>	<b>100.00</b>



- **Share price evolution**



- **Share capital structure**

SBMH's stated share capital is MUR 32,500,203,861 consisting of 3,037,402,230 fully paid ordinary shares of no par value which include 455,610,330 shares held in treasury as at 31 December 2023.

- **Dividend**

The Board is committed to maintaining regular returns to its shareholders, with the level of future return to be assessed over the coming years, taking into account market conditions, CAPEX requirements, performance of the Group and regulatory constraints, if any. During FY 2023, the Board of SBMH declared a dividend of 20 cents per share, which was paid in June 2023.

- **Shareholders information**

All shareholders have the same voting rights.

- **Shareholders' diary**

**Financial Year 2024**



# Corporate Governance Report *(cont'd)*

## • Annual Meeting of Shareholders 2024

The Board of SBMH is pleased to invite the shareholders to the next Annual Meeting. The Notice of Meeting (the Notice), which includes details of the ordinary and special business (if any) to be considered at the meeting, will be issued to the Shareholders within the prescribed timeline.



A copy of the Notice will also be available on the SBM Group's website

At each Annual Meeting, the shareholders are generally apprised on the Group's strategy, financial and non-financial performance and are always encouraged and provided the opportunity to question the Board and the Management Team during a dedicated Question & Answers Session or informally after the meeting. It is expected that all the Directors fulfill their obligations to attend the Annual Meeting. Each item requiring approval at every Annual Meeting, as listed in the Notice, is done by separate resolutions.

All queries raised by shareholders and replies provided by the Board or Management are recorded by the Company Secretary. These minutes of proceedings are available free of charge, upon request made to the Company Secretary.

In line with the provisions of the Act, the Board always ensures that the Notice and the proxy form are sent to the shareholders at least 21 days before the Annual Meeting. The Notice clearly defines the procedures for voting by proxy and includes the deadline for returning same to the Company through the office of the Company Secretary. Taking into consideration the shareholder base of SBMH, options like corporate resolutions are not favoured.



In line with the provisions of the Code, the Board ensures that the presentation made at the Annual Meeting and votes received for each resolution, shall be published on the SBM Group's website

## • Other statutory disclosures

### Significant contracts

To safeguard the interests of the Company, the SBM Group and the shareholders of SBMH, SBMH has entered into shareholders agreements with some of its subsidiaries.

### Director's service contract with the SBM Group

Mr Raoul Gufflet, Executive Director of SBMH, has a service contract with the Company for a period of five years ending in November 2027 and thereafter renewable if agreed by both parties. The notice period for termination of his contract is three months.

### 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.

Approved by the Board of Directors on 28 March 2024 and signed on its behalf by

**Mr Abdul Sattar Adam Ali Mamode Hajee Abdoula**  
Group Chairman

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

# Statement of compliance

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

**SBM Holdings Ltd**  
Year ended 31 December 2023

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:

Area of non-compliance	
Principle 3:  Director Appointment Procedures	As at 31 December 2023, the Group did not have a Succession Planning Policy  <u>Reason for non-compliance:</u>  Further to the reorganisation of the key personnel at the SBMH level, a Group Succession Planning Policy is currently being worked upon in order to comply with Principle Three of the Code.



**Mr Abdul Sattar Adam Ali Mamode Hajee Abdoula**  
*Group Chairman*

Date: 28 March 2024



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

# Corporate Governance Report *(cont'd)*

## **Company Secretary's certificate For the financial year ended 31 December 2023**

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



**Mrs D Ramjug Chumun**  
*Company Secretary*

**Date: 28 March 2024**









# Driving customer excellence: providing financial solutions for every need

As stewards of customer satisfaction, we champion customer excellence by offering tailored and innovative banking and financial solutions, alongside crafting a brighter future for all













# Risk Management Report

# Risk Management Report

## Overview

The Group recognises that the primary role of risk management is to help protect our customers, business, staff, shareholders and the communities that we serve, while ensuring we are able to support our strategy and provide sustainable growth.

We aim to use a comprehensive risk management approach across the organisation and across all risk types, underpinned by our culture and values. This is outlined in our Enterprise Risk Management Framework (ERMF) which includes the key principles and practices that we employ in managing material risks, both financial and non-financial.

The framework promotes risk awareness, fosters continuous monitoring and encourages a sound operational and strategic decision-making and escalation process. It also promotes a consistent approach to identifying, assessing, managing and reporting the risks we accept and incur in our activities, with clear accountabilities. We actively review and enhance our risk management framework ensuring that a holistic and coordinated approach is adopted across the organisation to proactively manage risk in synch with the dynamic operating environment.

All our people are responsible for the management of risk with ultimate supervisory responsibility residing with the Board. Our risk appetite defines the level and types of risk that the Group is prepared to seek, accept or tolerate in delivering its strategy.

Our risk management process is governed by mandated Boards and Management Committees with appropriate expertise, both at an individual entity basis and at the Group level. Management sets the risk appetite which is then approved by respective Boards. Limits are set to control risk appetite within which businesses are required to operate. Management and the Board then oversee the ongoing risk profile. Internal Audit provides independent assurance to the Board over the effectiveness of governance, risk management and control over current and evolving risks.

The Group's frameworks, risk appetite, principles, policies, procedures, controls and reporting are regularly reviewed and updated to ensure they remain in line with regulations, law, corporate governance and industry best practices.

## Key developments for the year under review

During the past year, the Group actively managed the challenges of the operating context mainly in relation to macroeconomic uncertainties, rising geopolitical tensions, increased competition and regulatory requirements, cyber threats and other key risks described later in this section.

- Significant revisions made to reinforce the ERMF promoting a strong risk culture and enhancing harmonisation across Group entities
- Implemented revised risk appetite frameworks to better manage and strengthen our controls with respect to concentration risks and cross border exposures together with placing greater emphasis on emerging risks
- Notable progress in the adoption of climate risk management in line with regulatory guidelines with clearly defined roadmaps and oversight
- Reinforcement around the Compliance Framework, strengthening of the AML/CFT processes including our Enterprise-Wide Risk Assessment (EWRA) and fostering of stronger working relationships with regulatory bodies
- Improved accountability of first line of defence with redefined roles and responsibilities and alongside bolstering partnerships with the various function in identifying opportunities, managing or mitigating risks
- Successfully embedding of the governance and oversight around model adjustments and related processes for IFRS 9 models and training and upskilling specialist teams across the Group
- Strengthened the credit risk management process through enhanced credit monitoring on large exposures in terms of quantitative and qualitative criteria to gauge early warning signals and ensure proper stage classification
- Continued to invest significantly in our information and cyber-security programs in order to strengthen our ability to anticipate, detect, defend against and recover from cyber attacks
- Made good strides with our regulatory reporting programme in seeking to strengthen our processes, automate, improve consistency and enhance controls
- Ongoing investment in our systems and tools, upskilling our staff and delivery of targeted training and awareness sessions on the various aspects of risk management



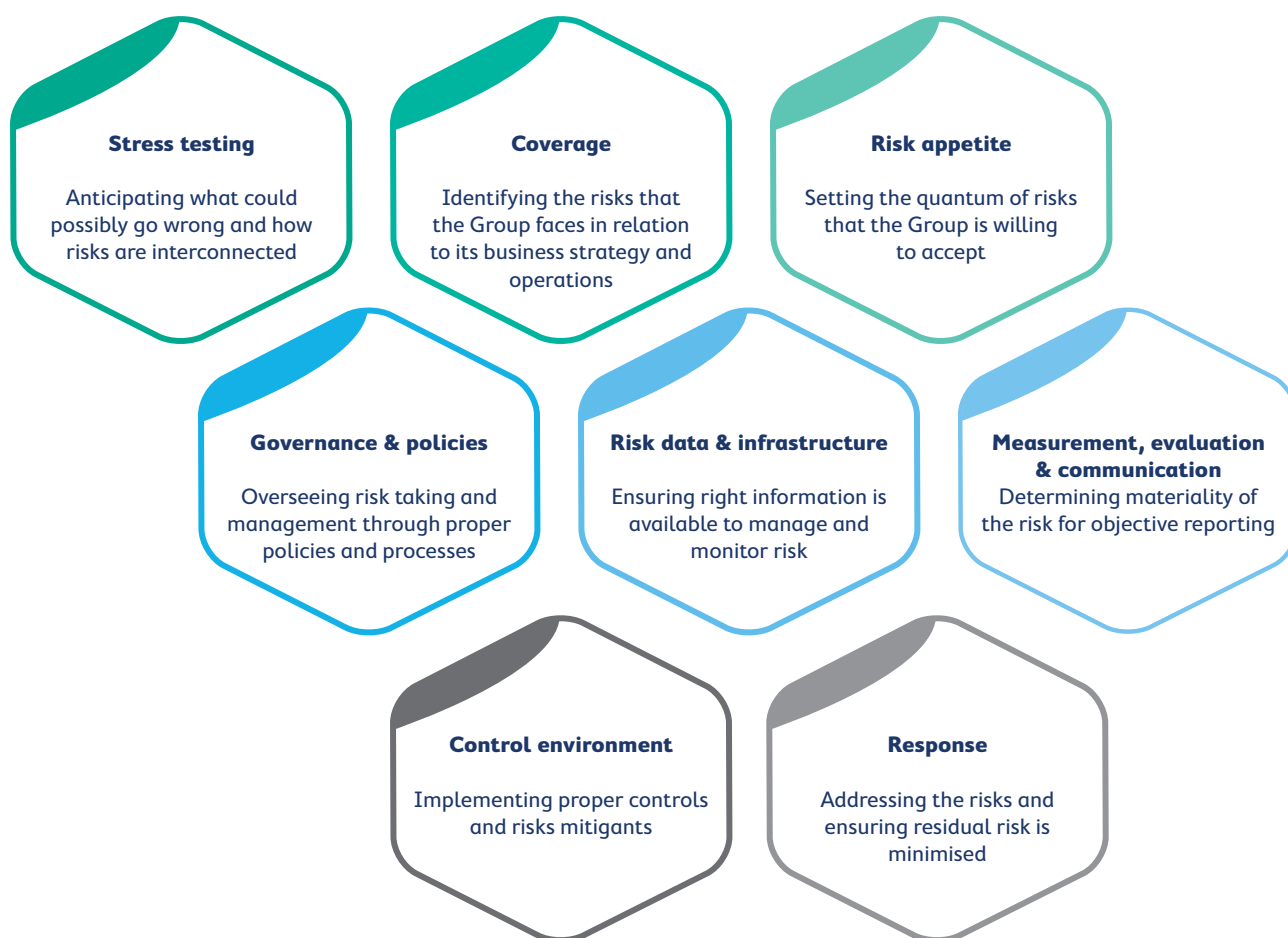
## Enterprise Risk Management Framework

Effective risk management is essential in delivering consistent and sustainable performance for all our stakeholders and is a central part of the financial and operational management of the Group. The ERMF outlines the highest level principles for risk management by setting out standards, objectives and key responsibilities of different groups of employees of the Group.

The ERMF, *inter alia*:

- sets out principal risks faced by the Group
- details requirements around ownership, transparency, accountability and independence
- defines the risk management process and sets out the activities, tools, techniques and the operating model to ensure effective management of material risks
- outlines a clear lines of defence model with appropriate segregation of duties

## Risk culture



The ERMF is complemented by frameworks, policies and standards which are mainly aligned to individual principal risks. We constantly evaluate the framework to ensure that it meets the challenges of the dynamic environment we operate in, aligning with evolving regulatory requirements and industry best practices. As such, in revisions made in the ERMF in 2023, stronger emphasis have been placed on climate risk, conduct risk, cyber risk and model risk among others.

# Risk Management Report *(cont'd)*

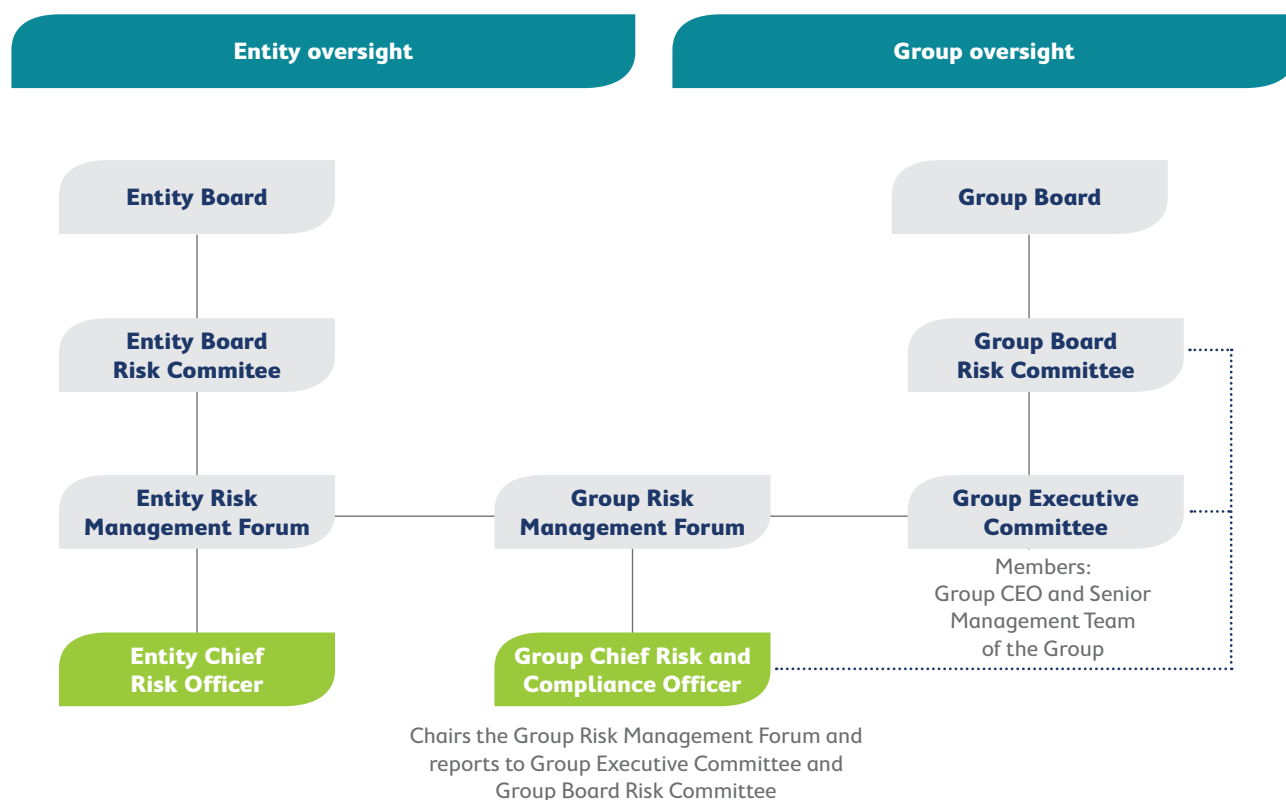
## Risk governance and oversight

A robust governance framework is adopted by the Group to ensure that material risks are adequately identified, measured, managed, monitored, escalated and reported.

Our governance structure aims at:

- facilitating effective and efficient decision-making on risks
- overseeing risk control
- managing and monitoring risks according to the risk appetite set by the Group and entity's Boards of Directors

The illustration below captures the Boards and Management level committees across the Group's risk governance structure.



The Board (either at entity or at Group level) has the fundamental responsibility for risk management and it serves as the ultimate decision-making body for matters of strategic, financial, risk management, regulatory or reputational significance. Various sub-Board committees oversee specific responsibilities relating to risk management based on clearly defined terms of reference. Each entity's respective Board remains responsible for ensuring their entity's risks are adequately identified and effectively mitigated with escalations to the Group Board as required.

Every entity across the Group has an independent risk management team headed by a Chief Risk Officer (CRO) or a Risk Lead in the case of the non-banking cluster, who reports on a monthly basis to its respective Management Forum and quarterly to its Board Risk Management Committee. Each CRO has the responsibility for establishing a risk management framework with appropriate identification, measurement, monitoring, mitigation and reporting of both financial and non-financial risks and to

promote a risk culture where accountabilities and responsibilities are clearly understood and internalised at all levels.

The Group Risk Management Forum, a functional forum established under the Group Executive Committee led by the Group CEO, is chaired by the Group Chief Risk and Compliance Officer (GCRCO) on a periodic basis to allow regular discussions and updates from respective entity's CROs. Critical matters are escalated by the GCRCO to the Group Executive Committee.

The GCRCO leads the application and execution of our risk and compliance strategy and promotes proper risk culture and oversees all risks, as well as challenging and advising business lines on risk management. He independently reports to the Group's Board Risk Management Committee on a quarterly basis.



## Three lines of defence

The Group applies a three lines of defence model to its day-to-day activities for effective risk management and to reinforce a strong governance and control environment.

This model commands a prudent approach to risk at all levels Group-wide, embedding the core concepts of accountability,

transparency and consistency through clear identification and segregation of risks as well as enabling efficient coordination of risk and control activities. All staff across the Group are responsible for understanding and managing risks within the context of their individual roles and responsibilities.

1

### First line of defence (risk ownership)

owns the risks and is responsible for identifying, recording, reporting and managing them in line with risk appetite and ensuring that the right controls and assessments are in place to mitigate them

2

### Second line of defence (risk oversight)

oversees the first line by setting limits, rules and constraints on their operations, consistent with the risk appetite

3

### Third line of defence (risk assurance)

provides independent assurance over the effectiveness of governance, risk management and controls over current, systemic and evolving risks

# Risk Management Report *(cont'd)*

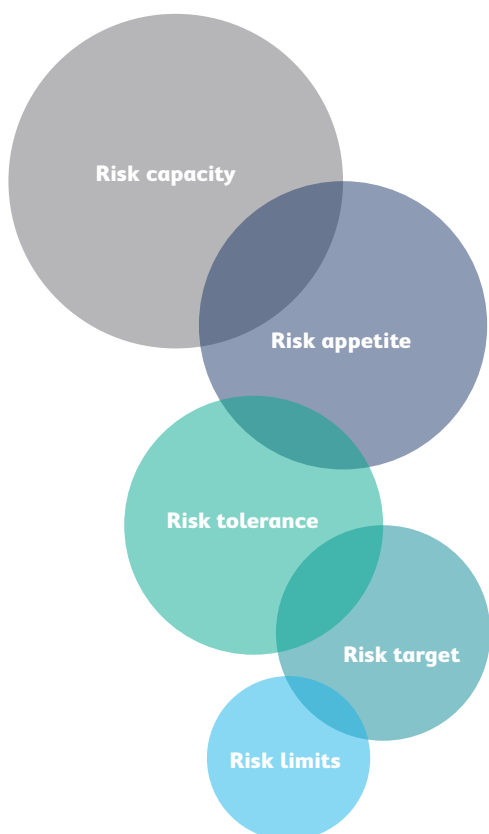
## Risk appetite

Risk appetite may be interpreted as the level of risk which the Group is prepared to accept in carrying out its activities. It provides a basis for ongoing dialogue between Management and Board with respect to the Group's current and evolving risk profile, allowing strategic and financial decisions.

Effectively it specifies the overall level of risks that the Group is willing to assume or avoid in order to achieve its long-term strategic ambitions and ensuring the stability of its financial position. In addition, Group-wide limits or tolerance levels exist for credit, market, liquidity and non-financial risks, all of which are specified in related documents, policies and instructions.

The Group maintains a comprehensive Risk Appetite Framework (RAF) providing a structured approach to the identification, measurement and management of risks within risk appetite parameters. Our risk appetite is formally articulated through our Risk Appetite Statement (RAS).

The Board reviews and approves our risk appetite and capacity on an annual basis or more frequently in the event of unexpected changes to the risk environment, with the aim of ensuring that they are consistent with our Group's strategy, business and regulatory environment and stakeholders' requirements.



**Risk capacity:** maximum level of risk that the organisation can support in pursuit of business objectives with current level of resources

**Risk appetite:** aggregate level and type of risk the organisation are willing to assume to carry out its activities, balancing opportunities and threats

**Risk tolerance:** maximum level of risk the organisation is willing to tolerate for a specific risk category or particular initiative

**Risk target:** optimal level of risk an organisation wants to take in the pursuit of a specific goal

**Risk limits:** thresholds to monitor any deviation of actual risk exposures from desired optimum level

## Stress testing

Stress testing is a key management tool within the Group and is used to evaluate the sensitivity of the current and forward risk profile relative to different levels of risk appetite.

Stress testing supports several business processes, including:

- strategic and financial planning
- informing the setting of risk appetite and portfolio management at a group and legal entity level
- the Internal Capital Adequacy Assessment Process (ICAAP), including capital planning and management, and the setting of capital buffers
- liquidity planning and management
- identifying and proactively mitigating risks through actions such as reviewing and changing limits, limiting exposures, and hedging

Stress testing is a core element in our Group-wide risk appetite framework included in overall risk management to ensure that our financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. The entities across the Group regularly conduct stress tests in line with regulatory guidelines to assess the resilience of their balance sheet, capital adequacy and liquidity position. Stress testing results are monitored against limits and are used in risk appetite discussions and strategic business planning and to support our ICAAP.

The ICAAP aims to identify and accurately assess the significance of material risks faced by the Group. As part of the ICAAP process, the Group assesses its present financial position and expected changes to the current business profile, the environment in which it expects to operate, its projected business plans, projected financial position and future planned sources of capital.

Based on the stress test results, recommendations of strategic actions are made to the Board to ensure that the Group's strategy remains within the approved risk appetite.

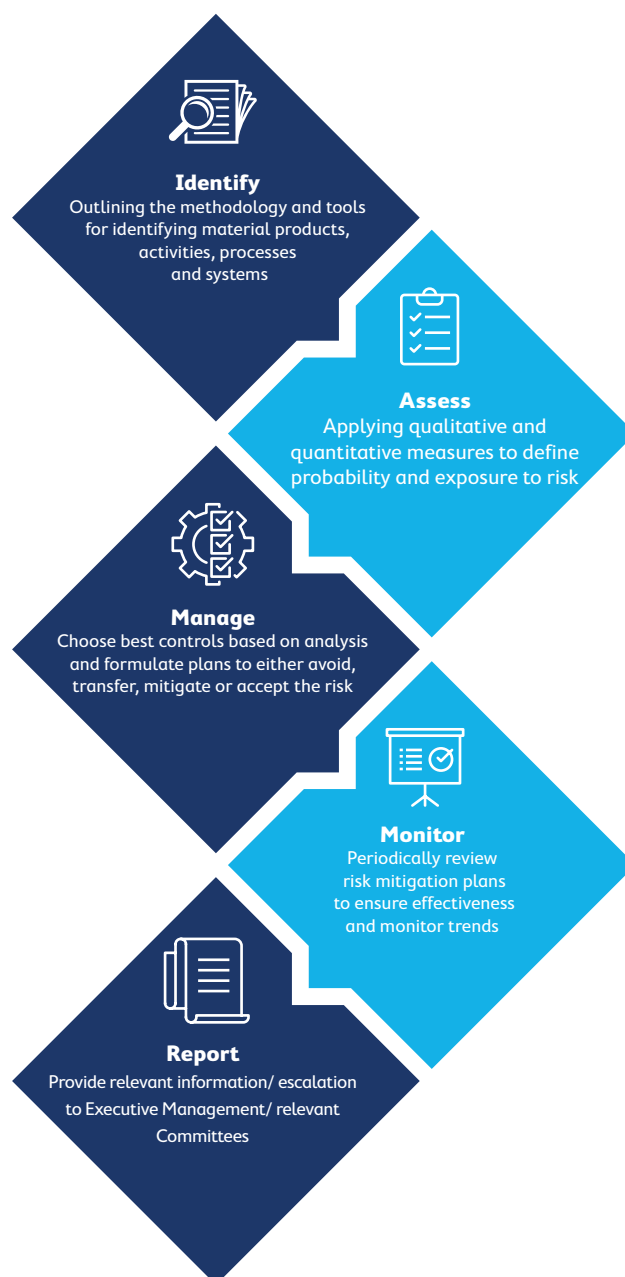
## Risk culture

Risk culture encompasses our general awareness, attitudes and behaviours towards risk, as well as how risk is managed across the organisation. Our risk culture allows us to consistently do the right business the right way to achieve our strategic ambitions as demonstrated by how the Group identifies, escalates and manages risk matters. The risks we face constantly evolve, and we must always look for ways to manage them as effectively as possible. While unfavourable outcomes will occur from time to time, a healthy risk culture means that we react quickly and transparently.

The Group's risk culture provides guiding principles for the behaviours expected from its staff when managing risk, regardless of their positions, functions or locations. All staff must fully understand and take a holistic view of risks which could result from their actions, understand the consequences and manage them effectively against our risk appetite. This expectation continues to be reinforced through mandatory training courses and risk related awareness campaign for all Group employees.

## Lifecycle of risk management

Our ongoing risk management process provides the required rigorous mechanism to proactively and effectively manage our risk universe in a disciplined way, both under normal and stressed conditions.



# Risk Management Report *(cont'd)*

## Risk universe

Our risk universe represents the risks that are core to our business, classified primarily between financial and non-financial risk. We regularly scan our operating environment for changes to ensure that we respond promptly and appropriately to risks and opportunities.







\* not exhaustive



## Overview of key risk areas

The material risk types associated with our operations have been captured below.

**Risk trends**  Increasing risk  Stable risk  Decreasing risk











Risk types	Considerations	Key mitigating actions	Trends
<b>Credit risk</b>  Risk arising from the failure of obligors to meet their financial or contractual obligations when due. Includes obligor risk, concentration risk, settlement risk and country risk	Change in global and local economic conditions, high inflation and rising interest rates resulted in higher debt servicing costs and thus heightened risk of credit defaults and provisioning  <b>Material matter impacted</b>   Macroeconomic risks and financial stability  <b>Capitals impacted</b>    Financial Intellectual	<ul style="list-style-type: none"> <li>Enhancing controls in relation to structuring and assessment of borrowers' creditworthiness and related IFRS 9 processes</li> <li>Proactively monitor credit portfolios at BRC with focus on regulatory and prudential limits, emerging risks and adopt measures to minimise undue concentration of exposure in our portfolios</li> <li>Leverage from and adhere to a range of policies, processes, systems, risk delegated authorities and Board approved credit risk appetite</li> <li>Monitor growth and manage any delinquency to ensure a well-diversified performing credit portfolio in line with the Group strategy and risk appetite with close scrutiny on non performing portfolios and provisioning</li> <li>Ongoing monitoring of our exposures, proactively conduct country and sovereign risk assessments and review of our risk appetite to ensure effective risk management</li> <li>Keep checks on changes in the global macroeconomic, political, and regulatory environments to identify and manage risks at an early stage</li> </ul>	

# Risk Management Report *(cont'd)*






Risk types	Considerations	Key mitigating actions	Trends
<p><b>Market, liquidity and funding risk</b></p> <p>Risk arising from changes in the market value of a portfolio of financial instruments caused by adverse movements in market variables such as interest rates, exchange rates, commodity and equity prices</p> <p>Risk that an entity cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due even being solvent</p>	<p>Challenges posed by tightening monetary policy, liquidity crisis, interest and exchange rate movements together with their implied volatilities and mismatches in the timing of cash flows</p> <p><b>Material matter impacted</b></p>  <p>Macroeconomic risks and financial stability</p> <p><b>Capitals impacted</b></p> <div>   </div> <p>Financial      Intellectual</p>  <p>Manufactured</p>	<ul style="list-style-type: none"> <li>• Sound framework, policies and periodic reviews at the level of Board and sub committees</li> <li>• Monitor and project against appetites by using operating plans based on strategic objectives together with stress testing</li> <li>• Optimise profitability of mark-to-market products within the constraints of liquidity and market risk appetite</li> <li>• Ensure sufficient liquidity buffers demonstrated by strong ratios and diversification strategies</li> </ul>	
<p><b>Capital risk</b></p> <p>Risk arising from insufficient level (quantity) or composition (quality) of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating and stressed conditions</p>	<p>Host of variables putting pressures on our capital position such as stressed macroeconomic context, adverse changes in FX rates, sovereign rating downgrades and stricter regulatory requirements, among others</p> <p><b>Material matter impacted</b></p>  <p>Macroeconomic risks and financial stability</p> <p><b>Capitals impacted</b></p> <div>   </div> <p>Financial      Intellectual</p>	<ul style="list-style-type: none"> <li>• Perform stress testing and ensure sufficient level of capital to withstand potential loss from significant exposures and that adequate buffer is in place in respect of regulatory ratios requirements</li> <li>• Draw up capital plans (consistent with the strategic plan) that set out solvency targets and actions required to execute it with effective oversight</li> <li>• Measure capital levels against the risk assumed, based on a risk profile assessment and our risk appetite framework and under stress scenarios</li> <li>• Regular assessment of our portfolios' capital efficiency for risk mitigation, assets sales and other capital optimisation initiatives</li> </ul>	

Risk types	Considerations	Key mitigating actions	Trends
<p><b>Business and strategic risk</b></p> <p>Risk arising 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</p>	<p>Delay or failure in achieving the Group’s strategies and / or expected business and financial performance outcomes, which will ultimately impact growth</p> <p><b>Material matters impacted</b></p> <div><p>Macroeconomic risks and financial stability</p></div> <div><p>Climate consciousness</p></div> <div><p>Ethics, trust and transparency</p></div> <p><b>Capitals impacted</b></p> <div><p>Financial</p></div> <div><p>Social and relationship</p></div> <div><p>Natural</p></div> <div><p>Human</p></div> <div><p>Intellectual</p></div> <div><p>Manufactured</p></div>	<ul style="list-style-type: none"><li>Continuously assess the risk of deviations from plans, targets and strategic initiatives and determine the need to revise strategy and verify mitigating factors</li><li>Reinforced our internal capabilities such as investment in both new technologies and talent</li><li>Assess new product and service proposals prior to launch to ensure they are consistent with Group’s strategy</li><li>Strengthened governance and oversight for effective assessment of impact in relation to changes in the operating environment</li></ul>	










# Risk Management Report *(cont'd)*






Risk types	Considerations	Key mitigating actions	Trends
<p><b>Operational risk</b></p> <p>Risk of loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks)</p>	<p>Inherent in all products, activities, processes, and systems and is generated in all business and support areas. Responsibility for all employees to control and manage operational risk generated by their activities</p> <p><b>Material matter impacted</b></p>  <p>Ethics, trust and transparency</p> <p><b>Capitals impacted</b></p>  <p>Human</p>  <p>Intellectual</p>  <p>Natural</p>	<ul style="list-style-type: none"> <li>Proactive identification and assessment of risk and controls (i.e. through RCSAs / KRIs) to determine the design strength and reliability of processes</li> <li>Strong governance oversight which reinforces clear accountability for managing risk across the Group</li> <li>Manage operational risks within risk appetite thresholds to protect against material loss and/or damage to the Group</li> <li>Maintain robust systems, adequate processes and recovery capabilities in order to contain operational disruptions due to technology infrastructure failures, third-party services unavailability, cyber-security attacks and lack of data protection</li> <li>Embed a strong risk culture allowing us to consistently do the right business the right way</li> </ul>	
<p><b>Cyber-security and information risk</b></p> <p>Risk to the Group's assets, operations, and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets / systems</p>	<p>Growing threat of cyber attacks combined with increasing digitisation of services could expose the Group to security risks</p> <p><b>Material matter impacted</b></p>  <p>Ethics, trust and transparency</p> <p><b>Capitals impacted</b></p>  <p>Human</p>  <p>Intellectual</p>  <p>Manufactured</p>	<ul style="list-style-type: none"> <li>Adoption of innovative tools and solutions to enhance risk management e.g. threat-led risk assessments, vulnerability assessment, penetration testing</li> <li>Strengthen our cyber-security stance against ransomware, spear-phishing and other cyber threats, engaging with external expertise as appropriate</li> <li>Proactively manage our cyber risk exposure, to limit the likelihood of inappropriate access, manipulation, or damage to our and third parties' data and technology</li> <li>Promote strong and resilient risk culture with the running of specialised training and awareness sessions</li> </ul>	



Risk types	Considerations	Key mitigating actions	Trends
<p><b>Model risk</b></p> <p>The potential for adverse consequences from decisions based on incorrect or misused model outputs and reports</p>	<p>The challenges of the current operating environment impacting the performance of models call for model adjustments with increasing risk of incorrect or misused model outputs, financial loss, incorrect reporting, poor business and strategic decisions and damage to the Group's reputation</p> <p><b>Material matter impacted</b></p>  <p>Macroeconomic risks and financial stability</p> <p><b>Capitals impacted</b></p> <div>   </div> <p>Human      Intellectual</p> <div>  </div> <p>Manufactured</p>	<ul style="list-style-type: none"> <li>• Clear internal regulations that establish the principles, responsibilities and processes of the model's lifecycle. Also describe their governance, management and validation</li> <li>• Strengthen the role of internal validation to meet increasing regulatory requirements</li> <li>• Explore on innovative ways such as machine learning/ generative AI to develop models</li> <li>• Regular monitoring of models with results and breaches presented for discussions at risk committees</li> </ul>	

# Risk Management Report *(cont'd)*

Risk types	Considerations	Key mitigating actions	Trends
<p><b>Compliance risk</b></p> <p>Risk of penalties or loss to the organisation, or for an adverse impact to our stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws, regulations, codes of conduct and standards of good practice</p>	<p>Non-compliance with legislation and conduct may lead to litigation, penalties and reputational damage</p> <p><b>Material matter impacted</b></p>  <p>Ethics, trust and transparency</p> <p><b>Capitals impacted</b></p>  <p>Intellectual</p>  <p>Social and relationship</p>  <p>Manufactured</p>	<ul style="list-style-type: none"> <li>Continuous enhancement of frameworks, policies and controls in place to ensure compliance to, and relevance with laws and regulations with Board oversight</li> <li>Perform Enterprise-Wide Risk Assessment (EWRA) from an Anti-Money Laundering/Combating the Financing of Terrorism and Proliferation (AML/CFT) perspective with the identification of new and emerging risks</li> <li>Strengthen the culture of sound regulatory compliance across the Group through tailored training programmes and awareness campaigns</li> <li>Embark on the journey of deploying technological solutions to improve efficiencies and simplify processes (e.g. transaction monitoring, alerts management, automation of reports)</li> <li>Contribute to projects initiated by the Mauritius Bankers Association</li> </ul>	
<p><b>Reputational risk</b></p> <p>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</p>	<p>Reduction of trust in the Group's integrity and competence may decrease its attractiveness to stakeholders and could lead to negative publicity, loss of revenue, regulatory or legislative action, loss of existing and potential client business, reduced workforce morale and difficulties in recruiting talent</p> <p><b>Material matter impacted</b></p>  <p>Ethics, trust and transparency</p> <p><b>Capitals impacted</b></p>  <p>Intellectual</p>  <p>Social and relationship</p>	<ul style="list-style-type: none"> <li>Established governance to manage material reputational risks through well-articulated reputation risk assessments and escalation processes</li> <li>Daily monitoring of the various types of media - local, regional and international - with defined escalation process</li> <li>Well embedded complaint management process with effective root cause analysis and prompt resolution</li> <li>Strong due diligence process in place at various stages of the client lifecycle</li> </ul>	

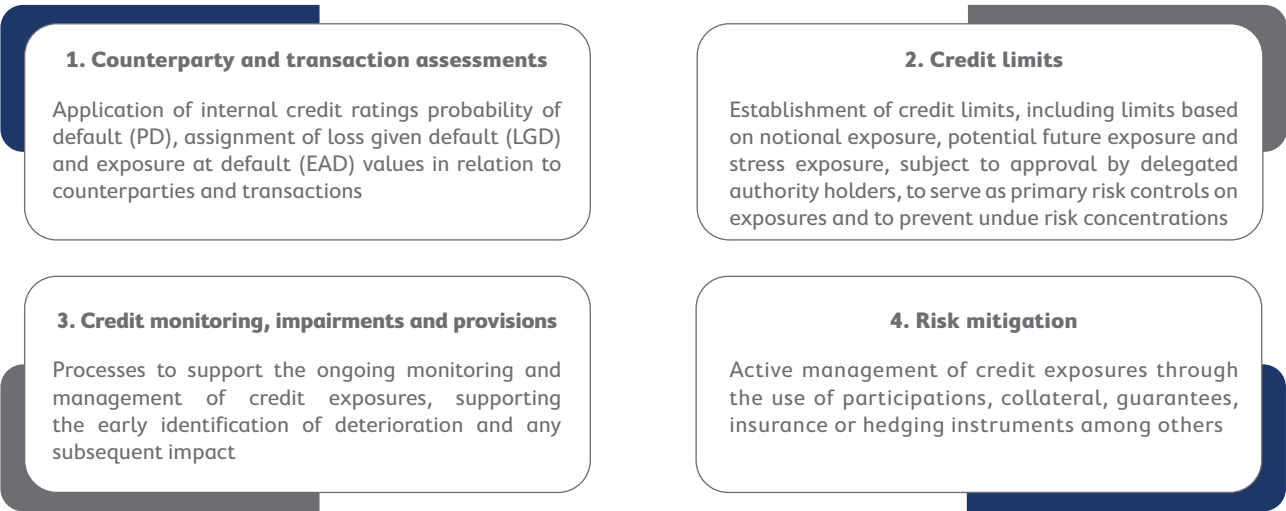
Risk types	Considerations	Key mitigating actions	Trends
<p><b>Climate risk</b></p> <p>Potential for financial loss and non-financial detriments arising from climate change and society's response to it</p>	<p>Due to the climate emergency, the data availability and methodology, the environmental aspects are a focus of attention in the banking industry</p> <p><b>Material matter impacted</b></p>  <p>Climate consciousness</p> <p><b>Capitals impacted</b></p> <div>   </div> <p>Human      Manufactured</p> <div>  </div> <p>Social and relationship</p>	<ul style="list-style-type: none"> <li>Established a climate risk framework and policy with strategy and targets being defined</li> <li>Methodologies are being developed to identify, measure and manage the physical and transition risks that we are exposed to through our own operations, our suppliers, our clients, and the markets we operate in</li> <li>Gradual development and implementation of climate risk strategy, management processes and revising risk appetite to integrate climate risk related parameters</li> <li>High-level materiality assessment on climate-related risks performed with a climate risk inherent heatmap developed that captures geographical sectoral climate-related risk exposures</li> <li>Transaction monitoring lifecycle enhanced with a Screening Checklist to identify and monitor climate-related risks</li> <li>Initiated its Greenhouse Gas (GHG) accounting exercise by performing a financed emissions calculation on its Corporate Book by utilising the Partnership for Carbon Accounting Financials (PCAF) methodology</li> <li>Increased board focus on climate risk matters with reinforced governance</li> </ul>	

# Risk Management Report *(cont'd)*

## Credit risk management

Credit risk is the risk of loss arising from the failure of obligors to meet their financial or contractual obligations when due. It comprises obligor risk, concentration risk and country risk and represents the largest source of risk exposure for our banking segment. The principal sources of credit risk within the Group arise from loans and advances, contingent liabilities, commitments, debt securities and derivatives to customers, financial institutions and sovereigns.

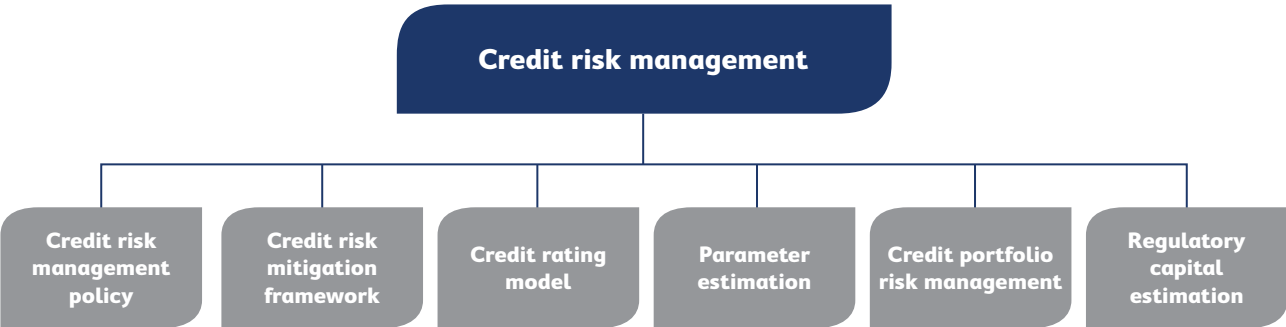
The credit risk framework incorporates the following core elements:



The credit risk management function sits as the 2<sup>nd</sup> line of defence providing oversight and independent challenge to key risk decisions taken by business and functions engaged in or supporting

revenue generating activities. In addition, they ensure that credit exposures and credit decisions are controlled in accordance with the framework, policies and approved risk appetite.

The below provides an overview of the key parameters that govern the management of credit risk across the Group.





Credit risk team evaluates and assesses counterparties and clients to whom the Group has credit exposures. For the majority of counterparties and clients, the team uses internal rating tools acquired from external providers to determine internal credit ratings which are intended to reflect the PD of each counterparty for the different types of clients ranging from Corporates, SMEs to Retail.

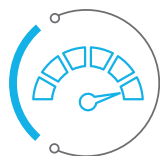
The ratings for Corporates and SMEs are not based solely on financial ratios but also take into account qualitative factors such as management quality, country risk, industry risk pertaining to the country of the exposure and any government support that the counterparty benefits. The organisation acknowledges the importance of robust parameters for sound and knowledgeable judgement and ensures that the models are reviewed on a frequent basis.

Across the Group, the credit assessment and measurement process are distinct and segregated to demonstrate independence and integrity in the credit decision making process. There are various layers of credit approval authority across the Group providing extra levels of control in the process.

## Credit risk mitigation

The Group adopts a range of techniques and strategies to actively optimise credit exposure and reduce expected and actual credit losses. These techniques are used in a consistent manner and are acceptable ways of mitigation that are reviewed periodically. The credit policy at entity level sets out the principles of managing end-to-end credit process including credit initiation, credit assessment, documentation and monitoring for lending. The Group also sets out standards for the eligibility, enforceability, and effectiveness of credit risk mitigation arrangements. Potential credit losses are mitigated using a range of tools, such as collateral, netting agreements, credit insurance and guarantees. The use and approach to credit risk mitigation varies by product type, customer and business strategy.

Mitigation techniques used are:



### *Credit risk limits*

Entities across the Group set 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 within the Group's overall strategy and risk appetite.



### *Sustainable cash flow*

The credit assessment is mainly focused on the asset to be financed and the expected cash flow generated in order to minimise the probability of losses from late and delinquent payments. Therefore, the creditworthiness of the borrower is determined based on its reliability and ability to repay the loans.



### *Collateral*

The collateral is a security that serves to mitigate the inherent risk of credit losses in the event of a default. The Group entities have an eligible list of collateral with appropriate haircuts for a conservative approach.



### *Risk transfer*

The organisation in some cases holds 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.

2023 was a year of recovery and resilience. Elevated rates in advanced economies have caused liquidity and credit stress in some developing nations while the European countries experienced subdued growth. Amidst this backdrop and escalating geopolitical tensions, Mauritius displayed its resilience and maintained its robust growth momentum with tourist arrivals recovering to near pre-covid levels and the real estate sector witnessing strong FDI inflows.

The Group's main objectives are focused on maintaining a strong culture of responsible lending and ensuring the prevalence of robust risk policies and control frameworks.

As accelerated growth is expected in Sub-Saharan Africa in the medium term, the Group has recalibrated its risk appetite on cross border lending. Robust risk policies and frameworks have been reviewed to responsibly increase exposure to selected markets going forward.

The Group's exposures to various countries and types of borrowers remain well diversified. Country concentration is actively monitored and the Group continues to closely appraise the international macroeconomic outlook and would take additional steps to mitigate risks where warranted.

# Risk Management Report *(cont'd)*

## Country risk

The Group's businesses may be affected by adverse economic, political, financial and regulatory uncertainty in countries where we have exposures.

Country risk is the risk of loss arising when political or economic conditions or events in a particular country reduce the ability of counterparties including the relevant sovereign in that country to fulfill their financial obligations to the Group.

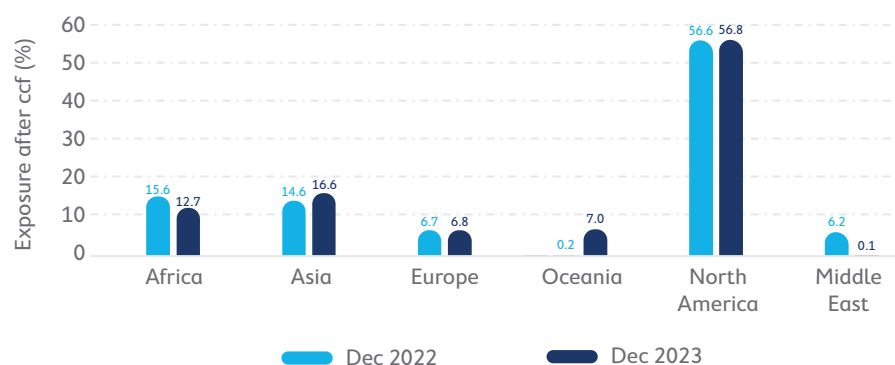
Across the various entities of the Group, this particular risk is managed via a comprehensive framework with adequate control processes that include limits setting for countries broken down into presence and non-presence countries, rating bands and targeted strategic countries, alongside ensuring adherence to regulatory guidelines. Countries to which we are exposed

are reviewed annually as part of the risk appetite in line with the strategy of the organisation and the Group's Credit Risk Management Policy. In addition, we constantly monitor various country risk events such as macroeconomic changes, sovereign creditworthiness and adhoc occurrences such as social unrest, strikes, political developments, foreign exchange controls and nationalisation of assets to name a few.

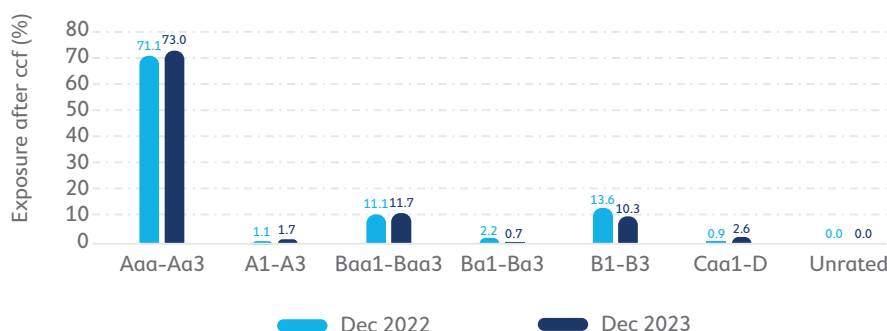
As at 31 December 2023, the Group's credit equivalent exposure to cross-border lending accounted for 218.1% of the Group's Tier 1 Capital.

The following charts show the distribution of exposure, other than Mauritius, after credit conversion factor (CCF) for the Group by region and rating range as of 31 December 2023.

Distribution of Country risk by region



Distribution of Country risk by rating



## Sovereign risk

Sovereign risk relates to the risk of a particular government becoming unwilling or not able to meet its credit obligations. The Group has significant exposure in sovereign HQLAs for liquidity management that carry a zero-risk weight for capital allocation purposes under Basel II requirements and the Bank of Mauritius (BoM) guidelines.

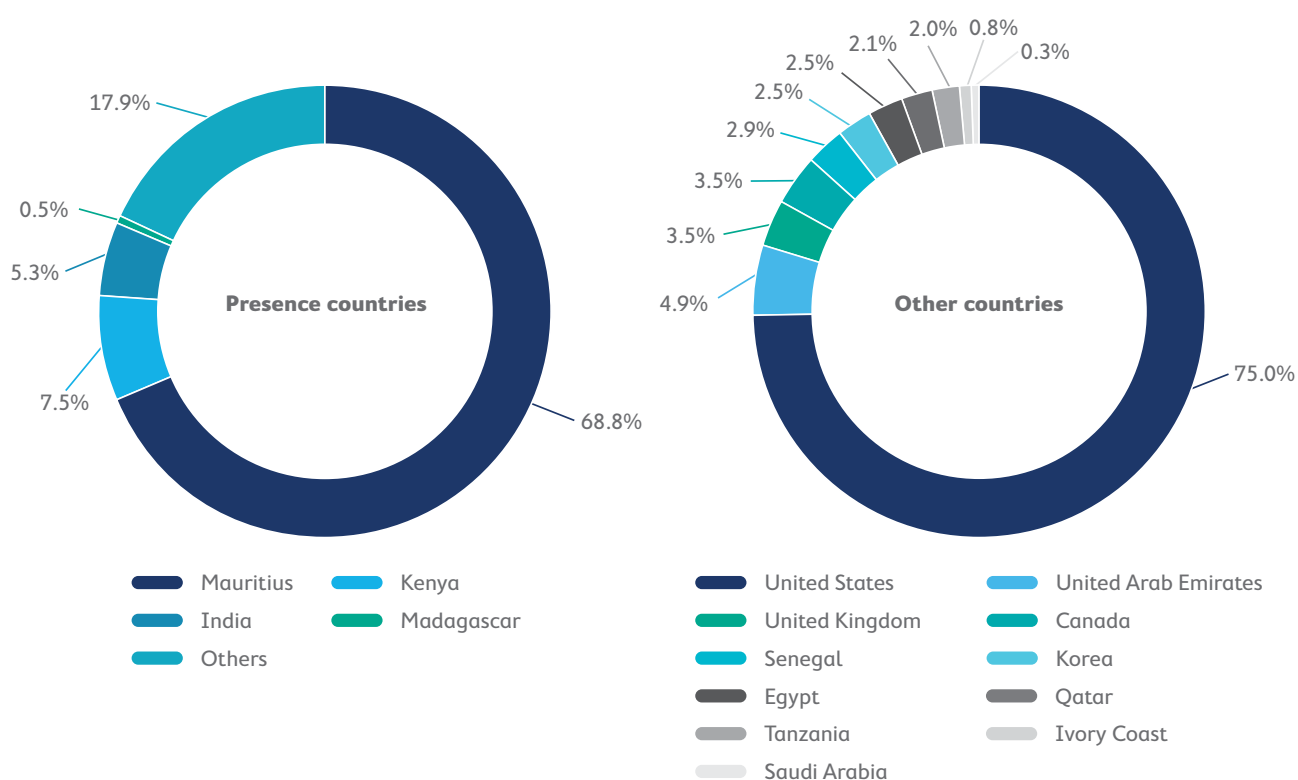
We track and manage transactions with sovereign risk based on available information, such as reports by rating agencies. We monitor each country where we have cross-border and sovereign risk and also analyse events that could affect the

country's political or institutional stability and assign its government or central bank a credit rating. This helps us set limits for transactions with sovereign risk.

As at 31 December 2023, total investments in Government of Mauritius securities aggregated USD 2,218.9 million representing 363.9% of the Group's Tier 1 Capital.

Total sovereign exposures accounted for 528.7% of Group's Tier 1 Capital, of which sovereign exposures in SBM presence countries accounted for 434.1% of Group's Tier 1 Capital.

Distribution of Sovereign exposure of the Group



# Risk Management Report *(cont'd)*

## Bank risk

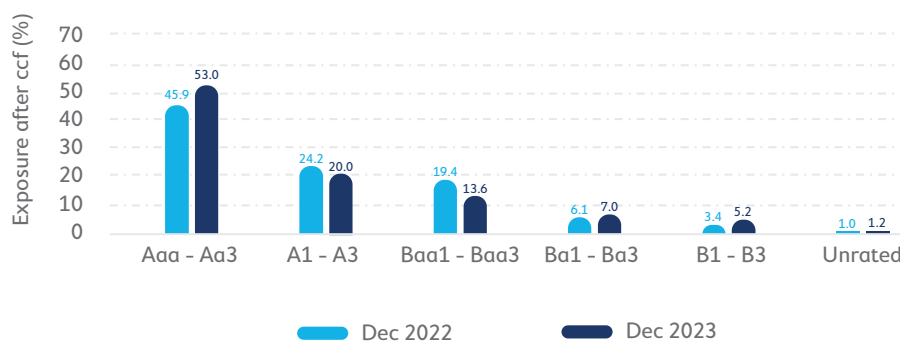
The Group is exposed to bank risk - the risk that a bank defaults on its obligations through different types of exposures varying from money market, treasury products, trade finance deals to standby letters of credit offered by its banking entities.

To mitigate the risk, the Group has a Bank Risk Framework in place where limits to each individual banks are attributed

based on the bank's risk profile. The limits are also constrained by the respective entity's country limit and the regulatory limit on its single counterparty exposure.

As at 31 December 2023, bank counterparty credit equivalent exposure accounted for 105.5% of the Group's Tier 1 Capital.

Distribution of bank risk by rating



## Counterparty credit concentration risk

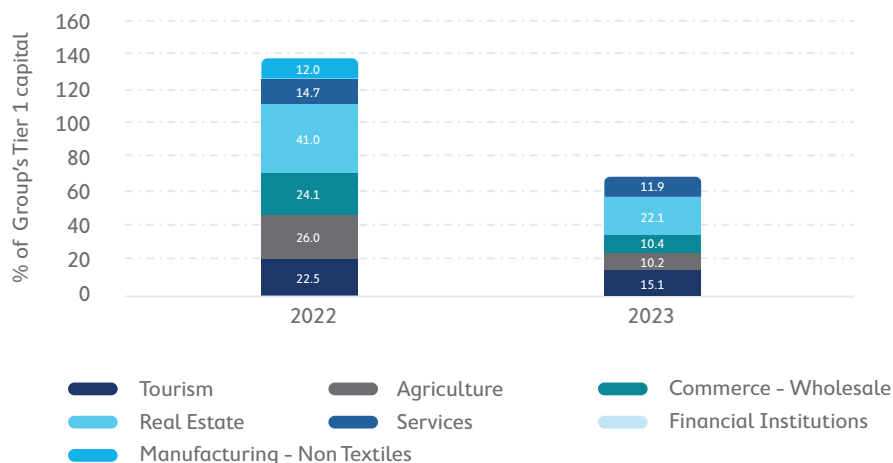
Counterparty credit concentration risk pertains to the risk of loss to the Group as a result of excessive concentration of exposure arising from a single large exposure to a counterparty or a group of connected counterparties, or from multiple exposures across the portfolio that are closely correlated.

The entities of the Group have set prudential limits within their respective regulatory limits designed to restrain concentration to a single/group of connected counterparties as well as large exposures.

At a Group level for material concentrations, breaches and potential breaches are monitored by the respective entities Risk Management Committees and reported to the Group Board Risk Management Committee.

As at 31 December 2023, the credit concentration exposures were well within the local regulator's regulatory limits.

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



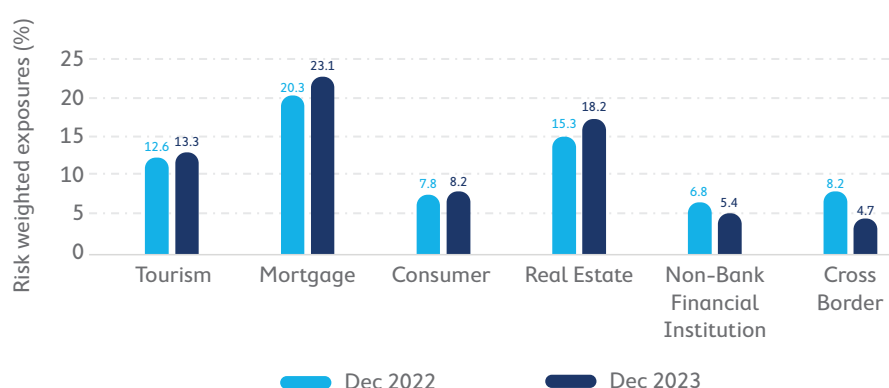


With respect to portfolio concentration, risk arises from over build-up exposure in a specific portfolio that would cause the Group to encounter losses should the specific portfolio face difficulty. The Group aims at maintaining a diversified credit portfolio that adapts to the economy and sets out limits by segment, portfolio and sub-portfolio in line with its strategy and

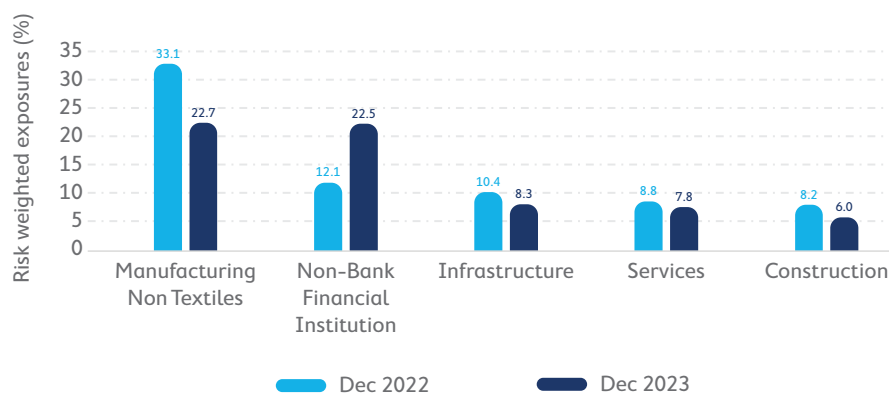
risk appetite, while adhering to the overall objectives.

For concentrations that are material, both at Group and entity level, breaches and potential breaches are monitored by the respective governance committees and reported to respective Board Risk Committees.

SBMBM's top portfolio by risk weighted exposures

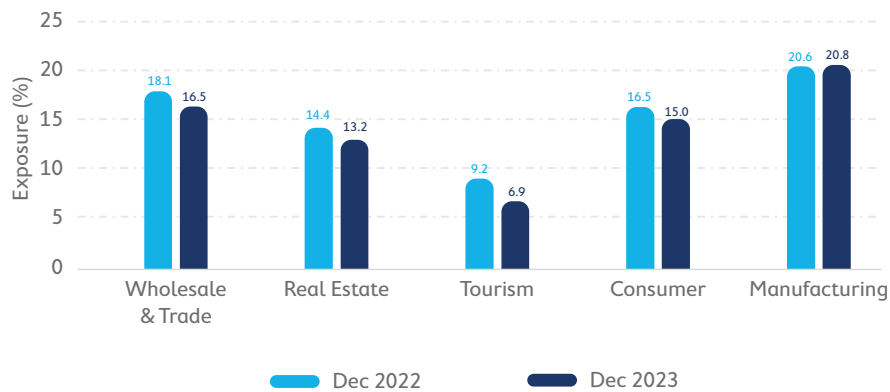


SBMBI's top portfolio by risk weighted exposures

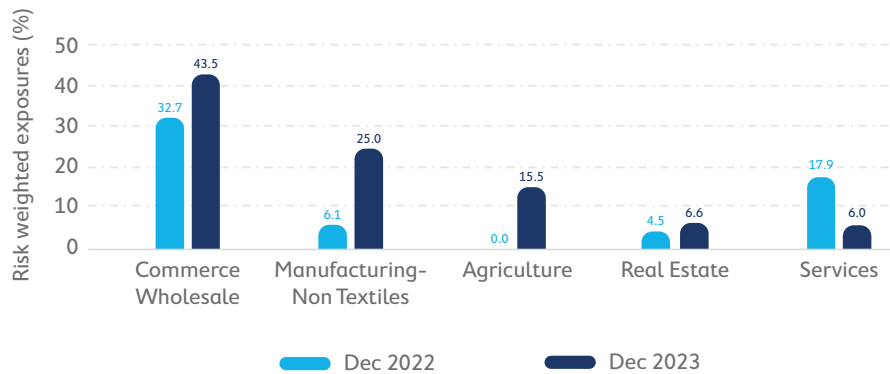


# Risk Management Report *(cont'd)*

SBMBK's top portfolio by exposure



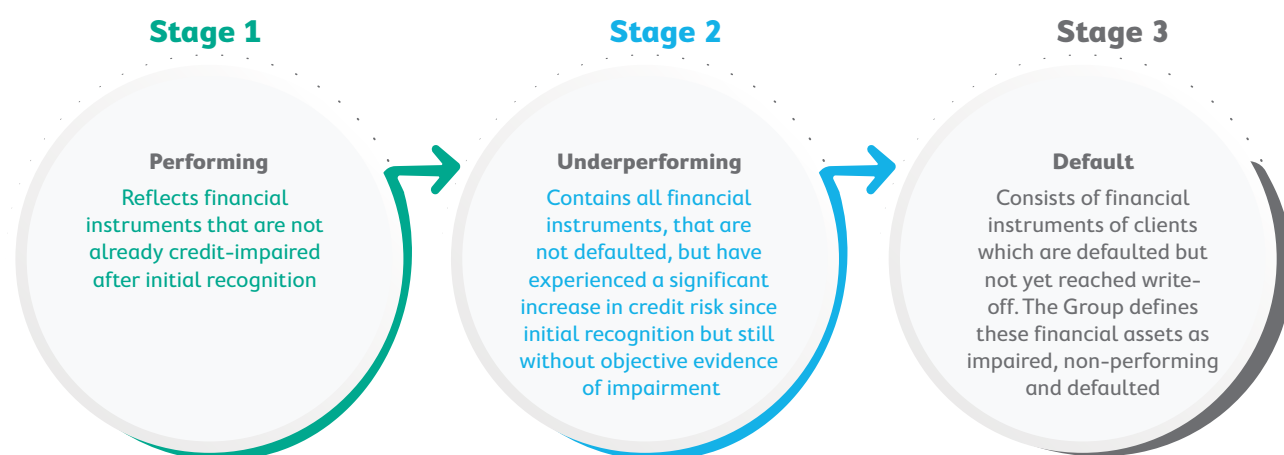
BSBMM's top portfolio by risk weighted exposures



## Expected credit loss

At the Group level, recognition of expected credit losses (ECL) on all financial debt instruments held at amortised cost, Fair Value through Other Comprehensive Income (FVOCI), undrawn loan commitments and financial guarantee is determined in accordance with IFRS 9.

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.



Three main components are used in the ECL calculation being Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Group revalidates the IFRS 9 parameters of its entities i.e. PD, LGD and Credit Conversion Factor (CCF) at least on a yearly basis to ensure that updated economic outlook is incorporated through macroeconomic variables in our respective models.

Across the Group for relevant entities, the models are built on a regression basis and are segregated as shown below with three different scenarios considered for macroeconomic conditions.

In addition to the revised parameters, the entities have also placed overlays on a prudent basis where appropriate to cater for conditions that were not fully reflected in their data set. The entities have undertaken impairment assessment under different scenarios as part of the stress testing exercise on their client base to ensure that they are adequately provisioned and that necessary contingency plans are set up to meet any crisis situation.

Across the Group banking entities, 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 criteria enabling better control over these exposures to strengthen oversight. These exposures are further classified under 'Stage 2' where a lifetime Expected Credit Loss (ECL) is calculated as per IFRS 9 principles.

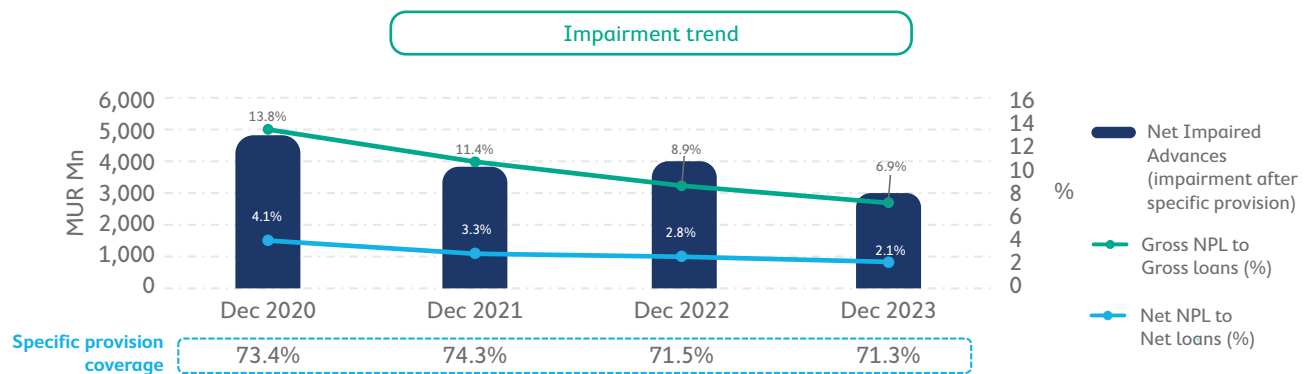


# Risk Management Report *(cont'd)*

## Credit impairment

The Group adheres to the IFRS 9 principles and ensures proper classification of assets under Stage 3 (Non-Performing assets) through IFRS 9 criteria and maintains adequate provisions (lifetime Stage 3 ECL) under Stage 3. Impairment results are factored into management decision making, including but not limited to, business planning, risk appetite setting and portfolio management.

The non-performing advances ratio has decreased to 6.9% in December 2023 as compared to 8.9% in December 2022 mainly due to write off by Mauritius Operations at MUR 4.23 billion during the year. The Group is continuously working on the recovery of its major defaulted clients.



Estimating the amount and timing of future recoveries involves significant judgement and considers the assessment of matters such as future economic conditions and the value of collaterals, for which there may not be a readily accessible market. The

total amount of the Group's impairment provision is inherently uncertain, being sensitive to changes in economic and credit conditions across the regions in which the Group operates.

## Reschedulement

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

its clients in accompanying them in their recovery journey post-pandemic taking into consideration their updated cash flow forecasts.

As at 31 December 2023, total rescheduled facilities stood at 6.9% of the total funded advances as compared to 10.2% as at 31 December 2022.

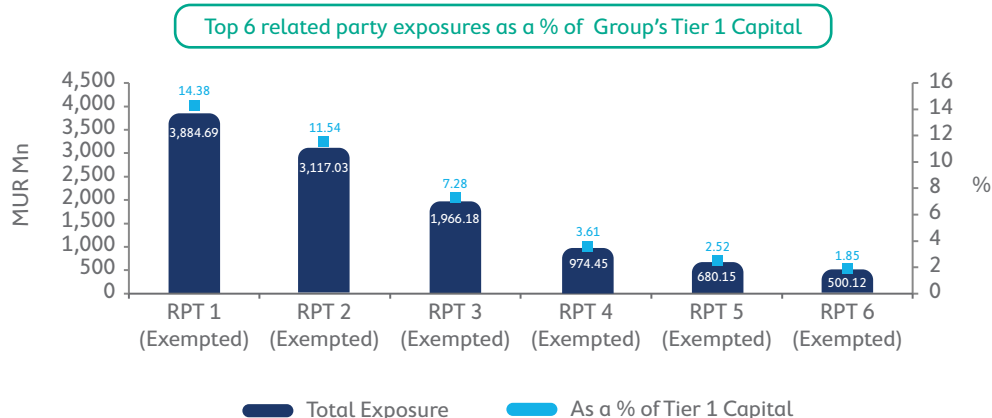
The Group, through its banking subsidiaries, has worked with

## Related party transaction risk

Related party exposures are defined as per the Bank of Mauritius Guideline on Related Party Transactions (RPT). 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, or one other party controls both.

Across the Group, governance for all related party disclosures are duly followed and reporting is done at the Board Committee level.

As at 31 December 2023, the aggregate non-exempted exposures to related parties represented 3.61% 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 as per the BoM definition on related party transactions.





## Market risk management

Market risk is the risk of loss in on-balance sheet and off-balance sheet positions arising from movements in market prices due to unfavourable movement in market variables such as interest rate risk, foreign exchange risk, price risk, equity risk, volatility risk and credit spreads risk. The Group is exposed to non-traded market risk through its banking activities and to traded market risk through its trading activities.

The management of market risk in the Group is governed through a well-defined Board approved Market Risk Management Policy and Risk Appetite Statement. Our entities operate within the parameters of their respective market risk policies with defined processes supplemented by a range of Assets & Liabilities Committee (ALCO) approved limits and controls to mitigate market as well as funding and liquidity risks.

The limits are reviewed to reflect changes in risk appetite, business plans, portfolio composition and the market and economic environments. To ensure approved limits are not breached and that the Group remains within its risk appetite, triggers have been set and are actively managed.

The Group has an established governance structure for market risk that involves the Board, its Board Risk Committee and ALCO, which has primary responsibility for the oversight of market risk in the Group.

Market risk across the Group encompasses the following primary categories discussed below: interest rate risk, foreign exchange risk and price risk.

### Interest rate risk

Interest rate risk arises from the different repricing and/or maturity mismatches, changes in underlying rates and other characteristics of the Group's assets and liabilities in the normal course of business.

Interest rate risk in the banking book refers to the current or prospective risk to the Group's capital and earnings arising from adverse movements in interest rates that affect the Group's non-trading portfolio positions. Changes in interest rates also affect the Group's earnings by altering interest rate-sensitive income and expenses, thus affecting the Group's Net Interest Income (NII).

The Group's primary interest rate risk management objective is to maximise the risk-adjusted net interest income within the tolerable level of interest rate risk and risk appetite.

The impact on NII of a parallel change in interest rates is as follows:

	Impact of 200 bps parallel rate change on NII	
	31-Dec-23	31-Dec-22
SBM Bank (Mauritius) Ltd	0.25%	2.32%
SBM Bank (India) Limited	2.64%	18.42%
Banque SBM Madagascar SA	12.86%	5.30%
SBM Bank (Kenya) Limited	1.30%	3.28%

Banking book-related market risk exposure principally involves managing the potential adverse effect the competitive environment in which the entities operate. The governance framework is designed to ensure appropriate oversight of the Group's market risk exposures.

### Foreign exchange risk

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

Our structural foreign exchange exposures are managed with the primary objective of ensuring, where practical, that our consolidated capital ratios and those of our individual subsidiaries are largely protected from the effect of changes in exchange rates. Transactional foreign exchange risk arises mainly from day-to-day transactions in the banking book generating profit and loss or fair value through other comprehensive income reserves in a currency other than the reporting currency of the operating entity.

In order to effectively manage transactional foreign currency exposures, the Group ensures that it operates within existing legislation and also within more conservative prudential limits approved by the Board including the intraday/overnight open position limits (both aggregate and currency-wise). Stop loss limits have been implemented for trading strategies. 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.

# Risk Management Report *(cont'd)*

## Price risk

Fluctuations in the market value of trading and non-trading positions resulting in adverse movements on the value of portfolios are 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 division, 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.

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 financial instruments that derive its values from the performance of an underlying asset, indices or interest rates and 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.

## Value at Risk (VaR)

Across the Group, Value-at-Risk (VaR) is used to estimate the potential loss from market movements. It is the standard methodology across the Group for managing and controlling market risk and measures maximum expected loss with a certain confidence level over a given time.

The methodology used to calculate VaR is the parametric method which assumes that historical returns in the foreign exchange market are representative of future movements. VaR is computed by using a 1-day holding period and based on a 99% one-tailed confidence interval. This implies that only once in every 100 days, one would expect to incur losses greater than the VaR estimates, or about two to three times a year. The use of VaR is integrated into market risk management and calculated for all trading positions regardless of how we capitalise them.

Backtesting is another level of control which aids to verify the predictiveness of the VaR model. Backtesting compares VaR calculated for positions at the close of each business day with the profit and loss (P&L) that arises from those positions on the following business day.

Whilst the VaR methodology is a valuable guide to risk, it is used with awareness of its limitations, e.g. calibrated to a certain confidence level, not being a dynamic measure of risk and past changes in market risk factors may not provide accurate predictions of future market movements.

## Liquidity and funding risk management

### Liquidity risk

Liquidity risk is defined as the risk that the Group has insufficient financial resources to meet its commitments as they fall due or can only secure them at excessive cost. It represents its ability to fund increases in assets and meet financial obligations while complying with all statutory and regulatory requirements.

The Group has an established Liquidity Risk Management Framework which comprises the liquidity policy, procedures and methodologies in place to ensure that the Group is positioned to address its liquidity obligations at all times and to withstand a period of liquidity stress. Principal components of this framework are the Risk Appetite Statement and associated limits and the Funding and Liquidity Policy, both of which are approved by the Board on the recommendation of ALCO.

Our solid liquidity position stands on a decentralised model under which each subsidiary manages its own liquidity autonomously. The tools used to monitor and manage the risk are mainly the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR) and the Traditional Gap Analysis. The Group adopts a prudential approach in liquidity risk management with the setup of internal liquidity gap limits based on the level of HQLAs and adoption of a more conservative LCR target. These are determined by the respective ALCOs and approved by the Board of each entity.

Liquidity risk stress testing is performed regularly using cash flow maturity mismatch analysis and covers adverse scenarios including general market and stress scenarios. Stress tests assess our vulnerability when liability run-offs increase, asset rollovers increase and/or liquid asset buffers decrease. In addition, ad hoc stress tests may be performed as part of our recovery planning and Internal Liquidity Adequacy Assessment Process (ILAAP) exercises.

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 HQLAs.

### Liquidity Coverage Ratio (LCR)

The LCR assesses the short-term resilience of our liquidity profile by making sure we have enough high-quality liquid assets to withstand a considerable market stress scenario for 30 calendar days.

The LCR complements the internal stress testing framework. By maintaining a ratio consistently above the minimum regulatory requirements, the LCR seeks to ensure that the Group holds adequate liquidity resources to mitigate a short-term liquidity stress. We leverage from these stress test outcomes as tools to determine risk appetite and support business decision-making.

Based on Basel III norms, average LCR stood at 182.25% on a consolidated basis for FY 2023 (2022: 158.78%) against the regulatory threshold at 100%. The average stock of HQLA amounts to MUR 132 billion for all 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 risk

The Group also benefits from internal tools that allow it to monitor and manage longer term funding risk. The Group entities maintain conservative deposit concentration limits to avoid undue reliance on a single entity 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.

## Net Stable Funding Ratio (NSFR)

The NSFR measures long-term liquidity risk. It is the ratio of available stable funding to required stable funding. The NSFR seeks to ensure that the Group maintains a stable funding profile in relation to the composition of its assets 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). Across the Group's entities, the ratio has remained above the prudential requirement.

## Operational risk management

In accordance with the Basel framework, the Group defines operational risk as the risk of loss due to inadequate or failed internal processes, people, and systems or to external events.

Operational risk is inherent in all products, activities, processes and systems and is generated in all business and support areas. All employees are responsible for managing and controlling the operational risks generated by their activities.

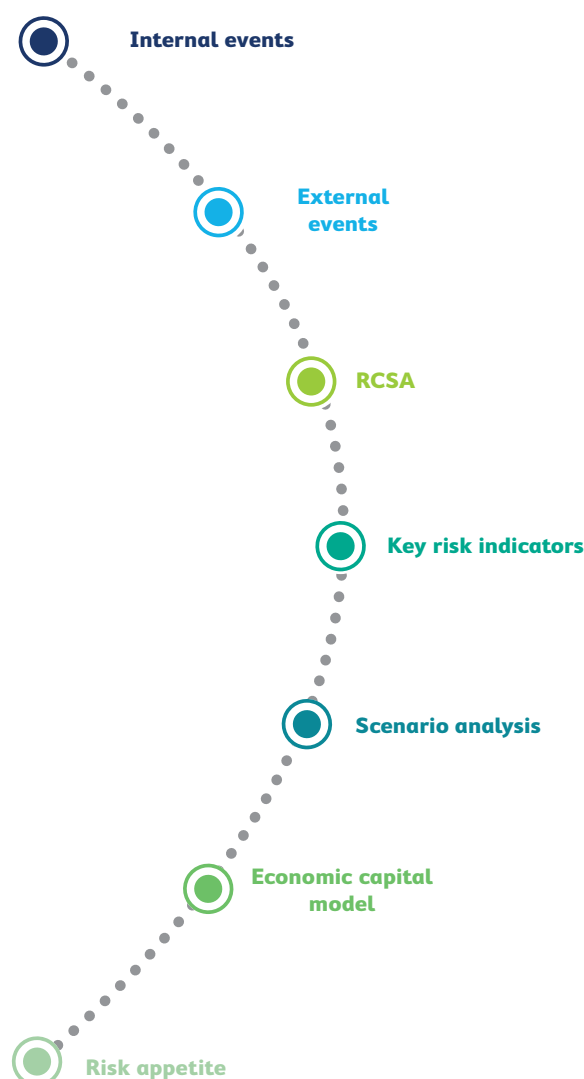
Our operational risk management and control model is based on a continuous process of identifying, evaluating and mitigating sources of risk, regardless of whether they have materialised or not. Throughout the application of this process, risk management priorities are established appropriately and controls are defined and executed to manage and mitigate the risk across the organisation.

Our operational risk model establishes the core components needed to manage and control operational risk properly according to advanced regulatory standards and best practices. The main components of the model include the Group's approach to setting and adhering to risk appetite, the risk and control taxonomies, risk management processes and tools such as incident database, risk control self-assessment (RCSA), key risk indicators (KRIs) and the operational risk capital models among others. Other instruments are used to analyse and manage operational risk, such as the assessment of new products and services and transformation initiatives, business continuity plans (BCP), recommendations from internal and external auditors and supervisors.

The governance of our operational risks follows the 3 lines of defence (3 LOD) model of the Group which provides clear ownership and accountability for managing risk in a structured and systematic manner and keeping pace with the current and emerging risks. Each business area and function (i.e. 1<sup>st</sup> LOD) is responsible for its risks and the provision of adequate resources and procedures for the management of those risks. They are supported by the designated 2<sup>nd</sup> LOD functions responsible for

independent risk and compliance oversight, methodologies, tools and reporting within their areas as well as working with management on non-financial risk issues that arise.

The main operational risk tools used across the Group comprise of the following:



Significant and trending operational risk themes are discussed in governance forums where appropriate, including emerging risk themes from both internal or external events and also, any corresponding tactical or strategic control enhancements that may be required in order to maintain adequate internal controls in response to such events.

There have been major enhancements during the course of the previous year in respect of operational risk management with reduction in operational losses reported, initiatives around review and updating of its framework, deeper analysis of root causes and lessons learnt sharing, provision of tailored training and awareness programmes, enhancing working arrangements and communication across functions and entities and driving a strong risk culture across the organisation.

# Risk Management Report *(cont'd)*

## 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 transformation and digitalisation of the business have given rise to new and evolving fraud risks and threats. To mitigate these risks, we reviewed and enhanced our monitoring and control mechanisms such as stronger customer authentication processes, enhanced due diligence on both client onboarding and processing of instructions, strengthened online banking

transactions verification and invested in tools for better detection of suspicious activities.

The Group embeds honesty and integrity in all its operations which is reinforced by continuous training and awareness campaigns. Directors, Management and employees 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 ensures the effectiveness of its fraud management built around four major pillars namely Prevention, Detection, Mitigation and Response on an ongoing basis and operates within the following key guiding principles:



All potential fraud events are given due attention and promptly investigated independently as per the established governance process which is in place across the Group. Material outcomes are reported at relevant management, risk and audit committees and where appropriate, actions are taken against offenders and internal controls are strengthened.



## Business continuity management

The Group remains fully aware of the intricacies of operating in a highly competitive market where the various stakeholders expect consistent and smooth business processes. Failure to build resilience and recovery capabilities into business processes or into the services on which the Group's business processes depend, may result in significant customer detriment, losses incurred by the Group's customers and reputational damage.

A comprehensive Business Continuity Management (BCM) Framework operates across the Group which, reflects the strategy, objectives and dynamic operating environment of the organisation and also caters for outsourced activities when addressing resilience and recovery challenges. The framework is further supported by a BCM programme in place and endorsed by all entities of the Group where priorities have been identified with potential solutions detailed.

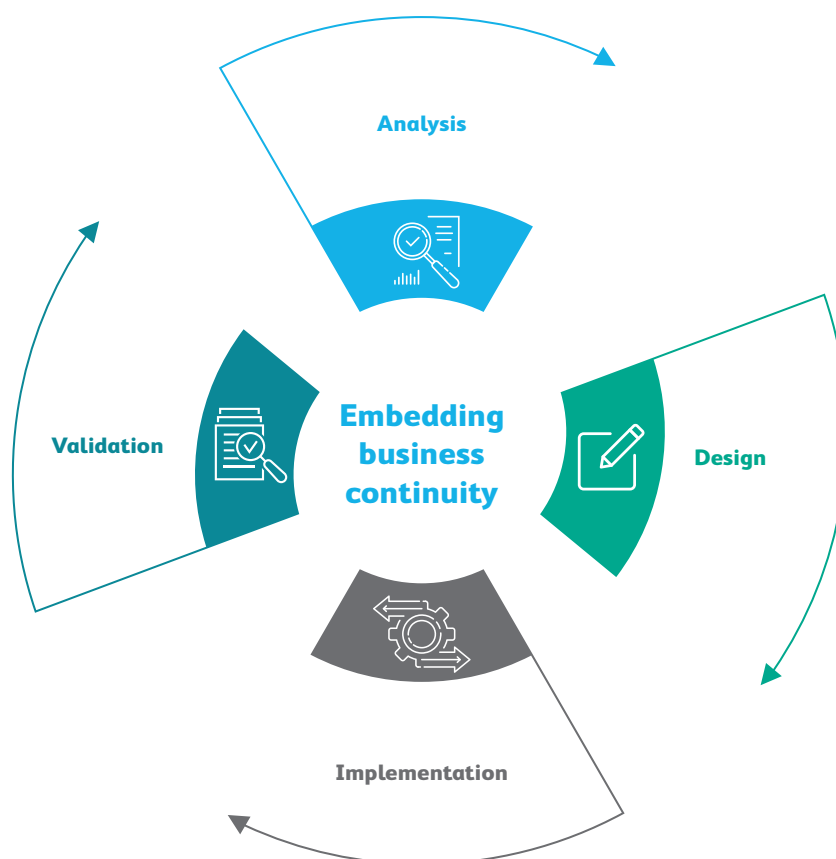
The BCM programme, which is based on detailed action plans, training and awareness sessions, periodic tests and drills including conducting regular Disaster Recovery simulations,

ensures that contingency plans and procedures remain effective and that the organisation can resume critical activities within the briefest delay possible in the event of disruption.

The Group is firmly committed to maintaining a robust control environment according to the best standards in the banking industry. This allows us to reinforce our operational resilience against potential disruptive events, thus promoting the provision of services to our customers as well as systemic stability.

Its main objectives are:

- safeguarding staff safety in emergency situations
- fulfilling our obligations towards employees, customers, shareholders and other stakeholders
- complying with regulations
- minimising potential losses to the Group as well as the impact on business activities
- protecting our brand image, credibility and trust



One of the main objectives of the BCM lifecycle is to continuously improve the Group's business continuity management capabilities and readiness. The Group proactively identifies potential threats and their impact on operations and services with defined protocols and governance to provide an effective response.

# Risk Management Report *(cont'd)*

## Cyber-security and IT risk

Cyber-security risk is the risk of loss of confidentiality, integrity, or availability of information, data, or information systems and reflect the potential adverse impacts to organisational operations (i.e., mission, functions, image, or reputation), assets, customers, and other stakeholders and if these risks materialised can cause financial loss, disruption, or damage to reputation and regulatory sanctions.

International conflicts and the sophistication of coordinated attacks by cybercriminals continue to produce a worsening threat landscape increasing the frequency and severity of cyber attacks that are impacting businesses, third parties, critical infrastructure and even governments. Moreover, the increasing use of digital delivery channels to deliver financial services exposes the Group to various vectors of attack.

Threat actors (individuals, organised crime rings and nation state sponsored) continue to target financial institutions to steal data, money or to disrupt operations. Within such operating context, cyber-security risk continues to be of primary concern for financial institutions and consequently we heightened our activity in terms of cyber-security initiatives to mitigate emerging threats.

Despite a demanding environment that is constantly changing, we are quickly adapting our business model and our technology to meet the new needs of our customers as well as new regulatory requirements. In this regard, we are transforming our business and operating model through our technology initiatives to deliver on our digital transformation journey and cyber risks and cyber-security forms an integral part of these initiatives.

The Group operates within a sound governance process with Board approved framework which together with its respective policies and procedures are focused on safeguarding the organisation and its customers' information, ensuring the IT environment is secure and resilient in support of our business objectives.

Our goal is to make the Group a cyber-resilient organisation that can quickly prevent, detect, and respond to cyber attacks, with constantly improving our defences.

## Third party risk

The Group remains dependent on suppliers for the provision of many of its services and in the development of systems and technology. Whilst the Group relies on suppliers, it remains fully accountable to its clients for risks arising from the actions of suppliers.

Third party risk is the potential threat presented to an organisation's 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.

During the year, the Group has strengthened its operating model and internal controls taking into account any changes in the regulatory requirements with the aim of adequately assessing and managing the risks in outsourcing and third-party agreements. We adopted a risk-based approach that focuses on those suppliers, in the different entities of the Group, that could increase the potential risk level in our operations and client services. Additionally, the Group continued to enhance its methodologies and tools to monitor third parties to further minimise related risks, enhance the internal control environment and improve our infrastructure.

The Outsourcing policy caters for:

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

## Climate risk

Banks are confronted with a new frontier of risks with the emergence of climate risk as a critical consideration, with the potential to impact financial stability and long-term profitability. Climate and environmental risk factors are considered transversal and are likely to have an impact on existing risk typologies such as credit, market, liquidity, operational, reputational and strategic, mainly. These risk factors include the physical effects of climate change and the transition to a low-carbon economy.

### Physical risk

Refers to the direct impacts of climate change on assets, economic activity, labour supply, communities, markets and investors. Banks assess physical risk by considering the following

#### Acute



More intense extreme weather events, such as droughts, hurricanes or floods

#### Chronic



Changes in rainfall patterns, extreme weather variability, average temperature rises, severe heatwaves and rising sea level

These metrics help organisations to understand the potential for damage to physical infrastructure, disruption to supply chains, and impacts on borrowers' ability to repay loans.

### Transition risk

It arises from the shift to a low-carbon economy, including policy and regulatory changes, technological advancements, and changing consumer preferences. Considerations are given to:

#### Market sentiment



Changes in the supply and demand of certain commodities, products and services as they consider climate risk and opportunity, which could lead to reputational and other issues.

#### Policy action



Implementing carbon pricing mechanisms to reduce greenhouse gas emissions; using energy sources with lower emissions; adopting energy efficient; and promoting water efficiency measures and more sustainable land use practices.

#### Technology



The need to build and innovate to support the transition to an energy efficient financial system with lower CO<sub>2</sub> emissions. This can have a significant impact on companies as new technology displaces obsolete systems and disrupts some components of the financial as we know it.

These considerations help institutions to evaluate the financial implications of transitioning to a low-carbon economy, including potential asset stranding and changes in market demand for certain products and services.

Across the Group, several steps have been adopted in embedding the climate and environmental factors in our cross-cutting enterprise risk management processes and strategic endeavours to meet with the increasingly traction from the regulatory front.

In addition to enlisting a service provider for their specialist assistance with climate related risks, the Group is satisfactorily implementing the requirements of the Guidelines on Climate-related and Environmental Financial Risk Management from our regulators with progress report being submitted, integrating sustainability considerations into our business strategy, revamping of climate risk related policies, revision of risk appetite, screening checklists deployed, increasing monitoring and oversight and enhancing disclosure practices, and engaging with stakeholders, including regulators, industry peers and customers, to better understand their expectations and concerns.

## Compliance

### Overview

The Compliance division is an independent 2<sup>nd</sup> LOD control function which helps to protect our business and customers and promotes sound compliance culture throughout the Group. All activities undertaken within and on behalf of the Group fall within the scope of Compliance.

The Compliance division sets the necessary internal controls in place and enables, facilitates, advises, and monitors financial crime risk, regulatory risks and conduct risk that the Group is exposed to.

Compliance teams drive strategic compliance objectives by embedding sustainable achievements for the entities across the Group. They focus on maintaining a robust compliance risk framework through its advisory roles, in addition to delivering on its risk-based program designed to detect, mitigate, prevent as well as address deviations of applicable legislations and regulations, internal policies and standards.

## Compliance risk

Compliance risk is the risk of an activity not being conducted in conformity with applicable laws, rules, regulations, prescribed practices, internal policies and ethical standards expected by regulators, customers, investors and employees among other stakeholders. It covers the main risks described below.

### Regulatory risk

the risk that the bank fails to comply with applicable laws, regulations, guidelines, codes, rules and standards of good market practice thereby exposing the Group to administrative penalties, legal sanction, financial loss or reputational damage

### Financial crime risk

the risk of any criminal conduct such as bribery corruption, tax fraud, cybercrime, identity theft, money laundering and terrorists financing perpetrated through the Group entities

### Conduct risk

the risk of detriment to customers, market integrity, effective competition from inappropriate supply of financial services including instances of willful or negligent misconduct

# Risk Management Report *(cont'd)*

The Compliance function across the jurisdictions where the Group operates is led by respective Head of Compliance. This function is independent from any administrative attribute within the Group. The Compliance function has a formal status with the appropriate standing, authority and independence within the Group and fosters a smooth solution-based engagement between the compliance function and business units allowing for the timely identification and management of compliance risks.

The Compliance function is designed to help prevent, detect and manage breaches of applicable laws, rules, regulations and procedures through the following:

- regulatory framework
- risk identification, risk assessment, risk mitigation and risk monitoring
- training and awareness sessions
- reporting

All activities that the Group engages in are designed to comply with the applicable laws and regulations in the countries in which we operate. The control design and monitoring processes, as well as other internal control processes that are aimed at ensuring the proper conduct of our businesses and services, preventing market abuse, insider dealing and conduct breaches, are from time to time subject to regulatory reviews and/or inquiries in the jurisdictions in which they operate.

Money Laundering and Terrorist Financing are ranked among the key risks across the Group. As such, robust controls have been adopted and regular AML/CFT health checks are carried out to assess its effectiveness. The main objective is preventing misuse of our products and services to commit financial crime.

## Compliance principles

The Group has zero tolerance for deliberate or purposeful violations of legislative or regulatory requirements and no appetite for willful conduct failures, inappropriate as well knowingly and deliberately facilitating criminal activities. It is recognised that during business activities there may be mistakes and errors in judgement, however, there is minimal tolerance for any loss to customers. The primary responsibility for identifying regulatory risk, financial crime risk and conduct risk and complying with regulatory requirements lies with all employees of the organisation.

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 their respective Chief Executives underlining their independence in discharging their duties.

The Group entities continue with its reinforcement of their compliance agendas, specifically AML/CFT and sanctions frameworks, supported by dedicated training programmes for staffs and the revision of relevant policies as well as introduction of new policies and standards. The Group has also been proactive in adopting various new and revised guidelines issued by the different regulators with numerous compliance related frameworks, policies and standards being implemented especially in the areas of AML/CFT, thus maintaining a serene compliant environment.

## Independence of compliance division

Independence is one of the fundamental principles of Compliance function and the Group strives to establish and implement measures and controls in order to ensure that the duties performed and the decisions taken by the Compliance functions are carried out independently. There is no restriction on Compliance function's deliverables and activities and compliance officers have direct access to the governing body, as well as the right to obtain any information and contact any personnel of the organisation necessary to deliver on its compliance responsibilities.

The Compliance function has been an active driver of initiatives in order to promote compliance culture and also operates in compliance with the banking ecosystems.

## Some of the main initiatives undertaken by the Compliance functions:

- harmonising internal process regarding new products and services with aim to better identify emerging risks and implementing mitigating controls
- adoption of risk based approaches in reviews and tracking of items till satisfactory closure
- fostering close working relationships with regulatory and supervisory bodies
- significant improvements made to Compliance risk Framework with additional policies and standards put in place e.g., FCC Risk Appetite Framework, FCC Risk Register and Customer Review manual among others
- holding multiple engagement and work sessions to disseminate information and guidance, fostering a strong compliance culture across the entities
- be an active participant in the bank digital transformation journey and easing roadblock through advice or opening access to regulators or other government agency
- conducting and equally attending various training sessions and awareness campaigns thus allowing all relevant stakeholders to be kept abreast of new developments and focus areas



## Data protection

The Group's standards give people greater control over their data and ensure that data is used where strictly necessary and for the specific purposes for which it is collected. The Group applies all reasonable measures designed to erase or rectify data that are inappropriate, inaccurate or incomplete and to only store personal data for as long as strictly necessary for their legitimate use. Our security measures are aimed at preserving the confidentiality, integrity, availability and resilience of our data processing systems and services.

The European Union's (EU) 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.

Across the different jurisdictions of our operations, our compliance programme guarantees robust management of data protection risk strictly adhering to laws and regulations.

## Reputational risk

Reputational risk is defined as the risk of current or potential negative economic impact to the organisation due to damage to the perception of the Group on the part of employees, customers, shareholders/investors and the wider community.

Reputational risk may arise from various sources; from business or business support activities, from the economic, social and political environment or from events related to our competitors. Our reputation could also be impacted from negative coverage in the media, whether it has merit or not.

The Group adopts a preventive management and control approach to managing reputational risk with effective handling of early warnings as well as procedures to identify, manage and monitor risk events. It also includes elements for identification, analysis and monitoring of key stakeholders' perception and how that perception may change. Reputational risks are continuously monitored and reported to the Board Risk Management Committee for prompt and agile responses.

# Risk Management Report *(cont'd)*

## Focus areas 2024

Proactive risk management is essential to avoid potentially negative impacts on, and deviations from strategic and business targets. The Group continues to monitor emerging risks which have undefined components, the impact of which could crystallise over a longer time period and also, themes which have emerged but are evolving rapidly.

### Environmental, Social and Governance (ESG) risk

Organisations across the corporate and financial sectors are setting ambitious sustainability goals and net zero targets with many embedding them in their business models. However, we note the fragmentation in the pace and scale of adoption of ESG regulations around the world, particularly around taxonomies and disclosure requirements, which may lead to unintended consequences including misallocation of capital, increased implementation costs and litigation risks.

Across the Group, various initiatives are being rolled out as detailed in the Climate risk section in the earlier part of the Risk Management Report to proactively manage climate-related and broader ESG risks. In the same vein, other sections of this integrated annual report focus on how the Group is adhering to sustainability principles as per endorsed pillars and commitments. Group initiatives have, where relevant, been aligned with specific local regulatory requirements and involved in integrating sustainability considerations into our business strategy, enhancing disclosure practices, and engaging with stakeholders, including regulators, industry peers, and customers, to better understand their expectations and concerns. We are also exploring innovative financial products and services that support the transition to a more sustainable economy.

Looking ahead, we are committed to embedding climate risk and sustainability considerations into our decision-making processes, ensuring that we are well-positioned to navigate the challenges and opportunities presented by climate change. By taking a proactive and forward-thinking approach, we believe that we can not only mitigate risks but also contribute to a more sustainable future for all.

### Cyber-security

The growing cyber threat combined with the increasing reliance on digital systems and exacerbated by international conflicts make cyber-security one of the Group's main priorities. We aim to remain a cyber resilient organisation that can resist, detect and rapidly respond to cyberattacks, while constantly enhancing our defences. We shall maintain our investment in business and technical controls to defend against these increasing threats accompanied by a strong cyber control framework and cyber risk oversight. The Group continues to enhance its collaboration with industry partners and regulatory bodies to stay ahead of evolving challenges.

### Macroeconomic and geopolitical environment

Key macroeconomic and geopolitical factors posing risks and challenges to our strategy notably pertain to the monetary policy stance, persistence of armed conflicts in the Middle East and Ukraine as well as volatile energy and other commodity prices. Such uncertainty can potentially hinder our growth and profitability and diminish asset quality due to a slowdown in one or many of our markets. In addition, our clients' income or the value of their financial assets could also be affected, which would likely impact the recoverability of loans and increase our losses or additional provisioning needs. Whilst the main impacts are financial, other ramifications may exist such as reputational, compliance or operational considerations.

With many elections due across the world in the next twelve months, there is uncertainty over the political direction of economic policy. There is a risk of short-term political expediency taking precedence over long-term strategic decision making.

The Group has robust risk policies and procedures and manages risk proactively to keep our risk profile within the limits set in our risk appetite statement. This, coupled with our geographical and business diversification, makes us more resilient to macroeconomic and geopolitical risk.

## Capital management

The Group's approach to capital management is driven by its strategic objectives and is focused on maintaining a healthy capital position through building a strong and efficient capital structure to meet the expectations of its key stakeholders i.e. regulators, investors, rating agencies, shareholders and analysts.

The Group regards having a strong capital position as essential to its business strategy and competitive position. Effective capital management is indeed fundamental to the sustainability of the Group. The key objectives of the Group's capital management function are:

- to maintain a strong and efficient capital base for the Group and its subsidiaries to meet regulatory capital requirements at all times
- to ascertain that each subsidiary is well capitalised in line with our risk appetite and to support business growth
- to deploy capital efficiently across business units and subsidiaries to optimise return on capital
- to have sufficient buffers to withstand stressed economic and market conditions

SBM Holdings Ltd is the primary provider of capital to the different operating entities. The capital is distributed as and when needed, taking into account planned business growth and regulatory requirements imposed on each subsidiary by its respective host regulator. In addition the Group's capital is closely monitored and actively managed to ensure there is sufficient capital to support business growth and to pursue its strategic business and investment opportunities that will create value for the stakeholders, while taking into consideration the Group's risk appetite.

### Regulatory capital requirements

The Group adheres to capital adequacy rules as prescribed by the Bank of Mauritius (BoM) for its consolidated reporting and for that of the Mauritian banking entity. These rules are largely consistent with international standards set by the Basel Committee on Banking Supervision (BCBS).

As such, the Group has adopted the Standardised Approach for credit and market risk exposures based on the Guidelines on Standardised Approach to Credit Risk and the Guideline on Measurement of Market Risk while for operational risk, it follows the Alternative Standardised Approach. As for determination of its capital base, this is worked out in accordance with the Guideline on Scope of Application of Basel III and Eligible Capital issued by BoM in 2014 and as per which a bank shall hold and 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, all banks need to abide to additional capital requirement in the form of capital conservation buffer (CCB), which is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. The implementation of the CCB of 2.5% started as from January 2017 in a phased manner, growing on a yearly basis by 0.625% and was initially set to be fully effective as from January 2020. However, in apprehension of the challenges posed by Covid-19 pandemic, BoM, in a first instance, in May 2020,

deferred the implementation of the last tranche of the CCB to April 2022. Therefore, SBM had to maintain CCB of 2.5% in form of Common Equity Tier 1 ("CET 1") capital as from April 2022.

Moreover, given that SBM is one of the five Domestic Systemically Important Banks (D-SIB) in Mauritius based on its systemic importance, it is subject to stricter regulatory measures. As such, SBM is required to maintain an additional D-SIB buffer of 2.0% in the form of CET 1 capital. The D-SIB is applied on a discretionary basis by the regulator and is assessed yearly based on five criteria which include size, exposure to large groups, interconnectedness, complexity and substitutability.

The table below illustrates regulatory capital requirements applicable to Group:

Minimum capital requirements	Dec 2023
Minimum Common Equity Tier 1 (CET 1)	6.50%
Minimum Tier 1	8.00%
Minimum Total CAR	10.00%
Capital Conservation Buffer (CCB)	2.50%
D-SIB Buffer - Minimum additional loss absorbency	2.00%
Minimum CET 1 CAR plus CCB + D-SIB	11.00%
Minimum Tier 1 CAR plus CCB + D-SIB	12.50%
Minimum Total CAR (Tier 1+Tier 2) + CCB + D-SIB	14.50%

The banking entities of the Group are subject to capital adequacy requirements of the jurisdiction in which they operate. Table below shows the minimum CAR ratio as at 31 December 2023.

Requirement as per host regulator	SBMBM	SBMBI	SBMBK	BSBMM
Minimum Tier 1 Ratio (%)	12.50	9.50	10.50	6.00
Minimum CAR Ratio (%)	14.50	11.50	14.50	8.00

### Capital position

As at 31 December 2023, the Group Tier 1 Ratio and total CAR ratio stood at 15.10% and 20.50% respectively, exceeding comfortably the minimum regulatory CAR requirements.

The entities of the Group are subject to capital adequacy requirements of the jurisdiction in which they operate. As of 31 December 2023, CAR ratios of these subsidiaries were above their respective local requirements. The table below shows the CAR ratios of the subsidiaries as at 31 December 2023.

Position as at 31 December 2023	SBMBM	SBMBI	SBMBK	BSBMM
Actual CAR Ratio (%)	19.35	16.63	15.48	24.66

# Risk Management Report *(cont'd)*

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

SBM GROUP		
	Dec-2023	Dec-2022
	MUR million	
<b>Capital Base</b>		
Share Capital	32,500	32,500
Retained Earnings	9,511	5,909
Accumulated other comprehensive income and other disclosed reserves	(6,877)	(7,746)
<b>Common Equity Tier 1 Capital (CET 1) before regulatory adjustments</b>	<b>35,134</b>	<b>30,663</b>
<b>Regulatory Adjustments</b>	<b>8,118</b>	<b>7,893</b>
Treasury (own) shares	4,875	4,875
Goodwill and intangible assets	1,852	1,753
Deferred tax assets	1,391	1,265
<b>Common Equity Tier 1 Capital (CET 1)</b>	<b>27,016</b>	<b>22,770</b>
<b>Additional Tier 1 (AT 1)</b>	<b>0</b>	<b>0</b>
<b>Tier 1 capital (T1 = CET 1 + AT 1)</b>	<b>27,016</b>	<b>22,770</b>
Capital Instruments	7,308	8,195
Other Reserves <i>(45% of surplus arising from Revaluation of land &amp; buildings)</i>	568	610
Portfolio Provision or ECL <i>(restricted to 1.25% of credit RWA)</i>	1,802	1,980
<b>Tier 2 Capital</b>	<b>9,678</b>	<b>10,785</b>
<b>Total capital base</b>	<b>36,694</b>	<b>33,555</b>

SBM GROUP		
	Dec-2023	Dec-2022
	MUR million	
<b>RISK WEIGHTED ASSETS (RWAs)</b>		
<b>Credit risk</b>	<b>159,580</b>	<b>158,421</b>
<i>On-balance sheet assets</i>	145,634	143,181
<i>Off-balance sheet exposures</i>	13,946	15,240
<b>Market risk</b>	<b>1,016</b>	<b>830</b>
<i>Off-balance sheet exposures</i>		
<i>Aggregate net open foreign exchange position</i>	785	695
<i>Capital charge for trading book position exceeding 5% or more of its total assets</i>	231	135
<b>Operational risk</b>	<b>18,373</b>	<b>16,178</b>
<b>Total RWAs</b>	<b>178,969</b>	<b>175,429</b>

<b>Capital adequacy ratios (%)</b>		
<b>CET 1 Capital Ratio (%)</b>	<b>15.10</b>	<b>12.98</b>
<b>Tier 1 Capital Ratio (%)</b>	<b>15.10</b>	<b>12.98</b>
<b>Total Capital Ratio (%)</b>	<b>20.50</b>	<b>19.13</b>



## Banking cluster - RWAs and CAR

The banking cluster's total RWAs increased from MUR 164 billion as at 31 December 2022 to reach MUR 167 billion by 31 December 2023 driven primarily by growth in business volumes. During 2023, our operating subsidiaries have adapted a prudent approach to grow their business volumes amid prevailing economic uncertainty in the jurisdictions we operate.

	Dec-2023	Dec-2022
	MUR million	
<b>Total capital base</b>	<b>30,689</b>	<b>26,704</b>
<b>Risk weighted assets (RWAs)</b>	<b>169,089</b>	<b>163,868</b>
Credit Risk	148,223	147,159
Market Risk	1,015	831
Operational Risk	17,851	15,878
<b>Capital adequacy ratios (%)</b>		
<b>CET 1 Capital Ratio</b>	16.18	14.40
<b>Tier 1 Capital Ratio</b>	16.18	14.40
<b>Total CAR</b>	<b>18.37</b>	<b>16.30</b>

## Banking Group's RWAs analysed by type of risk

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



# Risk Management Report *(cont'd)*

## Credit risk

The tables below provide breakdown of the risk weighted assets for the consolidated banking cluster after credit risk mitigation (CRM) for both on-balance sheet and off-balance sheet assets for the past two years:

Risk Weighted On Balance Sheet Assets MUR million	Dec-2023			Dec-2022
	Amount	Weight %	RWAs	RWAs
Cash Items	4,002	0-20	2	1
Claims on Sovereigns	106,575	0-100	3,311	4,086
Claims on Central banks	43,448	0-50	0	0
Claims on Multilateral Development Banks	14,697	0	539	634
Claims on Banks	14,015	0-100	6,760	4,119
Claims on Non-Central Government Public Sector Entities	10,035	50-100	7,352	3,144
Claims on other securities firms	0	100	0	0
Claims on Corporates	68,033	30-100	57,369	61,150
Claims included in the Regulatory Retail Portfolio	21,409	75	16,057	15,419
Claims secured by Residential Property	37,632	35-125	14,431	13,820
Claims secured by Commercial Real Estate	10,587	100-125	11,745	12,096
Past due claims	3,140	50-150	3,076	3,665
Other Assets	13,634	100	13,634	13,785
<b>Total On Balance Sheet RWAs</b>	<b>347,207</b>		<b>134,276</b>	<b>131,919</b>

RWAs - Non market related Off Balance Sheet assets MUR million	Dec-2023					Dec-2022
	Nominal Amount after CRM	Credit Conversion Factor (%)	Credit Equivalent Amount	Weight %	Weighted Assets	RWAs
Direct Credit Substitutes	3,249	100	3,249	0-100	3,197	4,306
Transaction-Related Contingent items	11,946	50	5,973	0-100	5,655	5,386
Trade-Related Contingent items	4,309	20-100	1,238	0-100	1,208	1,654
Other Commitments	24,525	0-50	2,544	0-100	2,183	2,016
<b>Total Off Balance Sheet RWAs</b>	<b>44,029</b>		<b>13,004</b>		<b>12,243</b>	<b>13,362</b>

## 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-2023							Dec-2022
	Nominal Amount	CCF	Potential future exposure	Current exposure	Credit equivalent amount	Weight	RWAs	RWAs
	MUR Mn	%	MUR Mn	MUR Mn	MUR Mn	%	MUR Mn	MUR Mn
Interest rate contracts	1,280	0-1.5	9	0	9	20-100	7	24
Foreign exchange contracts	43,499	1-7.5	1,039	532	1,570	20-100	1,509	1,638
Equity contracts	1,980	6-8	143	50	193	20-100	128	131
Other commodity contracts	0	10-12	0	0	0	20-100	0	0
Credit derivative contracts	0	20	0	0	0	50	0	0
Other market-related contracts	652	12	77	4	82	50	59	85
<b>Total Market RWAs</b>	<b>47,411</b>		<b>1,268</b>	<b>586</b>	<b>1854</b>		<b>1,703</b>	<b>1,878</b>

## 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 for the past two years:

MUR million	Dec-2023	Dec-2022
Aggregate net open foreign exchange position	785	695

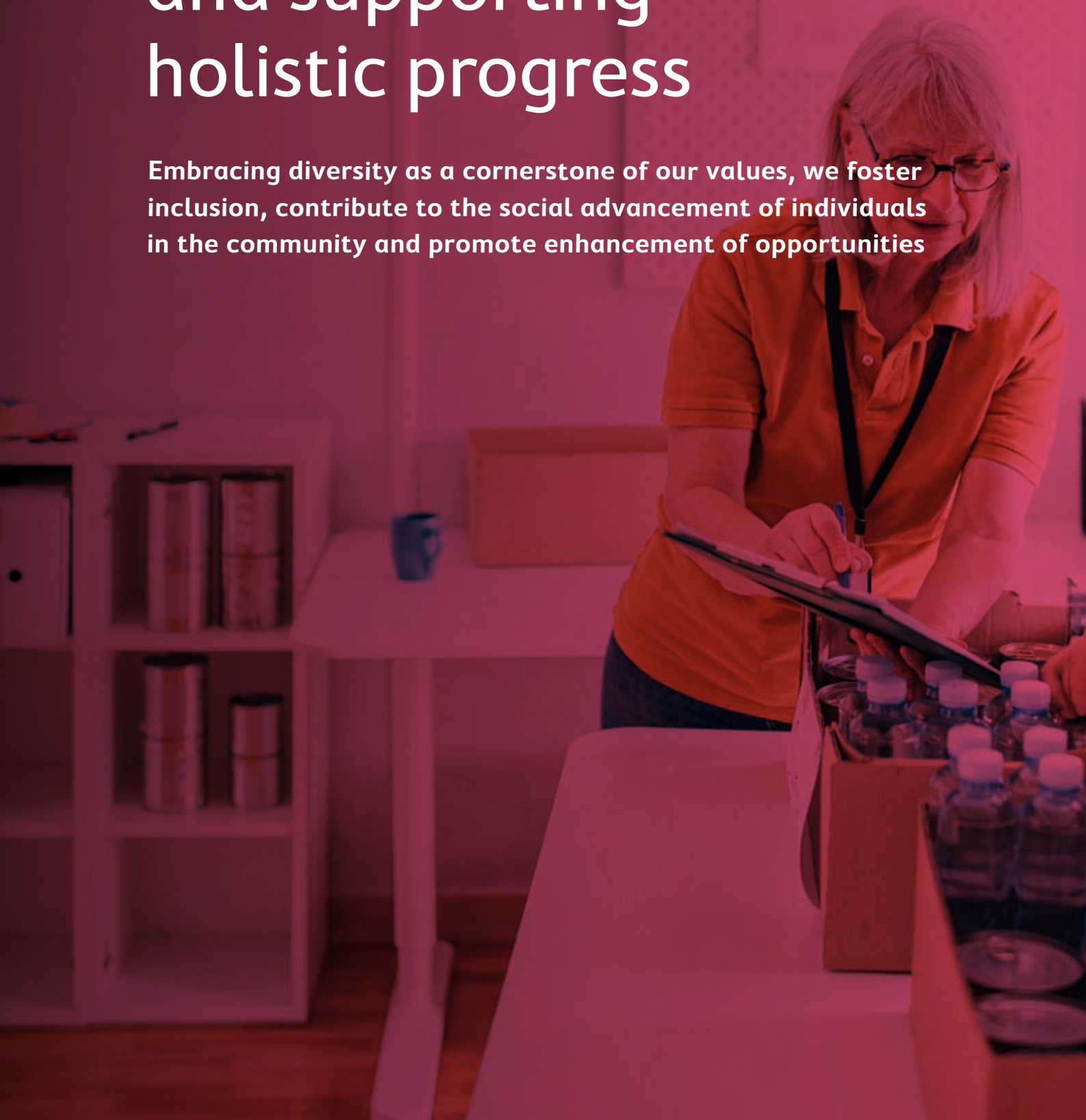
## Operational risk capital

The Group has adopted the Alternative Standardised Approach for calculating its operational risk capital as per the BoM Guideline on Operational Risk. Capital Charge for Operational risk for the Banking Group witnessed a growth of 12% from December 2022 to December 2023, in line with growth in business volumes.

MUR million	Dec-2023	Dec-2022
RWAs for operational risk	17,851	15,878

# Fostering inclusion: embracing diversity and supporting holistic progress

Embracing diversity as a cornerstone of our values, we foster inclusion, contribute to the social advancement of individuals in the community and promote enhancement of opportunities













# Financial Review



# Financial Review

## Strength, stability and resilience of growth impetus upheld

### Executive summary

Despite the volatile global financial landscape throughout the fiscal year 2023, the SBM Group has posted a resilient performance. During the financial year 2023, the Group sustained a double digit growth momentum and consistently maintained strong financial soundness ratios. The ongoing improvement delivered in FY 2023 is attributed to wide-ranging strategic initiatives.

#### *Improved financial performance of the Group*

The Group reported a record profit after tax amounting to MUR 4.3 billion for FY 2023 as compared to MUR 3.6 billion for FY 2022, along with a decrease of MUR 285.5 million in credit loss expenses reflecting strategic decisions aimed at enhancing efficiency and mitigating credit risk. Consequently, this led to an improvement in earnings per share (EPS) from 140.8 cents in FY 2022 to 167.2 cents in FY 2023.

The Group reported a significant increase of 41.2% in interest earnings from loans and advances on account of higher market yields and business volumes while interest income from investment securities also rose in line with the Group's strategy to deploy its funds into medium and high yielding assets, contributing to the overall 19.3% increase in net interest income compared to the previous year. Non-interest income rose by 5.5%, primarily driven by a MUR 153.2 million increase in net fee and commission income and MUR 96.8 million increase in net trading income.

Total assets stood at MUR 362.3 billion, almost at par with 31 December 2022 with redeployment of funds from low yielding assets to medium and higher yielding assets. As such, investment securities increased by MUR 5.6 billion and loans and placement with banks registered a 133.6% increase compared to previous year, while cash and cash equivalents fell by 21.3% to MUR 23.8 billion as at 31 December 2023.

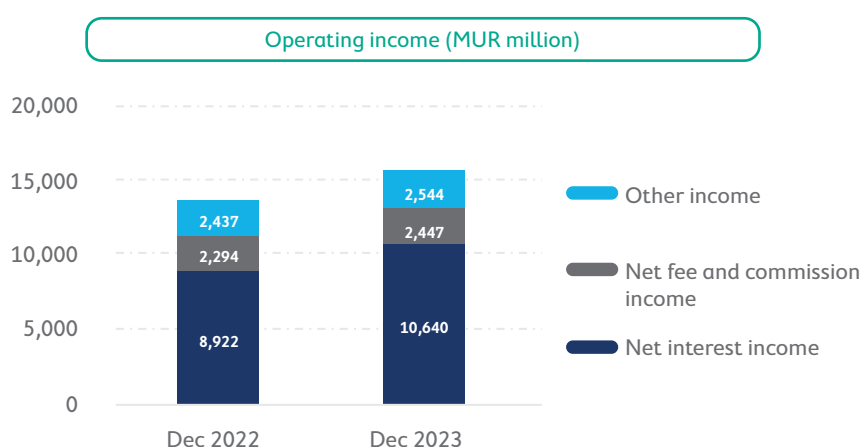
Deposits from non-bank customers and other borrowed funds have gone down by 0.9% and 13.5% respectively.

The Group's total equity rose to close at MUR 31.7 billion as at 31 December 2023 (FY 2022: MUR 27.2 billion) as a result of the good financial performance for FY 2023, thereby increasing the net asset value per share from MUR 10.5 in FY 2022 to MUR 12.3 in FY 2023.

### Statement of profit or loss analysis

#### *Operating income*

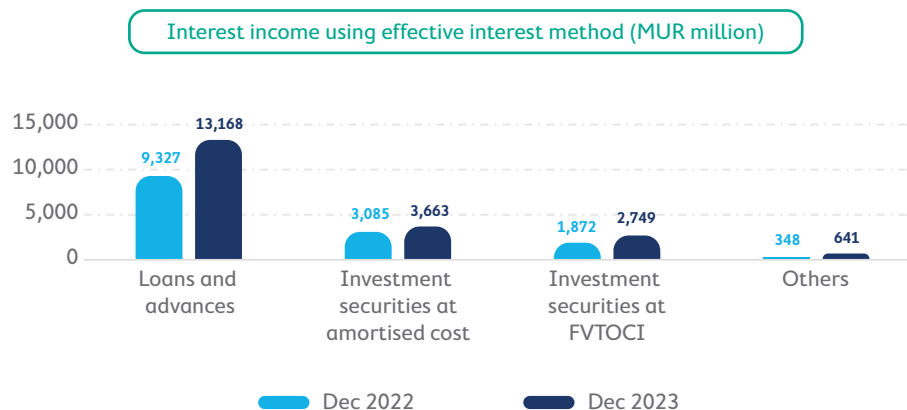
Total operating income surged by 14.5%, rising from MUR 13.7 billion in FY 2022 to MUR 15.6 billion in FY 2023, primarily attributed to increased net interest income and net fee and commission income.





### Operating income (cont'd)

The net interest income experienced a 19.3% increase from MUR 8.9 billion in FY 2022 to MUR 10.6 billion in FY 2023. This is primarily due to a 41.2% increase in interest income from loans and advances and MUR 1.5 billion growth in interest income derived from investment securities at amortised cost and financial assets at fair value through other comprehensive income (FVTOCI).



Interest expenses went up by MUR 4.0 billion compared to FY 2022 mainly on account of the full year impact of the increases in interest rates across entities in FY 2022 and FY 2023 which resulted in an increase of MUR 3.3 billion in interest paid on deposits.

The Group disclosed non-interest income totalling MUR 5.0 billion for the year 2023, that is, a 5.5% rise compared to MUR 4.7 billion for FY 2022. This enhancement was primarily fuelled by increased net fee and commission income and net trading income, partially mitigated by net losses from financial assets at amortised cost.

### Non-interest expenses

Non-interest expenses increased from MUR 8.1 billion to MUR 9.6 billion for FY 2023. This was largely attributed to higher staff costs and other operational expenses associated with ongoing investment in capacity building, business growth and also taking into account general increases in prices. Other expenses for FY 2023 included a one-off VAT expense amounting to MUR 320.1 million.

### Breakdown of expenses (MUR million)

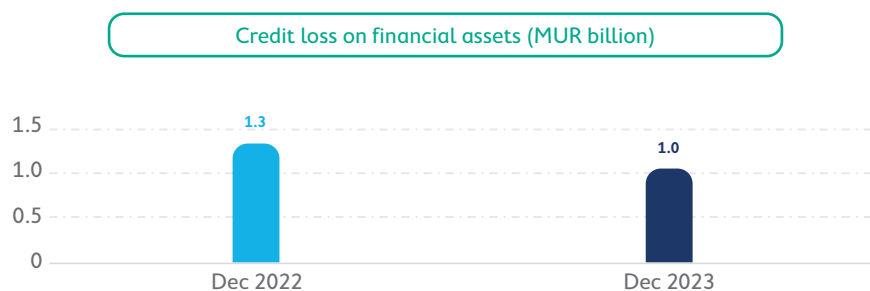
	Group	
	2023	2022
Personnel expenses	4,276	3,862
Depreciation of property and equipment	330	322
Depreciation of right-of-use asset	239	237
Amortisation of intangible assets	531	495
Other expenses	4,228	3,221
	<b>9,604</b>	<b>8,137</b>

# Financial Review *(cont'd)*

## Statement of profit or loss analysis *(cont'd)*

### Credit loss expense

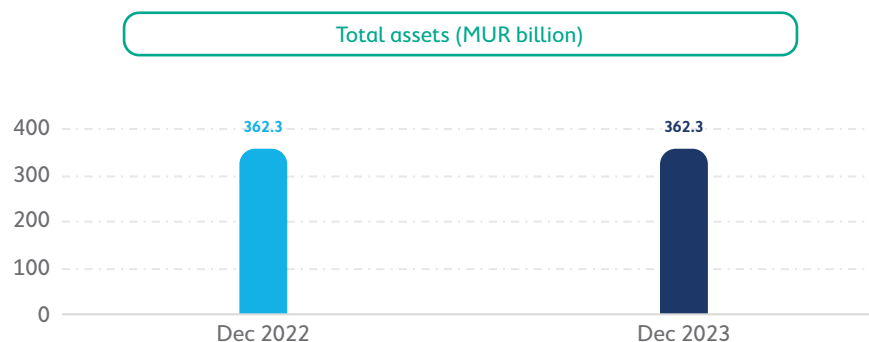
In addition, the Group's profit continues to be positively impacted by lower impairment loss on financial assets through rigorous risk management controls in place. With thorough monitoring, many stage 2 accounts were transferred to stage 1 during the year under review, resulting in lower ECL provisions.



## Statement of financial position analysis

### Total assets

Total assets remained nearly at par with 31 December 2023 at MUR 362.3 billion (FY 2022: MUR 362.3 billion). The movement in total assets was mainly driven by a rise of MUR 5.6 billion in investment securities and MUR 1.6 billion increase in loans and placements resulting from redeployment of cash and cash equivalents which fell by 21.3%. The Group's net loans and advances also fell by MUR 1.7 billion.



### Loans and advances

Gross loans and advances to non-bank customers experienced a decline of 3.4% during FY 2023 to stand at MUR 157.8 billion as of 31 December 2023 (compared to MUR 163.5 billion in FY 2022) as shown in table below:

#### Details by entity (MUR million)

##### 2023

Gross loans and advances to customers  
Allowance for credit impairment  
Net loans and advances to customers  
Gross impaired advances  
Net impaired advances  
Provision coverage ratio

	SBMBM	SBMBI	BSBMM	SBMBK	GROUP (after intercompany elimination)
Gross loans and advances to customers	119,070	23,571	1,209	14,798	157,842
Allowance for credit impairment	(6,952)	(621)	(160)	(1,850)	(9,583)
Net loans and advances to customers	112,118	22,950	1,049	12,948	148,259
Gross impaired advances	6,249	521	91	4,002	10,863
Net impaired advances	895	19	4	2,201	3,119
Provision coverage ratio	85.7%	96.4%	95.6%	45.0%	71.3%

##### 2022

Gross loans and advances to customers  
Allowance for credit impairment  
Net loans and advances to customers  
Gross impaired advances  
Net impaired advances  
Provision coverage ratio

Gross loans and advances to customers	118,545	29,079	1,178	15,821	163,451
Allowance for credit impairment	(10,426)	(705)	(186)	(2,141)	(13,456)
Net loans and advances to customers	108,119	28,374	992	13,680	149,995
Gross impaired advances	9,360	580	136	4,452	14,528
Net impaired advances	1,628	79	24	2,402	4,133
Provision coverage ratio	82.6%	86.4%	82.4%	46.0%	71.5%

### Investment securities

Investment securities increased by 3.7% from MUR 152.0 billion as at 31 December 2022 to MUR 157.5 billion as of 31 December 2023. The Group remains committed to allocating its excess liquidity towards higher yielding assets (fixed income gilt-edged securities, foreign bank bonds and corporate bonds).

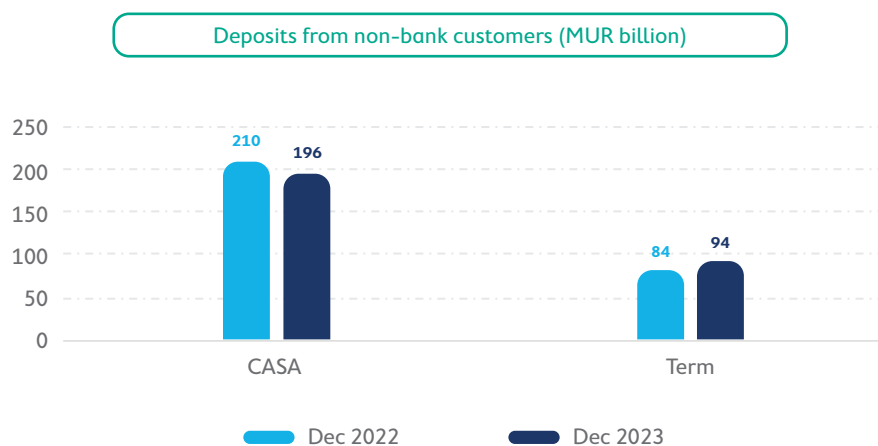


# Financial Review *(cont'd)*

## Statement of financial position analysis *(cont'd)*

### Deposits from non-bank customers

Deposits from non-bank customers decreased slightly due to a major drop in SBMBI's deposits following some regulatory restrictions. As for SBMBM, the bank registered a drop in CASA deposits mostly due to outflow of funds from Corporate Segment B business but which was offset by an increase in Term Deposits.



### Deposits from non-bank customers by entity (MUR million)

#### 2023

Term deposits  
CASA  
Total deposits

SBMBM	SBMBI	BSBMM	SBMBK	GROUP (after intercompany elimination)
57,304	24,210	-	12,853	94,367
181,904	8,798	1,832	5,062	196,273
239,208	33,008	1,832	17,915	290,640

#### 2022

Term deposits  
CASA  
Total deposits

46,318	25,739	-	11,476	83,533
189,874	11,978	1,902	6,063	209,817
236,192	37,717	1,902	17,539	293,350



### Subordinated debts

The Group's subordinated debts stood at MUR 11.2 billion as at 31 December 2023 ( 31 December 2022: MUR 10.6 billion).

	Maturity date	Amount raised			Carrying value MUR'000
		MUR'000	USD'000	INR'000	
<b>First issue of subordinated debts in 2014</b> Class A1 series MUR senior unsecured bonds	March 2024	1,500,000	-	-	1,526,812
<b>Second issue of subordinated debts in 2018</b> Class A2 series MUR senior unsecured bonds	June 2028	3,060,520	-	-	3,064,426
Class B2 series USD senior unsecured bonds	June 2025	-	75,664	-	3,351,948
<b>Third issue of subordinated debts in 2021</b> Class A3 & B3 series unsecured bonds	June 2031	2,000,000	-	-	2,009,082
<b>SBMBI_Issue of subordinated debts in 2022 &amp; 2023</b> Fixed interest rate subordinated unsecured bonds	2032/2033	-	-	2,402,218	1,279,905
<b>TOTAL</b>					11,232,173

In FY 2022, SBM Bank (India) Limited made a private placement of 125 Basel III compliant rated, unsecured, subordinated, listed, redeemable, non-convertible and fully paid up Tier 2 bonds in the nature of debentures (Series II) amounting to INR 1,250 million at a price of INR 10 million face value at a fixed interest rate of 9.75% maturing April 2032. During the year under review, the subsidiary further issued 99 unsecured subordinated debts at INR 10 million face value at the rate of 9.98% maturing on January 2033.

The class A1 series MUR senior unsecured bonds of MUR 1.5 billion was duly repaid to bondholders on maturity date in March 2024.

# Financial Review *(cont'd)*

## Statement of financial position analysis *(cont'd)*

### Other borrowed funds

The Group's other borrowings stood at MUR 13.4 billion as at 31 December 2023 (2022: MUR 15.5 billion).

### Breakdown by entity (MUR million)

	2023	2022
SBMBM	4,689	758
SBMBI	2,938	7,254
SBMBK	5,778	7,477
	<b>13,405</b>	<b>15,489</b>

SBMBI's borrowings fell as a result of repayment of short term borrowings to local banks while SBMBM booked an increase of MUR 3.9 billion.

### Shareholders' equity

As of 31 December 2023, shareholders' equity amounted to MUR 31.7 billion, compared to MUR 27.2 billion as at 31 December 2022. This increase is attributed to profit for the year totalling MUR 4,316.9 million, a positive change in other comprehensive income amounting to MUR 712.6 million, mitigated by a dividend payment totaling MUR 516.4 million (equivalent to 20 cents per share). The following depicts the Group's capital structure over the past two years.

### MUR million

	2023	2022
Tier 1	27,016	22,770
Tier 2	9,678	10,785
Capital base	<b>36,694</b>	<b>33,555</b>



## Segment performance

Amount in MUR million	SBM Banking Group		NBFC Group		SBMH (Company)		Others		Group (after interco elimination)	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Statement of profit or loss</b>										
Net interest income/ (expense)	11,118	9,371	24	26	(502)	(475)	-	-	10,640	8,922
Non-interest income/ (expense)	4,298	3,873	495	694	2,082	2,528	1	(1)	4,991	4,732
Operating income/(expense)	15,416	13,244	519	720	1,580	2,053	1	(1)	15,631	13,654
Non-interest expense	(9,176)	(7,786)	(264)	(227)	(273)	(147)	(14)	(21)	(9,604)	(8,137)
Impairment of financial assets	(1,030)	(1,293)	(14)	(32)	-	-	-	-	(1,047)	(1,333)
Profit/(loss) before income tax	5,210	4,165	241	461	1,307	1,906	(13)	(22)	4,980	4,184
Profit/(loss) for the year	4,582	3,684	206	397	1,308	1,904	(13)	(22)	4,317	3,636
<b>Statement of financial position</b>										
Investment securities	149,008	143,500	1,315	1,239	38,253	38,139	305	400	157,533	151,978
Loans and advances to non-bank customers	149,065	151,164	-	-	-	-	-	-	148,259	149,995
<b>Total assets</b>	<b>353,123</b>	<b>353,407</b>	<b>3,268</b>	<b>3,435</b>	<b>39,083</b>	<b>38,233</b>	<b>456</b>	<b>444</b>	<b>362,253</b>	<b>362,341</b>
Deposit from non-bank customers	291,959	294,015	-	-	-	-	-	-	290,640	293,350
Other borrowed funds/ liabilities	23,018	24,219	1,303	1,542	9,952	9,917	5	7	23,445	24,560
<b>Total liabilities</b>	<b>321,430</b>	<b>325,441</b>	<b>1,323</b>	<b>1,616</b>	<b>10,055</b>	<b>9,993</b>	<b>5</b>	<b>8</b>	<b>330,570</b>	<b>335,172</b>
Shareholders' equity	31,693	27,966	1,945	1,819	29,028	28,240	450	436	31,683	27,170

# Financial Review *(cont'd)*

## Segment performance *(cont'd)*

### Banking group

Amount in MUR million	SBMBM		SBMBI		BSBMM		SBMBK		SBMBH (after interco elimination)	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022

#### Statement of profit or loss

Net interest income	8,492	6,930	1,231	1,132	168	112	1,227	1,197	11,118	9,371
Non-interest income	2,904	2,454	870	879	81	112	442	427	4,298	3,873
Operating income	11,396	9,384	2,101	2,011	249	224	1,669	1,624	15,416	13,244
Non-interest expense	(5,239)	(4,187)	(2,269)	(1,743)	(131)	(140)	(1,538)	(1,705)	(9,176)	(7,786)
Impairment of financial assets	(919)	(1,170)	10	(194)	(16)	(44)	(100)	111	(1,030)	(1,293)
Profit/(loss) before income tax	5,238	4,027	(158)	74	102	40	31	30	5,210	4,165
Profit/(loss) for the year	4,625	3,528	(158)	74	81	29	38	61	4,582	3,684

#### Statement of financial position

Investment securities	125,399	113,045	13,137	17,349	463	515	10,009	12,592	149,008	143,500
Loans and advances to non-bank customers	112,118	108,119	22,950	28,373	1,049	992	12,948	13,680	149,065	151,164
<b>Total assets</b>	<b>281,113</b>	<b>269,074</b>	<b>43,088</b>	<b>53,689</b>	<b>2,210</b>	<b>2,226</b>	<b>26,957</b>	<b>29,114</b>	<b>353,123</b>	<b>353,407</b>
Deposit from non-bank customers	239,208	236,885	33,008	37,717	1,832	1,902	17,915	17,539	291,959	294,015
Other borrowed funds/ liabilities	13,084	7,192	4,096	9,564	67	99	6,548	8,773	23,018	24,219
<b>Total liabilities</b>	<b>255,385</b>	<b>247,370</b>	<b>39,918</b>	<b>50,482</b>	<b>1,911</b>	<b>2,001</b>	<b>24,465</b>	<b>26,316</b>	<b>321,430</b>	<b>325,441</b>
Shareholders' equity	25,728	21,704	3,170	3,207	299	225	2,492	2,798	31,693	27,966



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

- SBMBM's total assets increased by 4.5% compared to previous year mainly on the back of MUR 12.3 billion increase in its investment securities as part of its strategy to redeploy excess funds into higher yielding assets, therefore causing a 29.0% fall in cash and cash equivalents.
- While the bank registered a 0.4% increase in its gross loans and advances to MUR 119.0 billion as at 31 December 2023 (31 December 2022: MUR 118.5 billion), net loans and advances improved further by a notable decrease in allowance for credit impairment from MUR 10.4 billion in FY 2022 to MUR 6.9 billion in FY 2023.
- Total deposits from non-bank customers increased from MUR 236.9 billion in FY 2022 to MUR 239.2 billion in FY 2023 compared to a fall of 1.0% in total deposits for the previous year, reflecting continued trust by stakeholders in the bank.
- Return on average shareholders' equity has increased from 16.7% in FY 2022 to 19.5% for FY 2023.
- Total interest income using the effective interest method increased by 58.6% to reach MUR 12.8 billion for the year ended 31 December 2023 mainly on account of 56.5% increase in interest income from loans and advances. In addition, interest earned from investment securities at FVTOCI increased by MUR 866.4 million.
- Operating income grew by 21.4% to reach MUR 11.4 billion (MUR 9.4 billion in FY 2022) with the main contributors being, interest income (explained above), a MUR 206.9 million increase in net fee and commission and a 24.1% increase in net trading income.
- Non-interest expenses witnessed an increase of MUR 1,051.6 million for the year ended 31 December 2023 attributable to 14.7% increase in personnel costs as SBMBM remains focused on investing in its human capital and remains an Employer of Choice. Other expenses increased by MUR 756.1 million mainly on account of an exceptional VAT payment of MUR 320.1 million.
- Total credit loss expenses fell by 21.5% from MUR 1.2 billion in FY 2022 to MUR 919.3 million in FY 2023 as a consequence of tightened internal controls and cautious growth of the bank's loan book.
- SBMBM ended the financial year with profits amounting to MUR 4,624.7 million (FY 2022: MUR 3,527.9 million).

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

- SBMBI's performance has been significantly impacted by restrictions imposed by the Reserve Bank of India (RBI) which led to constraints on funding and capital fronts. As a consequence, gross loans and advances witnessed a remarkable fall compared to previous years. However, with capital injections by the holding company (SBMH) in early FY 2024, gross loans are expected to improve in FY 2024.
- Adding to the above, investment securities fell by 24.3% from MUR 17.3 billion in FY 2022 to MUR 13.1 billion in FY 2023.
- Deposits from non-bank customers fell by 12.5% to reach MUR 33.0 billion as at 31 December 2023. With the expected ease of restrictions from RBI next year, the entity is expected to achieve an uplift in deposits.
- As a result of the above movement, SBMBI registered a fall in its total assets to reach MUR 43.0 billion as at 31 December 2023 (2022: MUR 53.7 billion).
- Loss for the year amounted to MUR 157.7 million (FY 2022: profit of MUR 73.8 million).
- Net interest income increased by 8.7% on account of 18.6% increase in interest earned from loans and advances and MUR 300.0 million increase in interest earned from investment securities.
- Non-interest expense grew by 30.2% as a result of higher personnel costs and costs associated with increased business volumes.
- On a positive note, impairment loss on financial assets fell from MUR 194.0 million in FY 2022 to a gain on impairment of MUR 10.2 million in FY 2023 as the entity has taken a prudent approach considering the year-on-year increase in its impaired balance.

# Financial Review *(cont'd)*

## Segment performance *(cont'd)*

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

- In a difficult economic environment, SBMBK ended up with a year on year drop of 7% in its total assets which stood at MUR 26.9 billion as at 31 December 2023. This was mainly on account of investment securities which have gone down by MUR 2.6 billion coupled with a drop of MUR 1.0 billion in gross loans and advances which have the translation effect given a depreciating Kenyan shilling.
- Deposits from non-bank customers experienced a marginal increase of 2.1%, reaching MUR 17.9 billion as of 31 December 2023, primarily driven by fixed deposits.
- Net interest income rose by 2.5% driven by growth in average loan book coupled with increase in market rates across all products.
- Non-interest expense dropped by MUR 166.4 million due to reduced personnel expenses and other general expenses.
- SBMBK registered a profit after tax amounting to MUR 38.3 million for the financial year 2023 (FY 2022: profit of MUR 61.0 million).

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

- BSBMM's gross loans stood slightly above last year with a balance of MUR 1.2 billion as at 31 December 2023 in line with its strategy to prudently grow its loan book to avoid significant impairment while it registered a drop in its investment securities as the excess funds were redeployed in higher return advances.
- Total assets stood at MUR 2.2 billion as at 31 December 2023, a slight drop of 0.7% from 31 December 2022.
- BSBMM registered a 50.0% increase in net interest income, mainly on account of higher interest income earned from loans and advances and short-term placements.
- A 6.1% decrease in non-interest expense was primarily due to lower operational losses in FY 2023.
- Net impairment charge improved significantly from MUR 44.4 million in FY 2022 to MUR 16.3 million in FY 2023.
- BSBMM ended the financial year with an improved profit amounting to MUR 81.2 million (FY 2022: MUR 29.0 million).

## **NBFC Group**

SBM's Non-Banking Financial Cluster (NBFC) registered a profit after tax of MUR 205.7 million for the financial year 2023 compared to MUR 397.0 million last year, on account of lower operating income made by one of its subsidiaries. The capital markets businesses (including trading, asset and portfolio management and corporate finance) continue to remain the main driver for the cluster, whereby the majority of the income is generated. While the other lines of business of the cluster have also improved during the financial year, assets under management rose by 26% from MUR 14.2 billion as at 31 December 2022 to MUR 17.9 billion as at 31 December 2023, despite the challenging market conditions which continue to dampen the returns on investments.

## **SBM Holdings Ltd (the Company)**

In FY 2023, the Company recorded a profit of MUR 1,307.7 million (compared to MUR 1,903.6 million in FY 2022), primarily attributable to the following factors:

- Dividend income mainly received from subsidiaries amounted to MUR 1,775 million (MUR 2,335 million in FY 2022).
- Increased personnel costs by MUR 104.8 million due to the transfer of employees from SBM (Bank) Holdings Ltd to SBM Holdings Ltd and ongoing investments in capacity building.
- Higher interest on subordinated debts at MUR 534.9 million for FY 2023 (MUR 484.8 million in FY 2022) due to the full-year impact of the Key Rate increase in FY 2022.

Total assets grew by 2.2% to MUR 39.1 billion in FY 2023, primarily driven by an increase in cash and cash equivalents from MUR 28.2 million in FY 2022 to MUR 710.7 million in FY 2023 kept for investments in subsidiaries and repayment of debts.

## Five-year financial summary for the Group

### Key financial highlights (MUR million)

	2023	2022	2021	2020	2019
Profit before income tax and net credit loss on financial assets	<b>6,027</b>	5,517	4,653	5,071	3,529
Profit before income tax	<b>4,980</b>	4,184	2,178	1,313	752
Profit for the year	<b>4,317</b>	3,636	1,737	1,013	35
Gross loans and advances to non-bank customers	<b>157,842</b>	163,451	145,086	135,601	121,456
Investment securities	<b>157,533</b>	151,978	153,427	121,053	100,291
Total assets	<b>362,253</b>	362,341	357,668	288,041	258,118
Deposits from non-bank customers	<b>290,640</b>	293,350	298,581	226,862	199,397
Shareholders' equity	<b>31,683</b>	27,170	26,378	25,196	24,548
Tier 1 capital	<b>27,016</b>	22,770	21,907	20,626	19,945
Risk-weighted assets (including market and operational risks)	<b>178,946</b>	175,429	153,043	148,284	136,016
Average assets <sup>a</sup>	<b>362,297</b>	360,005	322,854	273,080	241,062
Average shareholders' equity <sup>a</sup>	<b>29,426</b>	26,774	25,787	24,872	24,365

### Key financial ratios (%)

Capital adequacy ratio	<b>20.5</b>	19.1	21.4	20.7	22.2
Tier 1 Capital adequacy ratio	<b>15.1</b>	13.0	14.3	13.9	14.7
Return on risk-weighted assets	<b>2.4</b>	2.1	1.1	0.7	0.0
Return on average assets <sup>a</sup>	<b>1.2</b>	1.0	0.5	0.4	0.0
Return on average shareholders' equity	<b>14.7</b>	13.6	6.7	4.1	0.1
Cost to income	<b>61.4</b>	59.6	60.6	54.8	63.4
Provision coverage ratio	<b>71.3</b>	71.5	74.3	73.4	69.0
Gross impaired advances to gross advances	<b>6.9</b>	8.9	11.4	13.8	11.7
Net impaired advances to net advances	<b>2.1</b>	2.8	3.3	4.1	4.1
Credit to deposit ratio	<b>54.3</b>	55.7	48.6	59.8	60.9

# Financial Review *(cont'd)*

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

	2023	2022	2021	2020	2019
<b>Share information</b> <b>(based on nominal of 10 cent each)</b>					
Earnings per share (cents)	<b>167.2</b>	140.8	67.3	39.2	1.4
Dividend per share (cents)	<b>20.0</b>	20.0	-	-	30.0
Net asset value per share (MUR)	<b>12.3</b>	10.5	10.2	9.7	9.5
Share price to book value (times)	<b>0.4</b>	0.4	0.4	0.4	0.7
Dividend yield (%)	<b>4.4</b>	4.7	-	-	4.7
Earnings yield (%)	<b>36.7</b>	31.3	18.7	10.9	0.2
Total Yield (cents)	<b>20.1</b>	20.2	67.0	(284.0)	78.0
Cumulative Yield (cents)	<b>926.8</b>	906.7	886.5	819.5	1,103.5
Price earnings ratio (times)	<b>2.7</b>	3.2	6.3	9.2	470.7
Dividend cover (times)	<b>8.4</b>	7.0	-	-	-
Market capitalisation (MUR million)	<b>13,820</b>	13,577	12,970	10,935	19,561
Market price per share (MUR)	<b>4.6</b>	4.5	4.3	3.6	6.4
Highest	<b>4.8</b>	5.2	6.7	6.7	6.9
Lowest	<b>4.2</b>	4.2	3.1	3.0	5.5
Average	<b>4.5</b>	4.7	4.7	4.2	5.8
Value of shares trades (MUR million)	<b>351</b>	1,033	2,018	700	899
Value of shares traded as a percentage of Market (%)	<b>4.3</b>	3.3	0.8	4.5	6.4
<b>Other key data</b>					
Number of employees	<b>3,356</b>	3,115	2,870	2,845	2,717
Number of employees (Mauritius)	<b>1,899</b>	1,822	1,719	1,649	1,663
Number of employees (Overseas)	<b>1,457</b>	1,293	1,151	1,196	1,054
Number of service units	<b>104</b>	103	99	103	108
Exchange rate (USD : MUR)	<b>44.3</b>	43.9	43.6	39.5	36.6
Exchange rate (INR : MUR)	<b>0.5</b>	0.5	0.6	0.5	0.5
Exchange rate (100 MGA : MUR)	<b>1.0</b>	1.0	1.1	1.0	1.0
Exchange rate (KES : MUR)	<b>0.3</b>	0.4	0.4	0.4	0.4

<sup>a</sup> Averages are calculated using year-end balances.









# **Rising together: supporting communities and elevating lives**

**As we advance together, our dedication to community support and elevating lives underscores our commitment to sustainable progress, reflecting our ethos as a caring corporate citizen**











# Statement of Directors' Responsibility

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## Independent Auditor's Report

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## Financial Statements



# Statement of Directors' Responsibility

## For the year ended 31 December 2023


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, the Mauritius Companies Act 2001 and the Financial Reporting 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. The Board, whilst approving risk strategy, appetite and policies, has delegated the formulation thereof and the monitoring of their implementation to the Risk Management Committee. The structures, processes and methods through which the Board gains assurance that risk is effectively managed, are fully described in the Risk Management Report section in the Annual Report.

Signed on behalf of the Board.



**Abdul Sattar Adam Ali Mamode HAJEE ABDOULA**

*Chairman*



**Dr. Subhas THECKA**

*Chairman, Audit Committee*

28 March 2024



## 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 236 to 348, which comprise the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate statements of profit or loss, consolidated and separate statements of other 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 material accounting policy information.

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 2023, 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 Group and the Company in accordance with the International Ethics Standard Board for Accountants' *International 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 consolidated and separate 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
<b>Provision for expected credit losses – Financial assets which are not credit impaired</b>	
<p>IFRS 9 requires the Group and the Company 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 application of IFRS 9 are:</p> <ul style="list-style-type: none"> <li>Model estimations – the Group has used a statistical model to estimate ECLs depending on type of portfolio which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loan portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach.</li> <li>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.</li> <li>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.</li> <li>Economic scenarios – the Group has used a range of future economic conditions. 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.</li> <li>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.</li> </ul> <p>Due to the significance of the judgements and estimates applied in the computation of the provision for 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"> <li>Testing the design and operating effectiveness of the key controls over the key inputs, and significant judgements, estimates and assumptions used in the models;</li> <li>Using specialist team in performing certain procedures in relation to model validation including review of economic scenarios as well as ECL recomputation;</li> <li>Verifying the historical data used in determination of PD in the models;</li> <li>Assessing the appropriateness of macro-economic forecasts used;</li> <li>Assessing the appropriateness of probability of default, loss given default and exposure at default assumptions;</li> <li>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;</li> <li>Assessing the reasonableness of the qualitative adjustments applied by management for events not captured by the ECL models; and</li> <li>Assessing whether the disclosures are in accordance with the requirements of IFRS 9.</li> </ul>



Key Audit Matter (cont'd)	How our audit addressed the key audit matter
<b>Provision for expected credit losses - Credit impaired assets</b>	
<p>The use of assumptions for the measurement of provision for credit losses on credit-impaired assets is subjective due to the level of judgement applied by Management.</p> <p>Changes in the assumptions and the methodology applied may have a material impact on the measurement of allowance for credit impairment.</p> <p>The details of allowance for credit impairment on loans and advances to non-bank customers and memorandum items are disclosed in notes 8(c), 22 and 32 to the financial statements.</p> <p>The most significant judgements / matters are:</p> <ul style="list-style-type: none"> <li>- whether impairment events have occurred;</li> <li>- valuation of collateral and future cash flows; and</li> <li>- management judgements and assumptions used</li> </ul> <p>Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for credit losses, this item is considered as a key audit matter.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining audit evidence in respect of key controls over the processes for identification of impairment events, impaired assets and impairment assessment;</li> <li>• Inspecting the minutes of Management Credit Forum, Board Risk Committee/Board Supervisory Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment;</li> <li>• Challenging the methodologies applied by using our industry knowledge and experience;</li> <li>• Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach;</li> <li>• Performing a risk-based test of loans and advances to customers to ensure timely identification of credit impaired assets;</li> <li>• Performing tests of details on accuracy of the provision for credit losses, including validation of collateral valuation and future cash flows; and</li> <li>• Assessing whether the disclosures are in accordance with the requirements of IFRS 9.</li> </ul>

## 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, the Corporate Governance Report and Financial Review 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: Reflections from the Group Chairman, Message from the Group CEO, Our Reporting Universe and Philosophy, Our Value Creation Story and Risk Management Report.

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

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

### 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 consolidated and separate 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.

## Auditor's responsibilities for the audit of the consolidated and separate financial statements (cont'd)

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.

### **Financial Reporting Act 2004 – 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.

## 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

28 March 2024



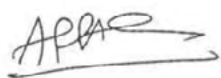
**LLK Ah Hee, FCCA**  
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# Statements of Financial Position

As at 31 December 2023

	Notes	The Group		The Company	
		2023	2022	2023	2022
		MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>ASSETS</b>					
Cash and cash equivalents	5	23,827,701	30,275,037	710,733	28,219
Mandatory balances with central banks		16,918,939	15,723,438	-	-
Loans to and placements with banks	6	2,853,065	1,221,415	-	-
Derivative financial instruments	7	679,073	1,205,168	-	-
Loans and advances to non-bank customers	8	148,259,418	149,994,543	-	-
Investment securities	9(a)	157,532,715	151,977,933	6,814,937	6,839,138
Investment in subsidiaries	9(b)	-	-	31,438,094	31,300,001
Property and equipment	10(a)	4,140,212	3,656,696	5,312	3,116
Right of use assets	10(b)(i)	724,545	867,749	-	-
Intangible assets	11	1,851,623	1,752,989	66	335
Deferred tax assets	17(d)	1,390,569	1,265,176	-	-
Other assets	12	4,075,455	4,401,241	113,970	62,533
<b>Total assets</b>		<b>362,253,315</b>	<b>362,341,385</b>	<b>39,083,112</b>	<b>38,233,342</b>
<b>LIABILITIES</b>					
Deposits from banks	14	2,662,028	3,802,908	-	-
Deposits from non-bank customers	15	290,639,805	293,350,435	-	-
Other borrowed funds	16	13,405,661	15,489,470	-	-
Derivative financial instruments	7	782,595	905,317	-	-
Lease liabilities	10(b)(ii)	801,229	888,617	-	-
Current tax liabilities	17(a)	556,294	478,499	-	1,385
Pension liabilities	13	450,863	569,093	13,058	10,096
Other liabilities	18	10,039,834	9,070,915	89,296	65,362
Subordinated debts	19	11,232,173	10,616,492	9,952,271	9,916,536
<b>Total liabilities</b>		<b>330,570,482</b>	<b>335,171,746</b>	<b>10,054,625</b>	<b>9,993,379</b>
<b>SHAREHOLDERS' EQUITY</b>					
Stated capital	20	32,500,204	32,500,204	32,500,204	32,500,204
Retained earnings		9,511,081	5,909,389	2,148,355	1,362,238
Other reserves		(5,453,421)	(6,364,923)	(745,041)	(747,448)
		36,557,864	32,044,670	33,903,518	33,114,994
Treasury shares	20	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)
<b>Total equity attributable to owners of the Company</b>		<b>31,682,833</b>	<b>27,169,639</b>	<b>29,028,487</b>	<b>28,239,963</b>
<b>Total equity and liabilities</b>		<b>362,253,315</b>	<b>362,341,385</b>	<b>39,083,112</b>	<b>38,233,342</b>

Approved by the Board of Directors and authorised for issue on 28 March 2024



**Abdul Sattar Adam Ali Mamode HAJEE ABDOULA**  
Chairman



**Dr. Subhas THECKA**  
Chairman, Audit Committee

The notes on page 242 to 348 form an integral part of these financial statements.



# Statements of Profit or Loss

For the year ended 31 December 2023

	Notes	The Group		The Company	
		2023	2022	2023	2022
		MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income using the effective interest method		20,221,308	14,632,440	32,765	9,289
Other interest income		328,406	186,826	-	-
Interest expense using the effective interest method		(9,245,282)	(5,431,794)	(534,993)	(484,779)
Other interest expense		(664,631)	(465,252)	-	-
<b>Net interest income/(expense)</b>	25	<b>10,639,801</b>	8,922,220	<b>(502,228)</b>	(475,490)
Fee and commission income		2,584,671	2,395,957	-	-
Fee and commission expense		(137,358)	(101,796)	-	-
<b>Net fee and commission income</b>	26	<b>2,447,313</b>	2,294,161	-	-
<b>Other income</b>					
Net trading income	27	2,180,663	2,083,870	-	-
Net gains from financial assets measured at FVTPL	28(a)	40,253	8,629	35,342	33,166
Net (losses)/gains on derecognition of financial assets measured at amortised cost	28(b)	(21,394)	11,382	-	11,382
Net gains on derecognition of financial assets measured at FVTOCI	28(c)	44,962	94,968	-	-
Other operating income	29	299,249	238,594	2,046,581	2,483,941
<b>Non-interest income</b>		<b>4,991,046</b>	4,731,604	<b>2,081,923</b>	2,528,489
<b>Total operating income</b>		<b>15,630,847</b>	13,653,824	<b>1,579,695</b>	2,052,999
Personnel expenses	30	(4,275,825)	(3,862,272)	(182,456)	(77,562)
Depreciation of property and equipment	10(a)	(330,262)	(322,017)	(372)	(273)
Depreciation of right of use assets	10(b)	(238,631)	(237,472)	-	-
Amortisation of intangible assets	11	(531,095)	(495,319)	(269)	(274)
Other expenses	31	(4,228,071)	(3,219,963)	(76,087)	(54,639)
Impairment of investment in subsidiary	9(b)	-	-	(13,816)	(14,366)
<b>Non-interest expense</b>		<b>(9,603,884)</b>	(8,137,043)	<b>(273,000)</b>	(147,114)
<b>Profit before credit loss expense</b>		<b>6,026,963</b>	5,516,781	<b>1,306,695</b>	1,905,885
Credit loss movement on financial assets and memorandum items	32	(1,047,247)	(1,332,743)	(185)	(45)
<b>Profit before income tax</b>		<b>4,979,716</b>	4,184,038	<b>1,306,510</b>	1,905,840
Tax (expense)/credit	17(b)	(662,779)	(548,377)	1,221	(2,189)
<b>Profit for the year attributable to owners of the Company</b>		<b>4,316,937</b>	3,635,661	<b>1,307,731</b>	1,903,651
<b>Earnings per share:</b>					
Basic and Diluted (Cents)	33	<b>167.2</b>	140.8		

The notes on page 242 to 348 form an integral part of these financial statements.

# Statements of Other Comprehensive Income

For the year ended 31 December 2023

Notes	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>Profit for the year</b>	<b>4,316,937</b>	3,635,661	<b>1,307,731</b>	1,903,651
<b>Other comprehensive income :</b>				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Gain on revaluation of property	10(a) 30,815	-	-	-
Deferred tax arising following change in rate:				
- Revaluation of property	17(d) (70,482)	-	-	-
- Defined benefit pension plans	17(d) (6,446)	-	-	-
Remeasurement of defined benefit pension plans	13 (204,466)	(20,693)	(5,256)	1,643
Deferred tax on remeasurement of defined benefit pension plans	17(d) 27,784	1,662	-	-
Net gain on equity instruments designated at FVTOCI	9(a) 77,347	289,862	-	298,708
	<b>(145,448)</b>	270,831	<b>(5,256)</b>	300,351
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	37 (566,236)	(598,644)	-	-
<i>Debt securities measured at FVTOCI</i>				
-Movement in fair value during the year	1,335,432	(1,872,049)	2,596	(705)
-Fair value gains reclassified to profit or loss on derecognition	(44,962)	(94,968)	-	-
-Credit loss movement relating to debt instruments held at FVTOCI	133,829	(33,128)	(189)	-
	<b>858,063</b>	(2,598,789)	<b>2,407</b>	(705)
<b>Total other comprehensive income/(loss) attributable to owners of the Company</b>	<b>712,615</b>	(2,327,958)	<b>(2,849)</b>	299,646
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>5,029,552</b>	1,307,703	<b>1,304,882</b>	2,203,297

The notes on page 242 to 348 form an integral part of these financial statements.

# Statements of Changes in Equity

For the year ended 31 December 2023

	Note	Stated capital	Treasury shares	Statutory reserve	Retained earnings	Property revaluation reserve	Other reserves*	Total equity
The Group		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>At 01 January 2022</b>		32,500,204	(4,875,031)	802,086	2,807,788	280,886	(5,137,639)	26,378,294
Profit for the year		-	-	-	3,635,661	-	-	3,635,661
Other comprehensive loss for the year		-	-	-	(19,031)	-	(2,308,927)	(2,327,958)
Total comprehensive income/(loss) for the year		-	-	-	3,616,630	-	(2,308,927)	1,307,703
Reclassification between reserves		-	-	(100,408)	143,169	44,441	(87,202)	-
Appropriation of reserves		-	-	33,582	(193,308)	-	159,726	-
Revaluation surplus realised on depreciation		-	-	-	51,468	(51,468)	-	-
Dividend	21	-	-	-	(516,358)	-	-	(516,358)
<b>At 31 December 2022</b>		<b>32,500,204</b>	<b>(4,875,031)</b>	<b>735,260</b>	<b>5,909,389</b>	<b>273,859</b>	<b>(7,374,042)</b>	<b>27,169,639</b>
<b>At 01 January 2023</b>		<b>32,500,204</b>	<b>(4,875,031)</b>	<b>735,260</b>	<b>5,909,389</b>	<b>273,859</b>	<b>(7,374,042)</b>	<b>27,169,639</b>
Profit for the year		-	-	-	4,316,937	-	-	4,316,937
Other comprehensive (loss)/income for the year		-	-	-	(183,128)	(39,667)	935,410	712,615
Total comprehensive income/(loss) for the year		-	-	-	4,133,809	(39,667)	935,410	5,029,552
Appropriation of reserves		-	-	28,731	(67,642)	-	38,911	-
Revaluation surplus realised on depreciation		-	-	-	51,883	(51,883)	-	-
Dividend	21	-	-	-	(516,358)	-	-	(516,358)
<b>At 31 December 2023</b>		<b>32,500,204</b>	<b>(4,875,031)</b>	<b>763,991</b>	<b>9,511,081</b>	<b>182,309</b>	<b>(6,399,721)</b>	<b>31,682,833</b>

\*Other reserves comprise of fair value reserve, translation reserve, prudential provisions reserve, earnings reserve and restructuring reserve (note 37).

The notes on page 242 to 348 form an integral part of these financial statements.

# Statements of Changes in Equity *(cont'd)*

For the year ended 31 December 2023

	Note	Stated capital MUR' 000	Treasury shares MUR' 000	Retained earnings MUR' 000	Fair value reserve MUR' 000	Total equity MUR' 000
<b>The Company</b>						
<b>At 1 January 2022</b>		32,500,204	(4,875,031)	(26,698)	(1,045,451)	26,553,024
Profit for the year		-	-	1,903,651	-	1,903,651
Other comprehensive income for the year		-	-	1,643	298,003	299,646
Total comprehensive income for the year		-	-	1,905,294	298,003	2,203,297
Dividend	21	-	-	(516,358)	-	(516,358)
<b>At 31 December 2022</b>		32,500,204	(4,875,031)	1,362,238	(747,448)	28,239,963
<b>At 1 January 2023</b>		<b>32,500,204</b>	<b>(4,875,031)</b>	<b>1,362,238</b>	<b>(747,448)</b>	<b>28,239,963</b>
Profit for the year		-	-	1,307,731	-	1,307,731
Other comprehensive (loss)/ income for the year		-	-	(5,256)	2,407	(2,849)
Total comprehensive income for the year		-	-	1,302,475	2,407	1,304,882
Dividend	21	-	-	(516,358)	-	(516,358)
<b>At 31 December 2023</b>		<b>32,500,204</b>	<b>(4,875,031)</b>	<b>2,148,355</b>	<b>(745,041)</b>	<b>29,028,487</b>

The notes on page 242 to 348 form an integral part of these financial statements.



# Statements of Cash Flows

For the year ended 31 December 2023

	Notes	The Group		The Company	
		2023	2022	2023	2022
		MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>Net cash used in operating activities</b>	34	<b>(2,652,351)</b>	(22,283,388)	<b>(537,676)</b>	(795,208)
<b>Investing activities</b>					
Acquisition of property and equipment		<b>(814,626)</b>	(421,883)	<b>(2,568)</b>	(2,279)
Acquisition of intangible assets	11	<b>(686,252)</b>	(314,941)	-	-
Disposal of property and equipment		<b>5,615</b>	(5,947)	-	-
Dividend received	29	<b>267,767</b>	206,563	<b>1,942,488</b>	2,447,632
<b>Net cash (used in)/generated from investing activities</b>		<b>(1,227,496)</b>	(536,208)	<b>1,939,920</b>	2,445,353
<b>Financing activities</b>					
Capital contribution granted to existing subsidiaries	9(b)	-	-	<b>(151,909)</b>	(1,200,000)
Net movement in other borrowed funds	19	<b>(2,083,809)</b>	5,976,558	-	-
Subordinated debts issued		<b>583,039</b>	735,949	-	-
Dividend paid on ordinary shares	21	<b>(516,358)</b>	(516,358)	<b>(516,358)</b>	(516,358)
Payment of principal portion of lease liabilities	10(b)	<b>(234,973)</b>	(291,981)	-	-
<b>Net cash flow (used in)/from financing activities</b>		<b>(2,252,101)</b>	5,904,168	<b>(668,267)</b>	(1,716,358)
<b>Net change in cash and cash equivalents</b>		<b>(6,131,948)</b>	(16,915,428)	<b>733,977</b>	(66,213)
Effect of foreign exchange rate changes		<b>(309,149)</b>	(452,947)	<b>(51,463)</b>	4,377
Expected credit loss allowance on cash and cash equivalents		<b>(6,239)</b>	6,591	-	-
Cash and cash equivalents at start of year		<b>30,275,037</b>	47,636,821	<b>28,219</b>	90,055
<b>Cash and cash equivalents at end of year</b>	5	<b>23,827,701</b>	30,275,037	<b>710,733</b>	28,219

The notes on page 242 to 348 form an integral part of these financial statements.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 1. 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 as a standalone as well as its subsidiaries (together referred to as the “Group”).

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

### 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 2023.

#### (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.

IAS 1 Presentation of Financial Statements – Amendments regarding the disclosure of accounting policies

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of accounting estimates

IAS 12 Income Taxes – Amendments regarding deferred tax on leases and decommissioning obligations

IAS 12 Income Taxes – Amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes

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

IAS 1 Presentation of Financial Statements – Amendments regarding classification of liabilities (effective 01 January 2024)

IAS 1 Presentation of Financial Statements – Amendments regarding the classification of debt with covenants (effective 01 January 2024)

IAS 7 Statement of cash flows – Amendments regarding supplier finance arrangements (effective 01 January 2024)

IFRS 7 Financial Instruments Disclosure – Amendments regarding supplier finance arrangements (effective 01 January 2024)

IFRS 16 Leases – Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions (effective 01 January 2024)

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (effective 01 January 2024)

IFRS S2 Climate-related disclosures (effective 01 January 2024)

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 2023

### 3. Accounting policies

The principal accounting policies adopted by the Group and the Company are detailed below. The accounting policies of each relevant line item not disclosed below are included in the respective notes.

#### (a). Basis of preparation

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

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.

#### *Going concern*

Directors and management have assessed the Group's and the Company's ability to continue as a going concern and are satisfied that the Group and the Company have the resources to continue in business for the foreseeable future. Furthermore, they are not aware of any material uncertainties that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Hence, these financial statements continue to be prepared on the going concern basis.

#### (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, and the Financial Reporting Act 2004.

#### (c). Presentation of financial statements

The financial statements are presented in Mauritian Rupee ('MUR'), which is the Group's and Company's functional and presentation currency. All values are rounded to the nearest thousand (MUR'000), except where otherwise indicated. 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 include the financial statements of SBM Holdings Ltd and its subsidiaries.

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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 3. Accounting policies (cont'd)

#### (d). Basis of consolidation (cont'd)

The Company re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date 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 unrealised 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 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 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). Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

#### (f). Foreign currency translation

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

- (i) Transactions denominated in foreign currency are converted at the rate prevailing at the date of the transactions.
- (ii) Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into Mauritian Rupees at the rates of exchange prevailing at that date.
- (iii) Non-monetary assets and liabilities denominated in foreign currency are reported using the exchange rates at the date of the transactions, if carried at cost, or the exchange rates that existed when the fair values were determined, if carried at fair value.



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 3. Accounting policies (cont'd)

#### (f). Foreign currency translation (cont'd)

- (iv) Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the statements of profit or loss and other comprehensive income ('OCI') for the year. When a gain or loss on a non-monetary item is recognised in equity, any exchange component of that gain or loss shall be recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the statements of profit or loss and other comprehensive income, any exchange component of that gain or loss shall be recognised in the statements of profit or loss and other comprehensive income.
- (v) Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.
- (vi) On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupee at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date. 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.

#### (g). Financial instruments

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 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**

For all financial assets the amount presented on the statements of financial position represent all amounts receivable including interest accruals. 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:

- 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 amount outstanding (SPPI), are subsequently measured at amortised cost;

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 3. Accounting policies (cont'd)

#### (g). Financial instruments (cont'd)

##### *Financial assets (cont'd)*

- 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.

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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 3. Accounting policies (cont'd)

#### (g). Financial instruments (cont'd)

##### **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.

##### **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 2023

### 3. Accounting policies (cont'd)

#### (g). 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.

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.



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 3. Accounting policies (cont'd)

#### (g). Financial instruments (cont'd)

##### ***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.

The Group does not have 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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 3. Accounting policies (cont'd)

#### (g). Financial instruments (cont'd)

##### *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.

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, bankruptcy, 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 2023

### 3. Accounting policies (cont'd)

#### (g). 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 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 derecognised, 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.

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 forbore 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 forbore 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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 3. Accounting policies (cont'd)

#### (g). Financial instruments (cont'd)

##### **Modification and derecognition of financial assets (cont'd)**

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.

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 'credit loss on financial assets and memorandum items' 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;
- 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.



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 3. Accounting policies (cont'd)

#### (g). Financial instruments (cont'd)

##### **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.

##### **Financial liabilities**

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.

##### **Financial liabilities measured at amortised cost**

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. 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 are classified as at FVTPL when the financial liability is:**

- (i) held for trading, or
- (ii) it is designated as at FVTPL.

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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 3. Accounting policies (cont'd)

#### (g). Financial instruments (cont'd)

##### *Derecognition and modification of financial liabilities (cont'd)*

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. 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 statements 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 statements 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 2023

### 3. Accounting policies (cont'd)

#### (g). 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.

#### (h). 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. Derivatives 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.

#### (i). 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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 3. Accounting policies (cont'd)

#### (j). 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.

#### (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.

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.



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 3. Accounting policies (cont'd)

#### (m). Recognition of income and expenses (cont'd)

##### (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

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.

##### (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 as well as dividend on 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) Gains and losses from financial assets measured at FVTPL

The above include:

- Gains or losses on assets, liabilities and derivatives designated in hedge relationships (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 (excluding interest).

##### (v) 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.

#### (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 in the respective notes.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 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 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.

#### Judgements

##### **(a). 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.

##### **(b). Significant increase in credit risk**

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. 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.
- 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.

##### **(c). 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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

#### 4. Significant accounting estimates and judgements (cont'd)

##### Estimates

##### **(a). 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:

- (i) The internal credit grading model, which assigns PDs to the individual grades;
- (ii) 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;
- (iii) The segmentation of financial assets when their ECL are assessed on a collective basis;
- (iv) Development of ECL models, including the various formulas and the choice of inputs;
- (v) 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
- (vi) 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.

##### **(b). Fair value 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.

##### **(c). 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.

##### **(d). 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 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.

##### **(e). 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.

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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 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 statement of cash flows, cash and cash equivalents comprise cash and balances with banks and central banks excluding mandatory balances with central banks, loans to and placements with banks having an original maturity of up to 3 months.

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash in hand	2,757,127	2,570,442	-	-
Foreign currency notes and coins	1,233,388	477,905	-	-
Unrestricted balances with central banks <sup>1</sup>	3,323,847	20,171,761	-	-
Loans to and placements with banks <sup>2</sup>	11,343,736	3,092,553	-	-
Balances with banks	5,176,530	3,963,064	710,733	28,219
	23,834,628	30,275,725	710,733	28,219
Less: allowance for credit losses	(6,927)	(688)	-	-
	23,827,701	30,275,037	710,733	28,219

An analysis of changes in the corresponding ECL allowances is, as follows:

	The Group	
	2023	2022
	MUR' 000	MUR' 000
ECL allowance as at 01 January	688	7,279
Net remeasurement of loss allowance	11,321	(179)
Assets repaid	(5,041)	(6,364)
Translation adjustment	(41)	(48)
ECL allowance as at 31 December	6,927	688

<sup>1</sup> Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement.

<sup>2</sup> The balance above relates to loans and placements with banks having an original maturity of up to three months.

Cash and Cash equivalents were classified under stage 1 and 12-month ECL was calculated thereon.

### 6. Loans to and placements with banks

	The Group	
	2023	2022
	MUR' 000	MUR' 000
At amortised cost		
Loans to and placements with banks	2,871,465	1,226,864
- Outside Mauritius	2,871,465	1,226,864
Less: allowance for credit losses	(18,400)	(5,449)
	2,853,065	1,221,415
<b>Remaining term to maturity</b>		
Up to 3 months	576,871	658,677
Over 3 months and up to 6 months	667,405	219,627
Over 6 months and up to 12 months	1,554,256	223,536
Over 1 year and up to 2 years	72,933	-
Over 2 years and up to 5 years	-	125,024
	2,871,465	1,226,864



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 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.

	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	2023 Total MUR'000	2022 Total Stage 1 MUR'000
<b>Internal rating grade</b>				
<b>Performing</b>				
Standard grade	1,770,997	-	1,770,997	658,677
Sub-standard grade	1,027,535	72,933	1,100,468	568,187
<b>Total</b>	<b>2,798,532</b>	<b>72,933</b>	<b>2,871,465</b>	<b>1,226,864</b>

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

	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	2023 Total MUR'000	2022 Total Stage 1 MUR'000
<b>Gross carrying amount as at 1 January</b>	<b>1,226,864</b>	<b>-</b>	<b>1,226,864</b>	<b>843,079</b>
Financial assets originated or purchased	2,798,532	-	2,798,532	443,381
Financial assets derecognised or repaid	(1,112,028)	(57,903)	(1,169,931)	(55,181)
Transfers to Stage 2	(125,023)	125,023	-	-
Foreign exchange adjustments	10,187	5,813	16,000	(4,415)
<b>Gross carrying amount as at 31 December</b>	<b>2,798,532</b>	<b>72,933</b>	<b>2,871,465</b>	<b>1,226,864</b>

	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	2023 Total MUR'000	2022 Total Stage 1 MUR'000
<b>ECL allowance as at 1 January</b>	<b>5,449</b>	<b>-</b>	<b>5,449</b>	<b>5,109</b>
Net remeasurement of loss allowance	8,942	8,351	17,293	3,910
Assets repaid (excluding write offs)	(4,342)	-	(4,342)	(3,570)
Transfers to Stage 2	(1,107)	1,107	-	-
<b>ECL allowance as at 31 December</b>	<b>8,942</b>	<b>9,458</b>	<b>18,400</b>	<b>5,449</b>

### 7. Derivative financial instruments

	The Group	
	2023 MUR' 000	2022 MUR' 000
<b>Assets</b>		
Derivative assets	679,073	1,205,168
<b>Liabilities</b>		
Derivative liabilities	782,595	905,317

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 7. Derivative financial instruments (cont'd)

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

The Group	Notional Principal Amount MUR' 000	Fair Values	
		Assets MUR' 000	Liabilities MUR' 000
<b>31 December 2023</b>			
<b>Derivatives held for trading</b>			
Foreign exchange contracts*	47,467,625	405,658	(502,672)
Cross currency swaps	2,553,897	172,655	(166,689)
Other derivative contracts**	3,778,931	84,378	(83,020)
<b>Derivatives used as Micro fair value hedges</b>			
Interest rate swap contracts	279,740	16,382	(30,214)
	<b>54,080,193</b>	<b>679,073</b>	<b>(782,595)</b>
<b>31 December 2022</b>			
<b>Derivatives held for trading</b>			
Foreign exchange contracts*	57,000,342	724,455	(528,147)
Cross currency swaps	2,455,913	269,723	(238,895)
Other derivative contracts**	3,434,114	99,410	(99,410)
<b>Derivatives used as Micro fair value hedges</b>			
Interest rate swap contracts	1,842,932	111,580	(38,865)
	<b>64,733,301</b>	<b>1,205,168</b>	<b>(905,317)</b>

\* Foreign exchange contracts include foreign swaps, forward and spot contracts.

\*\* Other derivatives contracts include options contracts (structured deposits) and interest rate swaps.

### 8. Loans and advances to non-bank customers

	The Group	
	2023 MUR' 000	2022 MUR' 000
Retail customers	56,071,890	50,035,839
Credit cards	516,931	514,737
Mortgages	44,107,773	37,921,052
Other retail loans	12,222,285	11,600,050
Corporate customers	56,846,989	56,558,278
Governments	4,985	72,232
Entities outside Mauritius (including offshore / Global Business Licence Holders)	44,878,298	56,784,381
Gross loan and advances	157,802,162	163,450,730
Less allowance for credit impairment (note 8(c))	(9,542,744)	(13,456,187)
Net loan and advances	148,259,418	149,994,543

# Notes to the Financial Statements

## For the year ended 31 December 2023

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

#### (a). 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 2 years
Over 2 years and up to 5 years
Over 5 years

The Group	
2023	2022
MUR' 000	MUR' 000
23,799,096	24,886,828
8,899,921	6,497,583
7,034,134	12,956,347
13,707,120	11,738,745
24,615,993	34,062,239
79,745,898	73,308,988
<b>157,802,162</b>	<b>163,450,730</b>

Out of the gross advances of MUR 157.8 billion (2022: MUR 163.5 billion), there is an amount of MUR 308.5 million (2022: MUR 349.6 million) relating to loans where fair value hedge accounting has been applied. Refer to note 38(d)(ii) for more details.

#### (b). Net investment in finance leases

##### The Group

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 motor vehicles and equipment. There are no restrictions placed upon the lessee by entering into these leases. Rental income earned by the Group during the year is MUR 140.7 million (2022: MUR 91.1 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:-

#### 31 December 2023

Gross investment in finance leases
Less: Unearned finance income
<b>Present value of minimum lease payments</b>
Credit loss expense
<b>Net investment in finance lease</b>

Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
576,654	1,476,987	246,177	2,299,818
(126,855)	(216,560)	(9,134)	(352,549)
<b>449,799</b>	<b>1,260,427</b>	<b>237,043</b>	<b>1,947,269</b>
			<b>(101,342)</b>
			<b>1,845,927</b>

#### 31 December 2022

Gross investment in finance leases
Less: Unearned finance income
<b>Present value of minimum lease payments</b>
Credit loss expense
<b>Net investment in finance lease</b>

Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
524,401	1,318,366	147,381	1,990,148
(112,985)	(189,935)	(7,878)	(310,798)
<b>411,416</b>	<b>1,128,431</b>	<b>139,503</b>	<b>1,679,350</b>
			<b>(35,444)</b>
			<b>1,643,906</b>

# Notes to the Financial Statements

For the year ended 31 December 2023

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

### (b). Net investment in finance leases (cont'd)

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.

### (c). Credit loss allowance 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.

#### Internal rating grade

#### Performing

High grade  
Standard grade  
Sub-standard grade  
Past due but not impaired

#### Non-performing

Individually impaired

#### Total

2023			
Stage 1 Individual	Stage 2 Individual	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
59,213,617	4,105,947	-	63,319,564
47,340,985	3,826,546	-	51,167,531
13,855,253	14,162,898	-	28,018,151
-	4,437,909	-	4,437,909
-	-	10,859,007	10,859,007
120,409,855	26,533,300	10,859,007	157,802,162

#### Internal rating grade

#### Performing

High grade  
Standard grade  
Sub-standard grade  
Past due but not impaired

#### Non-performing

Individually impaired

#### Total

2022			
Stage 1 Individual	Stage 2 Individual	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
40,366,672	20,895,731	-	61,262,403
39,868,681	15,734,670	-	55,603,351
5,117,406	22,928,948	-	28,046,354
-	4,010,371	-	4,010,371
-	-	14,528,251	14,528,251
85,352,759	63,569,720	14,528,251	163,450,730



# Notes to the Financial Statements

## For the year ended 31 December 2023

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

#### (c). Credit loss allowance 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 2023

##### Gross carrying amount

##### As at 1 January

Financial assets originated or purchased	31,690,168
Assets derecognised or repaid (excluding write offs)	(18,669,924)
Transfers to Stage 1	28,699,328
Transfers to Stage 2	(5,525,849)
Transfers to Stage 3	(234,184)

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 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
85,352,759	63,569,720	14,528,251	163,450,730
31,690,168	5,814,618	297,687	37,802,473
(18,669,924)	(18,620,211)	(441,643)	(37,731,778)
28,699,328	(28,663,311)	(36,017)	-
(5,525,849)	5,931,740	(405,891)	-
(234,184)	(1,833,866)	2,068,050	-
884,302	343,305	260,807	1,488,414
-	-	(4,541,636)	(4,541,636)
387,814	239,403	84,192	711,409
(2,174,559)	(248,098)	(954,793)	(3,377,450)
120,409,855	26,533,300	10,859,007	157,802,162

##### At 31 December 2022

##### Gross carrying amount

##### As at 1 January

Financial assets originated or purchased	28,013,900
Assets derecognised or repaid (excluding write offs)	(20,773,348)
Transfers to Stage 1	1,874,680
Transfers to Stage 2	(20,370,339)
Transfers to Stage 3	(426,891)

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 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
99,727,625	28,761,603	16,596,572	145,085,800
28,013,900	24,395,775	81,987	52,491,662
(20,773,348)	(7,362,446)	(125,179)	(28,260,973)
1,874,680	(1,548,392)	(326,288)	-
(20,370,339)	20,465,764	(95,425)	-
(426,891)	(606,448)	1,033,339	-
112,527	67,570	421,460	601,557
-	-	(2,668,194)	(2,668,194)
(66,226)	(573,670)	60,480	(579,416)
(2,739,169)	(30,036)	(450,501)	(3,219,706)
85,352,759	63,569,720	14,528,251	163,450,730

# Notes to the Financial Statements

## For the year ended 31 December 2023

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

#### (c). Credit loss allowance on loans and advances to non-bank customers (cont'd)

An analysis of changes in ECL allowances by staging are as follows:

	2023			
	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
<b>ECL allowance as at 1 January 2023</b>	<b>506,655</b>	<b>2,554,843</b>	<b>10,394,689</b>	<b>13,456,187</b>
Allowance on new financial assets	93,444	201,601	144,152	439,197
Remeasurement of loss allowance	(580,570)	(129,736)	2,681,609	1,971,303
Assets derecognised or repaid (excluding write offs)	(64,096)	(634,022)	(914,829)	(1,612,947)
Transfers to Stage 1	829,810	(829,687)	(123)	-
Transfers to Stage 2	(51,153)	69,338	(18,185)	-
Transfers to Stage 3	(80,686)	(123,783)	204,469	-
Changes to models and inputs used for ECL calculations	38,618	52,440	357,984	449,042
Amounts written off	-	-	(4,541,636)	(4,541,636)
Write back on impaired loans repaid	-	-	(174,003)	(174,003)
Translation adjustments	(24,470)	10,174	(430,103)	(444,399)
<b>At 31 December 2023</b>	<b>667,552</b>	<b>1,171,168</b>	<b>7,704,024</b>	<b>9,542,744</b>

	2022			
	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
<b>ECL allowance as at 1 January 2022</b>	<b>828,807</b>	<b>1,538,711</b>	<b>12,324,475</b>	<b>14,691,993</b>
Movement for the year	218,146	1,385	44,178	263,709
Allowance on new financial assets	(236,434)	1,045,259	1,136,798	1,945,623
Assets derecognised or repaid (excluding write offs)	(80,172)	(90,216)	(421,400)	(591,788)
Transfers to Stage 1	85,973	(86,025)	52	-
Transfers to Stage 2	(188,679)	189,764	(1,085)	-
Transfers to Stage 3	(133,980)	(24,666)	158,646	-
Changes to contractual cash flows due to modifications not resulting in derecognition	30,384	(7,308)	71,181	94,257
Amounts written off	-	-	(2,668,194)	(2,668,194)
Translation adjustments	(17,390)	(12,061)	(249,962)	(279,413)
<b>At 31 December 2022</b>	<b>506,655</b>	<b>2,554,843</b>	<b>10,394,689</b>	<b>13,456,187</b>

# Notes to the Financial Statements

For the year ended 31 December 2023

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

### (d). Credit loss allowance on loans and advances to non-bank customers by industry sectors

#### The Group

	2023				
	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	3,467,063	686,466	607,667	94,488	702,155
Manufacturing	12,088,496	822,909	338,092	44,885	382,977
of which EPZ	1,279,208	6,072	6,072	1,379	7,451
Tourism	13,509,826	280,231	99,306	396,559	495,865
Transport	1,300,447	602,993	310,339	15,666	326,005
Construction	20,268,349	1,458,322	839,172	482,874	1,322,046
Financial and business services	11,480,607	439,835	396,394	55,673	452,067
Traders	9,869,886	2,071,195	1,375,020	91,164	1,466,184
Personal	62,967,586	1,877,921	1,331,783	554,416	1,886,199
Professional	1,532,138	17,950	9,167	11,819	20,986
Global Business Licence holders	3,373,479	2,199,401	1,998,491	2,693	2,001,184
Others	17,944,285	401,784	398,593	88,483	487,076
	<b>157,802,162</b>	<b>10,859,007</b>	<b>7,704,024</b>	<b>1,838,720</b>	<b>9,542,744</b>

	2022				
	Gross amount of loans	Credit Impaired loans	Stage 3 allowance for credit impairment	Stage 1 & Stage 2 Credit allowance	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	3,512,110	1,010,982	640,445	189,429	829,874
Manufacturing	14,419,146	1,017,831	450,270	74,125	524,395
of which EPZ	1,507,956	6,092	6,092	1,277	7,369
Tourism	13,826,165	373,058	181,681	875,736	1,057,417
Transport	2,982,844	663,698	324,921	223,921	548,842
Construction	17,634,293	1,151,471	818,770	417,333	1,236,103
Financial and business services	11,155,269	172,994	142,278	164,022	306,300
Traders	12,926,990	5,492,177	4,150,681	120,913	4,271,594
Personal	57,969,904	1,934,291	1,363,637	467,835	1,831,472
Professional	618,142	83,292	83,283	6,112	89,395
Global Business Licence holders	9,399,068	1,349,247	1,355,990	319,705	1,675,695
Others	19,006,799	1,279,210	882,733	202,367	1,085,100
	<b>163,450,730</b>	<b>14,528,251</b>	<b>10,394,689</b>	<b>3,061,498</b>	<b>13,456,187</b>

# Notes to the Financial Statements

For the year ended 31 December 2023

## 9. (a). Investments securities

The Group		2023							
<u>Remaining term to maturity</u>		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
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
		Total							
		MUR' 000							
<b>(i) Investment securities measured at FVTPL</b>									
<b>Trading investment:</b>									
Government bonds and treasury notes		-	-	-	-	741	2,243,592	1,052,534	-
Treasury bills		20,379	6,646,424	-	303,210	-	-	-	-
Bank of Mauritius bills / notes		-	-	-	-	168,468	-	-	-
Corporate bonds		1,688	23,408	-	195,061	119,838	-	38,205	-
<b>Other investments:</b>									
Investment in mutual funds		-	-	-	-	-	-	-	1,202,519
Equity investments		-	-	-	-	-	-	-	1,669,600
		22,067	6,669,832	-	498,271	289,047	2,243,592	1,090,739	2,872,119
		13,685,667							
<b>(ii) Debt securities measured at FVTOCI</b>									
Government bonds		-	1,339,871	-	816,248	4,110,358	8,372,136	10,715,937	-
Treasury bills / notes		1,100,461	2,521,533	1,197,414	-	-	-	-	-
Bank of Mauritius bills/ bonds		112,683	-	-	-	291,698	-	-	-
Bank bonds		2,632,057	1,870,751	529,605	713,495	4,925,933	6,621,618	-	-
Corporate bonds		319,738	531,782	461,324	1,682,154	1,110,911	4,570,055	1,130,084	-
		4,164,939	6,263,937	2,188,343	3,211,897	10,438,900	19,563,809	11,846,021	-
		57,677,846							
<b>(iii) Debt securities measured at amortised cost</b>									
Government bonds		1,276,469	2,486,759	1,909,279	551,377	8,385,051	18,025,416	30,762,126	-
Treasury bills		203,761	135,595	82,851	-	19,991	23,984	-	-
Bank of Mauritius bills/ bonds		-	-	991,498	-	5,115,462	-	5,054,449	-
Bank bonds		-	416,279	-	-	45,238	242,269	87,084	-
Corporate bonds		-	-	472,771	-	-	3,102,739	1,105,349	-
		1,480,230	3,038,633	3,456,399	551,377	13,565,742	21,394,408	37,009,008	-
		80,495,797							
<b>(iv) Equity securities designated at FVTOCI</b>									
Equity shares of companies		-	-	-	-	-	-	-	5,771,917
		5,771,917							
<b>Total gross investment securities</b>		5,667,236	15,972,402	5,644,742	4,261,545	24,293,689	43,201,809	49,945,768	8,644,036
Less: allowance for credit losses									
		(98,512)							
<b>Total investment securities</b>		157,532,715							



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 9. (a). Investments securities (cont'd)

The Group <u>Remaining term to maturity</u>	2022								
	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
<b>(i) Investment securities measured at FVTPL</b>									
<b>Trading investment:</b>									
Government bonds and treasury notes	-	-	425,755	-	5,101,646	70,459	271,101	-	5,868,961
Treasury bills	30,622	188,869	39,220	1,298,525	-	-	-	-	1,557,236
Bank of Mauritius bills / notes	198,028	-	290,442	169,023	-	-	-	-	657,493
Corporate bonds	575	-	-	-	118,437	195,806	16,023	-	330,841
<b>Other investments:</b>									
Investment in mutual funds	-	-	-	-	-	-	-	1,284,192	1,284,192
Equity investments	-	-	-	-	-	-	-	1,669,600	1,669,600
	<u>229,225</u>	<u>188,869</u>	<u>755,417</u>	<u>1,467,548</u>	<u>5,220,083</u>	<u>266,265</u>	<u>287,124</u>	<u>2,953,792</u>	<u>11,368,323</u>
<b>(ii) Debt securities measured at FVTOCI</b>									
Government bonds	4,419	1,574,569	1,287,264	1,581,743	1,245,359	6,372,292	13,409,213	-	25,474,859
Treasury bills / notes	3,006,938	3,559,991	2,486,076	970,082	-	-	-	-	10,023,087
Bank of Mauritius bills / bonds	950,742	195,719	96,648	-	-	-	-	-	1,243,109
Bank bonds	1,745,412	1,531,309	2,377,725	757,744	2,757,271	641,394	-	-	9,810,855
Corporate bonds	726,629	56,513	960,657	226,636	2,603,026	2,702,526	2,492,827	-	9,768,814
	<u>6,434,140</u>	<u>6,918,101</u>	<u>7,208,370</u>	<u>3,536,205</u>	<u>6,605,656</u>	<u>9,716,212</u>	<u>15,902,040</u>	<u>-</u>	<u>56,320,724</u>
<b>(iii) Debt securities measured at amortised cost</b>									
Government bonds	-	654,402	126,705	1,140,600	6,525,735	21,923,979	25,662,517	-	56,033,938
Treasury bills	2,981,645	1,158,615	1,080,704	85,772	-	-	-	-	5,306,736
Bank of Mauritius bills	202,910	-	3,027,776	-	504,305	4,966,719	5,051,420	-	13,753,130
Bank bonds	-	-	-	-	417,898	132,409	85,938	-	636,245
Corporate bonds	-	32,869	-	-	-	1,344,873	1,498,450	-	2,876,192
	<u>3,184,555</u>	<u>1,845,886</u>	<u>4,235,185</u>	<u>1,226,372</u>	<u>7,447,938</u>	<u>28,367,980</u>	<u>32,298,325</u>	<u>-</u>	<u>78,606,241</u>
<b>(iv) Equity securities designated at FVTOCI</b>									
Equity shares of companies	-	-	-	-	-	-	-	5,714,321	5,714,321
<b>Total gross investment securities</b>	<u>9,847,920</u>	<u>8,952,856</u>	<u>12,198,972</u>	<u>6,230,125</u>	<u>19,273,677</u>	<u>38,350,457</u>	<u>48,487,489</u>	<u>8,668,113</u>	<u>152,009,609</u>
Less: allowance for credit losses									(31,676)
<b>Total investment securities</b>									<u>151,977,933</u>

# Notes to the Financial Statements

For the year ended 31 December 2023

## 9. (a). Investments securities (cont'd)

The Company	2023						
	Up to 3 months	3-6 months	6-12 months	2-5 years	Over 5 years	No specific maturity	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<u>Remaining term to maturity</u>							
<b>(i) Investment securities measured at FVTPL</b>							
Equity shares	-	-	-	-	-	1,669,600	1,669,600
	-	-	-	-	-	1,669,600	1,669,600
<b>(ii) Debt securities measured at FVTOCI</b>							
Corporate bonds	49,447	70,869	347,221	-	-	-	467,537
	49,447	70,869	347,221	-	-	-	467,537
<b>(iii) Debt securities measured at amortised cost</b>							
Government bonds and treasury notes	-	-	-	306,667	-	-	306,667
Bank of Mauritius bills / notes	-	-	-	-	68,522	-	68,522
	-	-	-	306,667	68,522	-	375,189
<b>(iv) Equity securities designated at FVTOCI</b>							
Equity shares of companies	-	-	-	-	-	4,303,044	4,303,044
<b>Total gross investment securities</b>	<b>49,447</b>	<b>70,869</b>	<b>347,221</b>	<b>306,667</b>	<b>68,522</b>	<b>5,972,644</b>	<b>6,815,370</b>
Less: allowance for credit losses							(433)
<b>Total investment securities</b>							<b>6,814,937</b>

	2022						
	Up to 3 months	3-6 months	6-12 months	2-5 years	Over 5 years	No specific maturity	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>(i) Investment securities measured at FVTPL</b>							
Government bonds and treasury notes	425,755	-	-	-	-	-	425,755
Equity shares	-	-	-	-	-	1,669,600	1,669,600
	425,755	-	-	-	-	1,669,600	2,095,355
<b>(ii) Debt securities measured at FVTOCI</b>							
Corporate bonds	-	56,513	8,531	-	-	-	65,044
	-	56,513	8,531	-	-	-	65,044
<b>(iii) Debt securities measured at amortised cost</b>							
Government bonds and treasury notes	-	-	-	307,096	-	-	307,096
Bank of Mauritius bills / notes	-	-	-	-	68,646	-	68,646
	-	-	-	307,096	68,646	-	375,742
<b>(iv) Equity securities designated at FVTOCI</b>							
Equity shares of companies	-	-	-	-	-	4,303,044	4,303,044
<b>Total gross investment securities</b>	<b>425,755</b>	<b>56,513</b>	<b>8,531</b>	<b>307,096</b>	<b>68,646</b>	<b>5,972,644</b>	<b>6,839,185</b>
Less: allowance for credit losses							(47)
<b>Total investment securities</b>							<b>6,839,138</b>

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 9. (a). Investments securities (cont'd)

#### Debt securities at amortised cost

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.

The Group	2023			2022		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	MUR '000	MUR '000	MUR '000	MUR '000	MUR '000	MUR '000
High Grade	19,549,174	-	19,549,174	21,652,189	-	21,652,189
Standard Grade	59,475,719	-	59,475,719	54,769,932	505,140	55,275,072
Sub Standard Grade	984,983	485,921	1,470,904	1,678,980	-	1,678,980
Total gross carrying amount	80,009,876	485,921	80,495,797	78,101,101	505,140	78,606,241
Credit loss allowance	(54,022)	(44,490)	(98,512)	(29,463)	(2,213)	(31,676)
Carrying amount	79,955,854	441,431	80,397,285	78,071,638	502,927	78,574,565

#### An analysis of changes in gross carrying amount and the corresponding ECLs is as follows:

	2023			2022		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	MUR'000	MUR'000	MUR'000	MUR '000	MUR '000	MUR '000
<b>Gross carrying amount as at 01 January</b>	78,101,101	505,140	78,606,241	61,253,709	-	61,253,709
New financial assets originated	15,040,514	-	15,040,514	29,362,085	-	29,362,085
Financial assets that have been repaid	(13,542,940)	-	(13,542,940)	(11,126,417)	404,794	(10,721,623)
Other movements	2,088,474	-	2,088,474	(575,131)	-	(575,131)
Transfer to stage 1	204,103	(204,103)	-	-	-	-
Transfer to Stage 2	(184,884)	184,884	-	(100,346)	100,346	-
Translation adjustment	(1,696,492)	-	(1,696,492)	(712,799)	-	(712,799)
<b>Gross carrying amount as at 31 December</b>	80,009,876	485,921	80,495,797	78,101,101	505,140	78,606,241

	2023			2022		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	MUR'000	MUR'000	MUR'000	MUR '000	MUR '000	MUR '000
<b>ECL allowance as at 1 January</b>	29,463	2,213	31,676	57,087	-	57,087
New assets originated or purchased	44	-	44	-	-	-
Net remeasurement of loss allowance	36,684	39,689	76,373	1,533	2,182	3,715
Assets derecognised or repaid (excluding write offs)	(9,339)	-	(9,339)	(29,053)	-	(29,053)
Transfer to Stage 1	380	(380)	-	-	-	-
Transfer to Stage 2	(2,968)	2,968	-	(31)	31	-
Translation adjustment	(242)	-	(242)	(73)	-	(73)
<b>At 31 December</b>	54,022	44,490	98,512	29,463	2,213	31,676

# Notes to the Financial Statements

For the year ended 31 December 2023

## 9. (a). Investments securities (cont'd)

### Debt securities at FVTOCI

#### The Group

#### At 31 December 2023:

High Grade  
Standard Grade  
Sub Standard Grade  
**Carrying amount**

Stage 1	Stage 2	Total
MUR' 000	MUR' 000	MUR' 000
41,211,968	229,475	41,441,443
13,877,283	460,650	14,337,933
860,818	1,037,652	1,898,470
<b>55,950,069</b>	<b>1,727,777</b>	<b>57,677,846</b>

#### At 31 December 2022:

High grade  
Standard grade  
Sub standard grade  
**Carrying amount**

Stage 1	Stage 2	Total
MUR' 000	MUR' 000	MUR' 000
38,833,801	-	38,833,801
15,793,869	822,791	16,616,660
-	870,263	870,263
<b>54,627,670</b>	<b>1,693,054</b>	<b>56,320,724</b>

No loss allowance is recognised in the statements of financial position for debt instruments measured at FVTOCI as the carrying amount is at fair value.

#### At 31 December 2023:

#### Gross carrying amount

#### As at 1 January

Transfer to stage 1  
Transfer to stage 2  
New financial assets originated  
Financial assets that have been repaid  
Other movements\*  
Translation adjustments

#### As at 31 December

Stage 1	Stage 2	Total
MUR'000	MUR'000	MUR'000
54,627,670	1,693,054	56,320,724
1,083,944	(1,083,944)	-
(184,884)	184,884	-
208,617,176	-	208,617,176
(206,089,259)	-	(206,089,259)
(1,128,688)	933,783	(194,905)
(975,890)	-	(975,890)
<b>55,950,069</b>	<b>1,727,777</b>	<b>57,677,846</b>

\* Other movements include interest, foreign exchange and fair value adjustments.

#### At 31 December 2022:

#### Gross carrying amount

#### As at 1 January

Transfer to stage 2  
New financial assets originated  
Financial assets that have been repaid  
Other movements\*  
Translation adjustments

#### As at 31 December

Stage 1	Stage 2	Total
MUR'000	MUR'000	MUR'000
75,466,230	905,201	76,371,431
(821,182)	821,182	-
72,937,005	-	72,937,005
(90,746,753)	-	(90,746,753)
(735,934)	(33,329)	(769,263)
(1,471,696)	-	(1,471,696)
<b>54,627,670</b>	<b>1,693,054</b>	<b>56,320,724</b>

#### ECL allowance on debt instruments at FVTOCI

#### As at 1 January

Net remeasurement of loss allowance  
Assets derecognised or repaid (excluding write offs)

#### As at 31 December

2023		
Stage 1	Stage 2	Total
MUR'000	MUR'000	MUR'000
4,699	22,480	27,179
45,974	90,130	136,104
(2,134)	-	(2,134)
<b>48,539</b>	<b>112,610</b>	<b>161,149</b>



# Notes to the Financial Statements

For the year ended 31 December 2023

## 9. (a). Investments securities (cont'd)

### Debt securities at FVTOCI (cont'd)

#### The Group

#### ECL allowance on debt instruments at FVTOCI (cont'd)

	2022		
	Stage 1	Stage 2	Total
	MUR'000	MUR'000	MUR'000
<b>As at 1 January</b>	12,080	48,216	60,296
Net remeasurement of loss allowance	(1,408)	19,791	18,383
Assets derecognised or repaid (excluding write offs)	(3,970)	(47,530)	(51,500)
Transfers to stage 2	(2,003)	2,003	-
<b>As at 31 December</b>	<b>4,699</b>	<b>22,480</b>	<b>27,179</b>

#### The Group

#### Equity instruments designated at FVTOCI

#### Carrying amount as at 01 January

Additions

Disposal

Fair value movement

Translation adjustment

#### Carrying amount as at 31 December

2023	2022
MUR'000	MUR'000
<b>5,714,321</b>	5,416,262
<b>4,815</b>	402,568
<b>(24,922)</b>	(392,583)
<b>77,347</b>	289,862
<b>356</b>	(1,788)
<b>5,771,917</b>	<b>5,714,321</b>

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.

### Debt investment securities at amortised cost

#### The Company

#### An analysis of changes in gross carrying amount and the corresponding ECLs is as follows:

	2023	2022
	Stage 1	Stage 1
	MUR'000	MUR'000
<b>Gross carrying amount as at 01 January</b>	<b>375,742</b>	587,215
New financial assets originated	-	370,463
Financial assets that have been repaid	-	(566,563)
Other movements	<b>(553)</b>	(15,373)
<b>Gross carrying amount as at 31 December</b>	<b>375,189</b>	<b>375,742</b>

# Notes to the Financial Statements

For the year ended 31 December 2023

## 9. (a). Investments securities (cont'd)

### Debt investment securities at amortised cost (cont'd)

#### The Company

An analysis of changes in gross carrying amount and the corresponding ECLs is as follows (cont'd):

	2023	2022
	Stage 1	Stage 1
	MUR'000	MUR'000
<b>ECL allowance as at 1 January</b>	<b>45</b>	14
Remeasurement of credit losses	<b>185</b>	45
Assets derecognised or repaid (excluding write offs)	-	(14)
New assets originated or purchased	<b>203</b>	-
<b>ECL allowance as at 31 December</b>	<b>433</b>	45

### Debt investment securities at FVTOCI

	2023	2022
	Stage 1	Stage 1
	MUR'000	MUR'000
<b>Carrying amount as at 01 January</b>	<b>65,044</b>	8,981
New financial assets originated	<b>2,269,830</b>	56,154
Financial assets that have been repaid	<b>(1,859,977)</b>	-
Other movements	<b>(7,360)</b>	(91)
<b>Carrying amount as at 31 December</b>	<b>467,537</b>	65,044

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.

### Equity instruments designated at FVTOCI

	2023	2022
	MUR'000	MUR'000
At 01 January	<b>4,303,044</b>	4,004,362
Fair value movement	-	298,682
At 31 December	<b>4,303,044</b>	4,303,044

## 9. (b). Investment in subsidiaries

### Financial statements of the Company

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

Investment in subsidiaries are carried at cost in the Company's separate financial statements which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquirer. Acquisition-related costs are generally recognised 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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 9. (b). Investment in subsidiaries (cont'd)

The Company	2023	2022
Investment in subsidiaries	MUR' 000	MUR' 000
Equity shares	175	175
Capital contribution	31,437,919	31,299,826
<b>Total investment in subsidiaries</b>	<b>31,438,094</b>	<b>31,300,001</b>

Management has assessed the investment in subsidiaries for impairment and believe that no impairment is required.

#### Investment reconciliation is as follows:

	2023	2022
	MUR' 000	MUR' 000
Opening balance	31,300,001	29,800,721
Transfer from investment securities	-	313,646
Capital contribution granted during the year	151,909	1,200,000
Impairment losses	(13,816)	(14,366)
Closing balance	31,438,094	31,300,001

Details of subsidiaries are as follows:

#### Direct holding

	Country of incorporation and operation	Business activity	Carrying amount		Effective % holding	
			2023	2022	2023	2022
SBM (NFC) Holdings Ltd	Mauritius	Non-financial holding company	157,773	157,773	100	100
SBM 3S Ltd	Mauritius	Training services	15,000	5,500	100	100
SBM (Bank) Holdings Ltd	Mauritius	Bank investment holding company	29,407,822	29,274,052	100	100
SBM (NBFC) Holdings Ltd	Mauritius	Non-banking financial investments holding company	1,563,220	1,563,220	100	100

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 9. (b). Investment in subsidiaries (cont'd)

Details of subsidiaries are as follows:

	Country of incorporation and operation	Business activity	Effective % holding 2023	2022
<i>1.0 Banking Segmental Subsidiaries</i>				
<b>1.1 Special Purpose Vehicle for Bank Investments Holding Company</b>				
1.1.1 SBM (Bank) Holdings Ltd	Mauritius	Bank investment holding company	100	100
1.1.2 SBM Overseas One Ltd	Mauritius	Offshore banking	100	100
1.1.3 SBM Overseas Two Ltd	Mauritius	Offshore banking	100	100
1.1.4 SBM Overseas Three Ltd	Mauritius	Offshore banking	100	100
1.1.5 SBM Overseas Four Ltd	Mauritius	Offshore banking	100	100
1.1.6 SBM Overseas Five Ltd	Mauritius	Offshore banking	100	100
1.1.7 SBM Overseas Six Ltd	Mauritius	Offshore banking	100	100
<b>1.2 Special Purpose Vehicles for single Bank Investment Holding Subsidiaries</b>				
1.2.1 SBM Africa Holdings Ltd	Mauritius	Investment in SBM Bank (Kenya) Limited	100	100
<b>1.3 Bank Operating Subsidiaries</b>				
1.3.1 SBM Bank (Mauritius) Ltd	Mauritius	Commercial banking	100	100
1.3.2 Banque SBM Madagascar SA	Madagascar	Commercial banking	100	100
1.3.3 SBM Bank (Kenya) Limited	Kenya	Commercial banking	100	100
1.3.4 SBM Bank (India) Limited	India	Commercial banking	100	100
<i>2.0 Non-Bank Financial Segment Subsidiaries</i>				
<b>2.1 Special Purpose Vehicle for Non-Bank Investments Holding Company</b>				
2.1.1 SBM (NBFC) Holdings Ltd	Mauritius	Non-banking financial Investments holding company	100	100
<b>2.2 Non-Bank Operating Subsidiaries</b>				
2.2.1 SBM Fund Services Ltd	Mauritius	Fiduciary services / Back office processing	100	100
2.2.2 SBM Mauritius Asset Managers Ltd	Mauritius	Asset management	100	100
2.2.3 SBM Securities Ltd	Mauritius	Stockbroking	100	100
2.2.4 SBM Capital Management Limited	Mauritius	Investments	100	100
2.2.5 SBM eBusiness Ltd	Mauritius	Card acquiring & processing	100	100
2.2.6 SBM Custody Services Ltd	Mauritius	Custody services	100	100
2.2.7 SBM Factors Ltd	Mauritius	Factoring	100	100
2.2.8 SBM Insurance Agency Limited	Mauritius	Insurance	100	100
2.2.9 SBM Capital Markets Limited	Mauritius	Investments	100	100
<i>3.0 Non-Financial Segment</i>				
3.1 SBM (NFC) Holdings Ltd	Mauritius	Non-financial holding company	100	100
<i>4.0 Indirect Subsidiary</i>				
4.1 SBM Africa Equity Fund	Mauritius	Closed ended fund	100	100

SBM Holdings Ltd is the ultimate holding company of all the subsidiaries.

The investment in subsidiaries is classified as non current assets.



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 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 and leasehold 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, computer and other 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.

The Group	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>Cost or valuation</b>					
<b>At 01 January 2022</b>	1,137,866	1,437,877	3,185,871	52,527	5,814,141
Additions	58,243	81,662	632,141	-	772,046
Disposals	-	-	(129,648)	(3,104)	(132,752)
Translation adjustment	(41,481)	(1)	(625,636)	(17,286)	(684,404)
<b>At 31 December 2022</b>	1,154,628	1,519,538	3,062,728	32,137	5,769,031
Additions	-	39,942	267,768	-	307,710
Disposals	-	-	(32,808)	-	(32,808)
Revaluation adjustment	30,815	-	-	-	30,815
Transfer	-	(6,629)	6,629	-	-
Translation adjustment	(15,480)	-	(118,634)	(3,890)	(138,004)
<b>At 31 December 2023</b>	<b>1,169,963</b>	<b>1,552,851</b>	<b>3,185,683</b>	<b>28,247</b>	<b>5,936,744</b>

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 10. (a). Property and equipment (cont'd)

The Group	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>Accumulated depreciation</b>					
<b>At 01 January 2022</b>	109,199	117,383	2,506,965	47,603	2,781,150
Charge for the year	26,492	60,452	232,177	2,896	322,017
Disposals	6,190	-	(147,445)	(2,896)	(144,151)
Translation adjustment	(21,037)	2,156	(608,037)	(17,162)	(644,080)
<b>At 31 December 2022</b>	120,844	179,991	1,983,660	30,441	2,314,936
Charge for the year	<b>28,661</b>	<b>63,040</b>	<b>237,382</b>	<b>1,179</b>	<b>330,262</b>
Transfer	-	(424)	424	-	-
Disposals	-	-	(31,449)	-	(31,449)
Translation adjustment	(8,244)	-	(95,543)	(3,913)	(107,700)
<b>At 31 December 2023</b>	<b>141,261</b>	<b>242,607</b>	<b>2,094,474</b>	<b>27,707</b>	<b>2,506,049</b>
<b>Net book value</b>					
<b>At 31 December 2023</b>	<b>1,028,702</b>	<b>1,310,244</b>	<b>1,091,209</b>	<b>540</b>	<b>3,430,695</b>
<b>Progress payments on tangible fixed assets</b>					<b>709,517</b>
					<b>4,140,212</b>
At 31 December 2022	1,033,784	1,339,547	1,079,068	1,696	3,454,095
Progress payments on tangible fixed assets					202,601
					3,656,696

Other tangible fixed assets, included within property and equipment consist of equipment, furniture, fittings and computer equipment.

The Company	Other tangible fixed assets	Motor vehicles	Total
	MUR' 000	MUR' 000	MUR' 000
<b>Cost or valuation</b>			
<b>At 01 January 2022</b>	1,275	-	1,275
Additions	251	-	251
<b>At 31 December 2022</b>	1,526	-	1,526
Additions	<b>739</b>	<b>-</b>	<b>739</b>
<b>At 31 December 2023</b>	<b>2,265</b>	<b>-</b>	<b>2,265</b>
<b>Accumulated depreciation</b>			
<b>At 01 January 2022</b>	165	-	165
Charge for the year	273	-	273
<b>At 31 December 2022</b>	438	-	438
Charge for the year	<b>372</b>	<b>-</b>	<b>372</b>
<b>At 31 December 2023</b>	<b>810</b>	<b>-</b>	<b>810</b>
<b>Net book value</b>			
<b>At 31 December 2023</b>	<b>1,455</b>	<b>-</b>	<b>1,455</b>
<b>Progress payments on tangible fixed assets</b>			<b>3,857</b>
			<b>5,312</b>
At 31 December 2022	1,088	-	1,088
Progress payments on tangible fixed assets			2,028
			3,116

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 10. (a). Property and equipment (cont'd)

The property and equipment are classified as non-current assets.

Management has 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 (2022: Nil).

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

		The Group	
		2023	2022
		MUR' 000	MUR' 000
Freehold land	Level 2	485,001	485,001
Freehold buildings	Level 3	543,702	547,906
Buildings on leasehold land	Level 3	1,310,244	1,339,547
		<b>2,338,947</b>	<b>2,372,454</b>

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	
		2023	2022
		MUR' 000	MUR' 000
Freehold land and buildings		589,696	612,242
Building on leasehold land		399,503	384,571
		<b>989,199</b>	<b>996,813</b>

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 2023 by an independent Chartered Valuation Surveyors, Creative Proptech on the basis of market value of similar properties. The inputs used to revalue the PPE relate to unit prices of similar market transactions. The freehold land and building in Kenya were revalued in November 2018 by Ardhiworth Real Estate Limited, an independent Chartered Valuation Surveyors on an open market value basis. The inputs used to revalue of land and buildings relate to unit prices of similar market transactions.

One of the subsidiary's leasehold land and building LR No. Mombasa/Block XXI/606 and LR No. 209/8873/2 Waiyaki Way have been pledged as security to Central Bank of Kenya for a liability due to Central Bank of Kenya. The liability was fully settled during the year.

Management has assessed the fair value of the properties at 31 December 2023 and 2022 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 2023

### 10. (b). Right of use assets and lease liabilities

#### The Group as lessee

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 of:

- 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.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group leases several assets including land, buildings and equipment. The average lease term is 3–6 years.



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 10. (b). Right of use assets and lease liabilities (cont'd)

#### The Group as lessee (cont'd)

The Group apply 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.

#### (i). Right of use assets

Right of use assets are classified as non-current assets.

<b>The Group</b>	<b>Land and buildings</b>	<b>Other tangible fixed assets</b>	<b>Total</b>
<b>Cost</b>	<b>MUR' 000</b>	<b>MUR' 000</b>	<b>MUR' 000</b>
<b>At 01 January 2022</b>	873,313	319,701	1,193,014
Additions	436,944	710	437,654
Termination/expiry	(103,570)	-	(103,570)
Translation adjustment	(57,771)	-	(57,771)
<b>At 31 December 2022</b>	1,148,916	320,411	1,469,327
Additions	<b>166,523</b>	-	<b>166,523</b>
Termination/expiry	<b>(73,009)</b>	<b>(117,135)</b>	<b>(190,144)</b>
Translation adjustment	<b>(98,296)</b>	-	<b>(98,296)</b>
<b>At 31 December 2023</b>	<b>1,144,134</b>	<b>203,276</b>	<b>1,347,410</b>
<b>Accumulated Depreciation</b>			
<b>At 01 January 2022</b>	376,641	87,956	464,597
Charge for the year	205,237	32,235	237,472
Termination/expiry	(72,819)	-	(72,819)
Translation adjustment	(27,672)	-	(27,672)
<b>At 31 December 2022</b>	481,387	120,191	601,578
Charge for the year	<b>221,883</b>	<b>16,748</b>	<b>238,631</b>
Termination/expiry	<b>(59,796)</b>	<b>(98,784)</b>	<b>(158,580)</b>
Translation adjustment	<b>(58,764)</b>	-	<b>(58,764)</b>
<b>At 31 December 2023</b>	<b>584,710</b>	<b>38,155</b>	<b>622,865</b>
<b>Net book value</b>			
<b>At 31 December 2023</b>	<b>559,424</b>	<b>165,121</b>	<b>724,545</b>
At 31 December 2022	667,529	200,220	867,749

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 10. (b). Right of use assets and lease liabilities(cont'd)

#### (i). Right of use assets (cont'd)

The following are the amounts recognised in profit or loss:

Depreciation expense on right-of-use assets
Interest expense on lease liability (note 25)
Expense relating to leases of low-value assets (included in other operating expenses)
Gain on contract termination of right-of-use asset

#### Total amount recognised in profit or loss

2023	2022
MUR' 000	MUR' 000
238,631	237,472
70,827	68,823
3,424	6,172
5,306	627
318,188	313,094

For short term leases (leases with a lease term of 12 months or less) and leases of low value assets (printers and computers), the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease. Lease payments for short term lease amounted to MUR 2.5 million and MUR 32.0 million for low value assets for the year ended 31 December 2023.

At 31 December 2023, the Group does not have any commitment for short-term leases. There are no variable lease payment in the lease contracts of the Group.

#### (ii). Lease liabilities

##### At 01 January

Additions
Interest expense
Termination
Payments
Exchange difference
Remeasurement of existing lease

##### At 31 December

2023	2022
MUR' 000	MUR' 000
888,617	740,902
166,522	437,653
70,827	68,823
(29,353)	(27,972)
(234,973)	(291,981)
(60,411)	(40,934)
-	2,126
801,229	888,617

Maturity analysis of lease liability are as follows:

Up to 1 year
1 to 5 years
5 to 25 years

Less unearned interest

Further analysed into:

Non current
Current

2023	2022
MUR' 000	MUR' 000
129,451	213,982
614,879	700,154
164,485	141,264
908,815	1,055,400
(107,586)	(166,783)
801,229	888,617
508,957	681,713
292,272	206,904
801,229	888,617

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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 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.

##### *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.

##### *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
<b>Cost</b>				
<b>At 01 January 2022</b>	5,075,196	94,232	284,915	5,454,343
Translation adjustment	(82,518)	(1,533)	-	(84,051)
Additions	164,989	149,952	-	314,941
Transfer to expenses	-	(22,614)	-	(22,614)
Transfer	44,168	(44,168)	-	-
<b>At 31 December 2022</b>	5,201,835	175,869	284,915	5,662,619
Translation adjustment	<b>(68,591)</b>	<b>(1,064)</b>	-	<b>(69,655)</b>
Additions	<b>82,263</b>	<b>603,989</b>	-	<b>686,252</b>
Transfer to expenses	-	<b>(29,262)</b>	-	<b>(29,262)</b>
Disposal	<b>(14,094)</b>	-	-	<b>(14,094)</b>
Transfer	<b>394,041</b>	<b>(394,041)</b>	-	-
<b>At 31 December 2023</b>	<b>5,595,454</b>	<b>355,491</b>	<b>284,915</b>	<b>6,235,860</b>
<b>Accumulated amortisation</b>				
<b>At 01 January 2022</b>	3,206,305	-	284,915	3,491,220
Translation adjustment	(76,909)	-	-	(76,909)
Charge for the year	495,319	-	-	495,319
<b>At 31 December 2022</b>	3,624,715	-	284,915	3,909,630
Translation adjustment	<b>(52,965)</b>	-	-	<b>(52,965)</b>
Charge for the year	<b>531,095</b>	-	-	<b>531,095</b>
Disposal	<b>(3,523)</b>	-	-	<b>(3,523)</b>
<b>At 31 December 2023</b>	<b>4,099,322</b>	-	<b>284,915</b>	<b>4,384,237</b>
<b>Net book value</b>				
<b>At 31 December 2023</b>	<b>1,496,132</b>	<b>355,491</b>	-	<b>1,851,623</b>
<b>At 31 December 2022</b>	1,577,120	175,869	-	1,752,989

# Notes to the Financial Statements

For the year ended 31 December 2023

## 11. Intangible assets (cont'd)

### The Company

#### Cost or valuation

##### At 01 January 2022

Additions

##### At 31 December 2022

Additions

##### At 31 December 2023

#### Accumulated depreciation

##### At 01 January 2022

Charge for the year

##### At 31 December 2022

Charge for the year

##### At 31 December 2023

#### Net book value

##### At 31 December 2023

##### At 31 December 2022

Software	Total
MUR' 000	MUR' 000
1,371	1,371
-	-
<b>1,371</b>	<b>1,371</b>
-	-
<b>1,371</b>	<b>1,371</b>
762	762
274	274
<b>1,036</b>	<b>1,036</b>
<b>269</b>	<b>269</b>
<b>1,305</b>	<b>1,305</b>
<b>66</b>	<b>66</b>
335	335

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 (2022: Nil). The intangible assets are non-current assets whose maturity are more than one year.

## 12. Other assets

Accounts receivable - banking  
Accounts receivable - non-banking  
Balances due in clearing  
Tax deducted at source  
Tax assets (note 17a)  
Prepayment  
Other receivables

Less: allowance for credit losses

The Group		The Company	
2023	2022	2023	2022
MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>1,685,913</b>	1,724,830	-	-
<b>1,270,781</b>	1,455,129	<b>113,507</b>	62,071
<b>11,475</b>	5,983	-	-
<b>344,240</b>	260,405	-	-
<b>32,732</b>	39,328	-	-
<b>399,096</b>	343,101	<b>463</b>	462
<b>454,333</b>	626,292	-	-
<b>4,198,570</b>	4,455,068	<b>113,970</b>	62,533
<b>(123,115)</b>	(53,827)	-	-
<b>4,075,455</b>	4,401,241	<b>113,970</b>	62,533

An analysis of changes in the corresponding ECL pertaining to accounts receivable is as follows:

The Group			
2023		2022	
MUR' 000	MUR' 000	MUR' 000	MUR' 000
Stage 1	Stage 3	Total	Stage 1
<b>53,827</b>	-	<b>53,827</b>	21,450
<b>27,303</b>	<b>41,985</b>	<b>69,288</b>	32,377
<b>81,130</b>	<b>41,985</b>	<b>123,115</b>	53,827

ECL allowance as at 01 January  
Movement for the year  
ECL allowance as at 31 December



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 12. Other assets (cont'd)

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 - banking are mainly transition accounts that will be cleared the following day and the impairment loss thereon is insignificant.

The tax paid in advance is incurred by the Indian Operations, Kenyan Operations and SBM (Bank) Holdings Ltd. The amount is shown net of current tax payable.

Other assets are treated as current assets.

### 13. Pension liabilities

#### Accounting policy

##### (i) Defined benefit plans

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) Defined contribution plan

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.

Pension liabilities are classified as non-current liabilities.

The amount included in the statement of financial position arising from the Group's obligation in respect of its defined benefits plan is as follows:

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Defined benefit plan (note 13 (a))	243,263	357,882	1,534	1,831
Residual retirement gratuities (note 13 (b))	207,600	211,211	11,524	8,265
	450,863	569,093	13,058	10,096

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 13. Pension liabilities (cont'd)

#### (a). Defined benefit plans

The Group provides final salary defined benefit (DB) plan to some of its employees ("eligible employees"), and the plan operates under the SBM Group Pension Fund (the "Fund") which is in existence since 1 July 1999. The plan provides for a pension at retirement and a benefit on death or disablement in service before retirement and is wholly funded. SBMBM is the principal sponsor of the Fund and eligible employees are those who have joined the Bank prior to 31 December 2004. The assets of the managed by SBM Mauritius Asset Managers Ltd and administered by SICOM Ltd. There are other participating employers of the Fund (within the SBM Group) that allows them to pool their assets for investment purposes (group administration plans).

The plan provides for a pension at a retirement and a benefit in death or disablement in service before retirement.

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 except for past service costs accounted for some employee transfers between related entities within the Group and due to the change in methodology.

The most recent actuarial valuation of the defined benefit plan was carried out at 31 December 2023 by AON Hewitt Ltd, actuaries and consultants.

	<b>The Group</b>		<b>The Company</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
	<b>MUR' 000</b>	MUR' 000	<b>MUR' 000</b>	MUR' 000
Present value of funded defined benefit obligation	<b>2,095,217</b>	1,790,617	<b>16,289</b>	12,483
Fair value of planned assets	<b>(1,851,954)</b>	(1,432,735)	<b>(14,755)</b>	(10,652)
Net liability arising from defined benefit obligation	<b>243,263</b>	357,882	<b>1,534</b>	1,831
<b>Reconciliation of net defined benefit liability</b>				
Balance at start of the year	<b>357,882</b>	304,970	<b>1,831</b>	1,428
Amount recognised in statements of profit or loss	<b>73,943</b>	56,981	<b>593</b>	1,113
Amount recognised in other comprehensive income	<b>177,993</b>	48,751	<b>1,936</b>	(161)
Less employer contributions	<b>(366,555)</b>	(52,820)	<b>(2,826)</b>	(549)
Balance at end of the year	<b>243,263</b>	357,882	<b>1,534</b>	1,831

# Notes to the Financial Statements

For the year ended 31 December 2023

## 13. Pension liabilities (cont'd)

### (a). Defined benefit plans (cont'd)

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>Components of amount recognised in statements of profit or loss</b>				
Current service cost	40,681	43,246	410	431
Net interest cost	33,262	13,735	183	682
Total expense	73,943	56,981	593	1,113
<b>Components of amount recognised in other comprehensive income</b>				
Return on planned assets below/(above) interest income	(84,714)	196,566	(653)	755
Liability experience loss	-	133,328	-	1,170
Liability gain due to change in demographic assumptions	(5,456)	(1,228)	-	-
Liability experience (loss)/gain due to change in financial assumptions	268,163	(279,915)	2,589	(2,086)
<b>Total</b>	177,993	48,751	1,936	(161)
<b>Reconciliation of fair value of assets</b>				
Balance at start of the year	1,432,735	1,590,126	10,652	10,370
Interest income	82,908	73,929	640	500
Employer contributions	366,555	52,820	2,826	549
Benefits paid	(114,958)	(87,574)	(16)	(12)
Return on assets excluding interest income	84,714	(196,566)	653	(755)
Balance at end of the year	1,851,954	1,432,735	14,755	10,652
<b>Reconciliation of present value of defined benefit obligation</b>				
Balance at start of the year	1,790,617	1,895,096	12,483	11,798
Current service cost	40,681	43,246	410	431
Past service cost	-	-	-	-
Interest expense	116,170	87,035	823	1,183
Other benefits paid	(114,958)	(87,574)	(16)	(12)
Liability experience loss	-	133,328	-	1,169
Liability gain due to change in demographic assumptions	(5,456)	(1,228)	-	-
Liability loss/(gain) due to change in financial assumptions	268,163	(279,286)	2,589	(2,086)
Balance at end of the year	2,095,217	1,790,617	16,289	12,483

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 13. Pension liabilities (cont'd)

#### (a). Defined benefit plans (cont'd)

##### Allocation of assets at end of year

Equity - Overseas quoted	42	36
Equity - Overseas unquoted	-	3
Equity - Local quoted	19	18
Equity - Local unquoted	-	4
Debt - Overseas quoted	-	-
Debt - Overseas unquoted	-	-
Debt - Local quoted	8	10
Debt - Local unquoted	17	15
Cash and other	14	14

##### Total

The Group		The Company	
2023	2022	2023	2022
%	%	%	%
42	36	42	36
-	3	-	3
19	18	19	18
-	4	-	4
-	-	-	-
-	-	-	-
8	10	8	10
17	15	17	15
14	14	14	14
100	100	100	100

##### Allocation of assets at end of year

Reporting entity's own transferable financial instruments

##### Principal assumptions used at end of year

Discount rate based on government bonds	5.5%	6.7%
Rate of salary increases	6.2%	6.9%
Rate of pension increases	2.0%	2.0%
Average retirement age (ARA)	65	65

Average life expectancy for:

- Male at ARA

- Female at ARA

The Group		The Company	
2023	2022	2023	2022
2%	3%	2%	3%
5.5%	6.7%	5.5%	6.7%
6.2%	6.9%	6.2%	6.9%
2.0%	2.0%	2.0%	2.0%
65	65	65	65
15.9 years	15.9 Years	15.9 years	15.9 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 2023.

##### Sensitivity analysis on defined benefit obligation at end of year

Increase due to 1% decrease in discount rate	314,282	256,337
Decrease due to 1% increase in discount rate	251,263	205,320

The Group		The Company	
2023	2022	2023	2022
MUR' 000	MUR' 000	MUR' 000	MUR' 000
314,282	256,337	2,443	1,568
251,263	205,320	1,792	1,330

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.

##### Future cashflows

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



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 13. Pension liabilities (cont'd)

#### (a). Defined benefit plans (cont'd)

##### Future cashflows (cont'd)

The Group expects to make a contribution of around MUR 52.5 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is ranges between 13 to 14 years for the Group and 13 years for the Company.

The Company expects to make a contribution of around MUR 546,000 to the SBM Group Pension Fund for the next financial year.

#### (b). Residual retirement gratuities

The liability relates to residual retirement gratuities payable under the Workers' Rights Act 2019 and is unfunded.

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.

The most recent actuarial valuation of the retirement gratuities was carried out at 31 December 2023 by AON Hewitt Ltd, actuaries and consultants.

The amount included in the statement of financial position arising from the Group's obligation in respect of its residual retirement gratuities is as follows:

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>Reconciliation of net defined benefit liability</b>				
Balance at start of the year	211,211	105,213	8,265	3,715
Amount recognised in statements of profit or loss	(22,698)	134,936	682	6,032
Amount recognised in other comprehensive income	26,473	(28,058)	3,320	(1,482)
Less benefits paid	(7,386)	(880)	(743)	-
<b>Balance at end of the year</b>	<b>207,600</b>	<b>211,211</b>	<b>11,524</b>	<b>8,265</b>
<b>Reconciliation of present value of defined benefit obligation</b>				
Balance at start of the year	211,211	105,213	8,265	3,715
Current service cost	23,780	25,725	2,986	2,468
Past service cost	(60,398)	100,079	(2,834)	3,220
Interest expense	13,920	9,132	530	344
Liability experience loss	123	10,516	1,304	843
Liability gain due to change in demographic assumptions	(14,968)	(2,670)	(495)	(103)
Liability loss/(gain) due to change in financial assumptions	41,318	(35,904)	2,511	(2,222)
Benefits paid	(7,386)	(880)	(743)	-
<b>Balance at end of the year</b>	<b>207,600</b>	<b>211,211</b>	<b>11,524</b>	<b>8,265</b>

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 13. Pension liabilities (cont'd)

#### (b). Residual retirement gratuities (cont'd)

	The Group		The Company	
	2023 MUR' 000	2022 MUR' 000	2023 MUR' 000	2022 MUR' 000
<b>Components of amount recognised in statements of profit or loss</b>				
Current service cost	23,780	25,725	2,986	2,468
Past service cost	(60,398)	100,079	(2,834)	3,220
Net interest cost	13,920	9,132	530	344
Total expense	(22,698)	134,936	682	6,032
<b>Components of amount recognised in other comprehensive income</b>				
Liability experience loss	123	10,516	1,304	843
Liability experience gain due to change in demographic assumptions	(14,968)	(2,670)	(495)	-
Liability loss/(gain) due to change in financial assumptions	41,318	(35,904)	2,511	(2,222)
<b>Total</b>	<b>26,473</b>	<b>(28,058)</b>	<b>3,320</b>	<b>(1,379)</b>
<b>Principal assumptions used at end of year</b>				
Discount rate	5.5%	6.6%	5.5%	6.6%
Rate of salary increases	6.2%/7%	6.9%/7%	6.2%/7%	6.9%/7%
Rate of pension increases	2.0%	2.0%	2.0%	2.0%
Average retirement age (ARA)	60/65	60/65	60/65	60/65
<b>Sensitivity Analysis on defined benefit obligation at end of year</b>				
Increase due to 1% decrease in discount rate	57,442	40,482	2,770	2,359
Decrease due to 1% increase in discount rate	48,434	34,521	2,342	2,003

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.

Expected contribution for the next financial year is MUR 26.8 million for the Group and MUR 298,000 for the Company and the weighted average duration of the defined benefit obligation is 8-26 years for the Group and 16 years for the Company.

#### Defined contribution plan

As from 1 January 2005, the defined benefit plan has been closed to new entrants and all new entrants of the Group joined a defined contribution plan operated under the SBM Group Defined Contribution Fund (DC Fund). The Group is the principal employer of the DC Fund. The assets are managed by SBM Mauritius Asset Managers Ltd and administered by SICOM Ltd.

The Group made a contribution amounting to MUR 143.7 million to SBM Group DC fund for employees under the defined contribution pension plan (2022: MUR 131.9 million). The Company contributed MUR 9.3 million to the defined contribution plan during the year.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 14. Deposits from banks

Demand deposits

The Group	
2023	2022
MUR' 000	MUR' 000
<b>2,662,028</b>	3,802,908

### 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**

#### (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	
2023	2022
MUR' 000	MUR' 000
<b>28,752,329</b>	29,258,693
<b>81,056,748</b>	76,633,498
<b>10,316,826</b>	8,969,764
<b>3,817,812</b>	3,184,290
<b>7,204,291</b>	5,374,209
<b>10,447,123</b>	8,945,489
<b>191,591</b>	237,642
<b>31,977,643</b>	26,711,394
<b>141,786,720</b>	132,603,585
<b>70,713,901</b>	83,526,610
<b>5,025,449</b>	5,443,851
<b>34,119,452</b>	27,298,664
<b>8,683,869</b>	15,406,967
<b>7,991,804</b>	6,873,150
<b>2,681,211</b>	4,970,146
<b>81,120</b>	103,271
<b>53,557,456</b>	54,652,198
<b>129,296,806</b>	143,622,659
<b>7,247,519</b>	7,137,013
<b>3,476,670</b>	3,484,415
<b>5,997,633</b>	65,703
<b>1,932,240</b>	1,607,635
<b>350,250</b>	4,019,070
<b>551,967</b>	810,355
<b>-</b>	-
<b>8,832,090</b>	6,502,763
<b>19,556,279</b>	17,124,191
<b>290,639,805</b>	293,350,435

### 16. Other borrowed funds

Borrowings from central banks

Other financial institutions

Borrowings from banks

- In Mauritius
- Outside Mauritius

The Group	
2023	2022
MUR' 000	MUR' 000
<b>5,593,882</b>	5,308,642
<b>3,590,464</b>	7,464,195
<b>4,036,479</b>	-
<b>184,836</b>	2,716,633
<b>13,405,661</b>	15,489,470

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 16. Other borrowed funds (cont'd)

	The Group	
	2023	2022
Remaining term to maturity	MUR' 000	MUR' 000
Up to 3 months	9,815,562	11,067,602
Over 3 months and up to 6 months	241,518	272,511
Over 6 months and up to 12 months	517,872	481,314
Over 1 year and up to 5 years	2,359,610	3,169,958
Over 5 years	471,099	498,085
	<b>13,405,661</b>	<b>15,489,470</b>

Borrowings from banks are short term interbank borrowings from local banks at 31 December 2023 with an interest rate ranging from 3% to 4.5% per annum with a tenor of less than 3 months. 50% of the local borrowings were fully collateralised in the form of marketable government securities.

Borrowings from other financial institutions are long term borrowings taken for refinancing purposes with an interest rate ranging from 0.4% to 10% and have maturity date up to 2032.

### 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.

SBM Bank (Mauritius) Ltd is taxed at 5% on the first MUR 1.5 billion of its chargeable income and at 15% of its remaining chargeable income for the year ended 31 December 2023. For the year 2022, the Bank was taxed at 5% on the first MUR 1.5 billion of its chargeable income, at 15% of its chargeable income between MUR 1.5 billion and the base year income, and at 5% on the remainder, subject to meeting prescribed conditions laid down by the Income Tax Act for Banks in Mauritius. The applicable tax rate for India is 43.26% (2022: 43.26%), whereas that of Madagascar is 20% (2022: 20%) and Kenya is 30% (2022: 30%).

Non-banking entities within the Group are taxable at the rate of 15% (2022: 15%).

##### 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

SBMBM is liable to pay the taxation authorities a special levy calculated at 5.5% of its leviable income for the year ended 31 December 2023. For the years 2021 and 2020 special levy was calculated at 5.5% of the leviable income which is less than or equal to MUR 1.2 billion or at 4.5% where leviable income is greater than MUR 1.2 billion. Leviable income applies to banking transactions of Segment A and is defined as the sum of net interest income and other income before deduction of expenses as per VAT act. The bank levy is treated as tax expense as per communiqué issued by BoM.



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 17. Taxation (cont'd)

#### 17. (a). Current tax liabilities

The Company had accumulated tax losses amounting to MUR'000 22,912 as at 31 December 2023 (31 December 2022: MUR'000 28,853) which will expire in year 2029.

**Current tax liabilities can be analysed as follows:**

	<b>The Group</b>		<b>The Company</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
	<b>MUR' 000</b>	MUR' 000	<b>MUR' 000</b>	MUR' 000
<u>Statement of financial position</u>				
At 01 January	<b>439,171</b>	272,566	<b>1,385</b>	4,140
Income tax provision	<b>389,581</b>	457,817	-	2,190
Corporate Social Responsibility contribution	<b>110,367</b>	79,070	-	356
Underprovision/(overprovision) in prior years	<b>71,682</b>	60,028	<b>(1,385)</b>	(2,632)
Paid during the year	<b>(939,160)</b>	(177,482)	-	(2,669)
Translation difference	<b>55,935</b>	(439,244)	-	-
Bank levy	<b>186,416</b>	186,416	-	-
Tax refund	<b>(20,430)</b>	-	-	-
Additional tax for year 2022	<b>230,000</b>	-	-	-
At 31 December	<b>523,562</b>	439,171	-	1,385
<b>The breakdown of current tax liability is as follows:</b>				
Tax liabilities	<b>556,294</b>	478,499	-	1,385
Tax assets (note 12)	<b>(32,732)</b>	(39,328)	-	-
	<b>523,562</b>	439,171	-	1,385

Current tax liabilities will be repaid within the next one year and is classified as a current liabilities.

#### 17. (b). Tax expense

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
	<b>MUR' 000</b>	MUR' 000	<b>MUR' 000</b>	MUR' 000
In Mauritius	<b>661,805</b>	528,500	<b>(1,221)</b>	2,189
Overseas	<b>974</b>	19,877	-	-
Total tax expense/(credit)	<b>662,779</b>	548,377	<b>(1,221)</b>	2,189
Income tax provision	<b>389,581</b>	530,667	-	4,108
Deferred income tax (note 17d)	<b>(333,651)</b>	(240,240)	-	-
Corporate Social Responsibility contribution	<b>110,367</b>	79,070	-	356
Bank levy	<b>186,416</b>	186,416	-	-
Under/(over) provision in previous periods	<b>71,682</b>	-	<b>(1,385)</b>	-
Additional tax for year 2022	<b>230,000</b>	-	-	-
Tax refund in relation to prior years	<b>(2,664)</b>	-	<b>(2,664)</b>	-
Withholding tax	<b>11,049</b>	(7,536)	<b>2,828</b>	(2,275)
<b>Total tax expense/(credit)</b>	<b>662,779</b>	548,377	<b>(1,221)</b>	2,189

# Notes to the Financial Statements

For the year ended 31 December 2023

## 17. Taxation (cont'd)

### 17. (c). Tax reconciliation

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit before income tax from continuing operations	<b>4,979,715</b>	4,184,038	<b>1,306,510</b>	1,905,840
Tax on accounting profit at applicable tax rates	<b>846,551</b>	711,286	<b>222,106</b>	285,876
Under/(over) provision in previous periods	<b>71,682</b>	65,432	<b>(1,385)</b>	3,011
Non allowable expenses	<b>836,827</b>	130,365	<b>115,163</b>	91,600
Exempt income	<b>(706,358)</b>	(828,392)	<b>(336,253)</b>	(376,379)
Corporate Social Responsibility contribution	<b>110,367</b>	(17,965)	-	356
Bank levy	<b>186,416</b>	186,416	-	-
Deferred tax assets not recognised	<b>67,383</b>	3,265	-	-
Tax refund in relation to prior years	<b>(2,664)</b>	-	<b>(2,664)</b>	-
Additional tax for year 2022	<b>230,000</b>	-	-	-
Tax loss utilised	<b>(1,016)</b>	-	<b>(1,016)</b>	-
Tax rate differential	<b>(987,458)</b>	305,506	-	-
Withholding tax	<b>11,049</b>	(7,536)	<b>2,828</b>	(2,275)
Total tax expense/(credit)	<b>662,779</b>	548,377	<b>(1,221)</b>	2,189

### 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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 17. Taxation (cont'd)

#### 17. (d). Deferred tax assets/(liabilities) (cont'd)

##### Accounting policy (cont'd)

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

##### Tax rate of SBM Bank (Mauritius) Ltd

The deferred tax rate applied for segment A and segment B is 14% and 12% respectively (2022: 7% and 5%).

No deferred tax was recognised as it is not probable that future taxable profit will be available to offset against the unused tax losses.

##### Reconciliation of deferred tax assets

	The Group	
	2023	2022
	MUR' 000	MUR' 000
At 01 January	(1,265,176)	(1,087,074)
Translation adjustments	159,114	63,800
Charge to profit or loss:		
- Movement for the year (note 17b)	(333,651)	(240,240)
Charge/(credit) to other comprehensive income:		
- Remeasurement of retirement benefit obligations	(21,338)	(1,662)
- Revaluation of property	70,482	-
<b>At 31 December</b>	<b>(1,390,569)</b>	<b>(1,265,176)</b>

# Notes to the Financial Statements

For the year ended 31 December 2023

## 17. Taxation (cont'd)

### 17. (d). Deferred tax assets/(liabilities) (cont'd)

#### Reconciliation of deferred tax assets/(liabilities)

	The Group			
	01 January 2023	Charge/(credit) to profit or loss	Charge / (credit) to OCI	Translation adjustment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>2023</b>				
<b>Deferred tax assets</b>				
Allowances for credit impairment	(504,272)	(432,823)	-	(18,241)
Pension liability	(37,523)	-	(21,338)	-
Other provisions	(825,535)	(2,144)	-	165,692
	(1,367,330)	(434,967)	(21,338)	147,451
<b>Deferred tax liabilities</b>				
Accelerated capital allowances	28,135	97,324	-	11,964
Revaluation of property	74,581	-	70,482	-
Unrealised exchange gains	(562)	3,992	-	(301)
	102,154	101,316	70,482	11,663
<b>Net deferred tax assets</b>	(1,265,176)	(333,651)	49,144	159,114

	The Group			
	01 January 2022	Charge/(credit) to profit or loss	Credit to OCI	Translation adjustment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>2022</b>				
<b>Deferred tax assets</b>				
Allowances for credit impairment	(283,536)	(211,866)	-	(8,870)
Pension liability	(27,076)	(8,785)	(1,662)	-
Other provisions	(899,567)	6,629	-	67,403
	(1,210,179)	(214,022)	(1,662)	58,533
<b>Deferred tax liabilities</b>				
Accelerated capital allowances	49,459	(26,370)	-	5,046
Revaluation of property	77,710	(3,340)	-	211
Unrealised exchange gains	(4,064)	3,492	-	10
	123,105	(26,218)	-	5,267
<b>Net deferred tax assets</b>	(1,087,074)	(240,240)	(1,662)	63,800

## 18. Other liabilities

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Bills payable	437,601	462,430	-	-
Accruals for expenses	2,089,136	1,719,421	62,936	37,065
Accounts payable	6,052,557	5,415,109	26,360	28,297
Deferred income	78,413	74,923	-	-
Balance due in clearing	15,748	5,841	-	-
Balances in transit	1,084,103	955,434	-	-
ECL on memorandum items (note 22)	232,964	301,170	-	-
Other payables	49,312	136,587	-	-
	10,039,834	9,070,915	89,296	65,362

Other liabilities, except for deferred income, are classified as current liabilities. Deferred income has a maturity of over more than one year and is treated as non-current liabilities.



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 19. Subordinated debts

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Subordinated Bonds:				
Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024 (note (a))	<b>1,526,812</b>	1,522,965	<b>1,526,812</b>	1,522,965
Class A 2 series bond of MUR fixed interest rate senior unsecured bonds maturing in 2028 (note (b))	<b>3,064,426</b>	3,062,958	<b>3,064,426</b>	3,062,958
Class B 2 series bond of USD fixed interest rate senior unsecured bonds maturing in 2025 (note (b))	<b>3,351,948</b>	3,321,028	<b>3,351,948</b>	3,321,028
Class A 3 series bond of MUR fixed interest rate senior unsecured bonds maturing in 2031 (note (c))	<b>1,003,560</b>	1,003,790	<b>1,003,560</b>	1,003,790
Class B 3 series bond of MUR floating interest rate senior unsecured bonds maturing in 2031 (note (c))	<b>1,005,525</b>	1,005,795	<b>1,005,525</b>	1,005,795
Series Bond of INR fixed interest rate subordinated unsecured bonds maturing 2032 & 2033 (note (d))	<b>1,279,902</b>	699,956	-	-
	<b>11,232,173</b>	10,616,492	<b>9,952,271</b>	9,916,536
Analysed as :				
Non-current	<b>9,705,361</b>	10,616,492	<b>8,425,459</b>	9,916,536
Current	<b>1,526,812</b>	-	<b>1,526,812</b>	-
	<b>11,232,173</b>	10,616,492	<b>9,952,271</b>	9,916,536

- a. 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).

- b. 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 3.1 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 75.7 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.

- c. Private placement of Subordinated Tier II bonds amounting to MUR 2 billion at a price of MUR 10,000 per bond maturing in 2031, issued in two series: Series A3 and Series B3, at the rate of 4.2% and 4.0% (Repo rate + 2.15%).
- d. In FY 2022, SBM Bank (India) Limited made a private placement of 125 Basel III compliant rated, unsecured, subordinated, listed, redeemable, non-convertible and fully paid up Tier 2 bonds in the nature of debentures (Series II) amounting to INR 1,250 million at a price of INR 10 million face value at a fixed interest rate of 9.75% maturing in April 2032. During the year under review, the subsidiary further issued 99 unsecured subordinated debts at INR 10 million face value at the rate of 9.98% maturing in January 2033.

# Notes to the Financial Statements

For the year ended 31 December 2023

## 19. Subordinated debts (cont'd)

### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financial activities are those for which cash flows were, or future cash flows will be classified in cash flows from financing activities in the statement of cash flows.

#### The Group

	Non-cash changes				
	At 1 January	Financing cash flows (i)	New leases	Exchange differences	Other changes (ii)
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 31 December					
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
<b>2023</b>					
Other borrowed funds	15,489,470	(2,083,809)	-	-	-
Subordinated debts	10,616,492	(38,384)	-	32,641	621,424
Lease liabilities	888,617	(225,056)	166,522	(60,412)	31,558
	<b>26,994,579</b>	<b>(2,347,249)</b>	<b>166,522</b>	<b>(27,771)</b>	<b>652,982</b>
<b>2022</b>					
Other borrowed funds	9,512,912	5,976,558	-	-	-
Subordinated debts	9,877,346	229,088	-	25,279	484,779
Lease liabilities	740,902	(291,981)	437,653	(40,934)	42,977
	<b>20,131,160</b>	<b>5,913,665</b>	<b>437,653</b>	<b>(15,655)</b>	<b>526,756</b>

#### The Company

	Non-cash changes			
	At 1 January	Financing cash flows (i)	Exchange differences	Other changes (ii)
	MUR'000	MUR'000	MUR'000	MUR'000
At 31 December				
	MUR'000	MUR'000	MUR'000	MUR'000
<b>2023</b>				
Subordinated debts	<b>9,916,536</b>	<b>(529,395)</b>	<b>30,136</b>	<b>534,994</b>
<b>2022</b>				
Subordinated debts	9,877,346	(470,868)	25,279	484,779

(i) The cash flows from other borrowed funds and subordinated debts make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

(ii) Other changes include non-cash transactions such as interests accrued but not yet paid on interest-bearing other borrowed funds and subordinated debts.

## 20. Stated capital and treasury shares

Authorised, issued and paid up share capital

At 31 December 2023

At 31 December 2022

The Group		The Company	
Number	MUR' 000	Number	MUR' 000
<b>3,037,402,230</b>	<b>32,500,204</b>	<b>3,037,402,230</b>	<b>32,500,204</b>
3,037,402,230	32,500,204	3,037,402,230	32,500,204

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 20. Stated capital and treasury shares (cont'd)

Treasury shares held

At 31 December 2023

At 31 December 2022

Fully paid ordinary shares carry one vote per share and the right to dividend, except for treasury shares which have no such rights.

The Group		The Company	
Number	MUR' 000	Number	MUR' 000
<b>455,610,330</b>	<b>4,875,031</b>	<b>455,610,330</b>	<b>4,875,031</b>
455,610,330	4,875,031	455,610,330	4,875,031

### 21. Dividend

Dividends on ordinary shares are recognised in equity in the period in which they are authorised by the directors and have been approved by the Bank of Mauritius.

Dividend declared and paid in current year:

2023: 20 cents; 2022: 20 cents

Less dividend declared and paid during the year

Dividend payable

The Group		The Company	
2023	2022	2023	2022
MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>516,358</b>	516,358	<b>516,358</b>	516,358
<b>516,358</b>	516,358	<b>516,358</b>	516,358
<b>(516,358)</b>	(516,358)	<b>(516,358)</b>	(516,358)
-	-	-	-

A dividend of 20 cents per share was declared on 29 March 2023 and paid on 14 June 2023.

### 22. Memorandum items

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

Acceptances on account of customers

Guarantees on account of customers

Letters of credit and other obligations on account of customers

Other contingent items

**b.** Commitments

Undrawn credit facilities

**c.** Other

Inward bills held for collection

Outward bills sent for collection

**Total**

Credit loss allowance

**Total carrying value**

The Group	
2023	2022
MUR' 000	MUR' 000
<b>1,917,187</b>	1,761,895
<b>19,189,094</b>	18,669,391
<b>2,210,680</b>	3,043,935
-	4,120,304
<b>23,316,961</b>	27,595,525
<b>34,692,390</b>	25,630,135
<b>1,880,874</b>	955,028
<b>3,701,237</b>	2,643,726
<b>5,582,111</b>	3,598,754
<b>63,591,462</b>	56,824,414
<b>(232,964)</b>	(301,170)
<b>63,358,498</b>	56,523,244

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 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	2023			
	Stage 1	Stage 2	Stage 3	Total
	Individual MUR' 000	Individual MUR' 000	MUR' 000	MUR' 000
<b>Performing</b>				
High grade	27,283,027	428,391	5,737	27,717,155
Standard grade	26,237,684	1,369,787	-	27,607,471
Sub-standard grade	5,488,057	2,651,315	-	8,139,372
Past due but not impaired	-	-	-	-
<b>Non-performing</b>				
Individually impaired	-	-	127,464	127,464
<b>Total</b>	<b>59,008,768</b>	<b>4,449,493</b>	<b>133,201</b>	<b>63,591,462</b>

Internal rating grade	2022			
	Stage 1	Stage 2	Stage 3	Total
	Individual MUR' 000	Individual MUR' 000	MUR' 000	MUR' 000
<b>Performing</b>				
High grade	27,220,792	1,743,379	-	28,964,171
Standard grade	19,705,017	2,736,095	-	22,441,112
Sub-standard grade	2,899,444	2,354,181	50	5,253,675
Past due but not impaired	-	-	-	-
<b>Non-performing</b>				
Individually impaired	-	-	165,456	165,456
<b>Total</b>	<b>49,825,253</b>	<b>6,833,655</b>	<b>165,506</b>	<b>56,824,414</b>

Details of the Group's internal grading system are set out in note 38(b)(i).

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

	2023			
	Stage 1	Stage 2	Stage 3	Total
	Individual MUR'000	Individual MUR'000	MUR'000	MUR'000
<b>Gross carrying amount as at 01 January 2023</b>	<b>49,825,253</b>	<b>6,833,655</b>	<b>165,506</b>	<b>56,824,414</b>
New exposures	13,510,322	2,122,348	2,000	15,634,670
Exposures derecognised or matured/lapsed	(7,503,472)	(3,499,687)	(67,941)	(11,071,100)
Transfers to Stage 1	2,298,949	(2,298,633)	(316)	-
Transfers to Stage 2	(1,327,012)	1,329,713	(2,701)	-
Transfers to Stage 3	-	(36,653)	36,653	-
Translation adjustments	2,204,728	(1,250)	-	2,203,478
<b>Gross carrying amount as at 31 December 2023</b>	<b>59,008,768</b>	<b>4,449,493</b>	<b>133,201</b>	<b>63,591,462</b>



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 22. Memorandum items (cont'd)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows (cont'd):

	2022			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
<b>Gross carrying amount as at 01 January 2022</b>	42,221,958	2,140,983	160,734	44,523,675
New exposures	18,115,924	2,676,304	24,543	20,816,771
Exposures derecognised or matured/lapsed	(6,789,720)	(1,244,918)	(67,907)	(8,102,545)
Transfers to Stage 1	102,498	(102,498)	-	-
Transfers to Stage 2	(3,420,206)	3,432,004	(11,798)	-
Transfers to Stage 3	(50)	(59,884)	59,934	-
Translation adjustments	(405,151)	(8,336)	-	(413,487)
<b>Gross carrying amount as at 31 December 2022</b>	<b>49,825,253</b>	<b>6,833,655</b>	<b>165,506</b>	<b>56,824,414</b>

	2023			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
<b>ECL allowance as at 1 January 2023</b>	<b>112,542</b>	<b>18,304</b>	<b>170,324</b>	<b>301,170</b>
New exposures	47,817	5,433	38,442	91,692
Exposures derecognised or repaid	(73,659)	(9,458)	(76,657)	(159,774)
Transfers to Stage 1	3,116	(3,116)	-	-
Transfers to Stage 2	(1,717)	1,717	-	-
Transfers to Stage 3	-	(237)	237	-
Translation adjustments	(132)	8	-	(124)
<b>At 31 December 2023</b>	<b>87,967</b>	<b>12,651</b>	<b>132,346</b>	<b>232,964</b>

	2022			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
<b>ECL allowance as at 1 January 2022</b>	109,160	57,916	162,421	329,497
New exposures	62,915	9,172	84,377	156,464
Exposures derecognised or repaid	(55,244)	(48,924)	(76,538)	(180,706)
Transfers to Stage 1	1,592	(1,592)	-	-
Transfers to Stage 2	(2,185)	2,185	-	-
Transfers to Stage 3	(13)	(51)	64	-
Translation adjustments	(3,683)	(402)	-	(4,085)
<b>At 31 December 2022</b>	<b>112,542</b>	<b>18,304</b>	<b>170,324</b>	<b>301,170</b>

# Notes to the Financial Statements

For the year ended 31 December 2023

## 22. Memorandum items (cont'd)

### Legal proceedings

#### SBM Bank (Mauritius) Ltd (SBMBM)

The Bank is subject to various legal claims from former employees and customers with claims totalling MUR 882.4 million (2022: MUR 743.4 million). Out of these, the Bank has assessed the claims that are highly probable and has made a provision of MUR 130.9 million as at 31 December 2023. The Bank has not made any provision on the remaining claims (MUR 811.5 million) on the basis that so far there is no indication that the claims would succeed in court.

#### SBM Bank (Kenya) Ltd (SBMBK)

In August 2018, SBMBK acquired certain selected assets and assumed certain liabilities of Chase Bank (Kenya) Limited (in Receivership). In 2019, a financial institution claimed that they had deposited funds in the amount of USD 7.5 million in Chase Bank (Kenya) Limited (In Receivership). These were not part of the assumed liabilities taken over by SBMBK. The Financial Institution filed a case in the High Court claiming the aforementioned funds. The case was referred by the Court to arbitration and was ruled in favour of SBMBK in April 2021. The financial institution then appealed to the High Court which delivered judgment in their favour in July 2022. SBMBK filed an appeal in the Court of Appeal. SBMBK also obtained a Stay of Execution of the decision of the High Court, pending the determination of SBMBK's appeal. The Appeal was due to be heard on 18th March 2024 in the Court of Appeal but on that day, the Financial Institution indicated to the Court that there is a proposal for an out-of-court settlement by the Financial Institution, which is likely to extinguish the claim of the Financial Institution against SBMBK. The Financial Institution applied for an adjournment of the matter and SBMBK did not oppose the adjournment. The Court allowed the adjournment to facilitate negotiations by the parties, which if successfully completed, will result in the setting aside of the High Court judgement which was in favour of the Financial Institution. The effect of this is that the matter will be marked as settled, without any liability to SBMBK. No provision in relation to this claim has been recognised in these financial statements as the Directors have been advised by the lawyers that the probability of a liability arising is remote.

In June 2017, Kenya Revenue Authority (KRA) demanded penalties on taxes that were collected by Fidelity Commercial Bank (FCB) on behalf of its customers during the year 2016 under a service level agreement between KRA and FCB. These taxes which amounted to KShs. 239,289,236 were collected prior to the acquisition of FCB by SBM Bank (Kenya) Limited (SBMBK) and were paid in full by the latter upon take-over. KRA then raised a demand notice for penalties which had accrued and which were disputed by SBMBK at the time. KRA subsequently raised a revised penalty claim of Kshs 737 million, which was not agreeable to SBMBK. SBMBK declared a dispute in line with the provisions of the service level agreement. The Bank also filed a case in High Court seeking temporary protection against enforcement of the claim by KRA as well as seeking direction by the Court for the dispute to be resolved through Arbitration. The Bank was granted temporary protection by the High Court against enforcement of the claim by KRA. The case seeking to refer the matter to arbitration will be heard in May 2024. The directors, in consideration of the underlying facts about the claim, are confident that SBMBK is not liable and therefore no provision has been made in these financial statements in respect thereof. The possibility and extent to which an outflow of funds will be required to settle the matter will be dependent on the outcome of the ongoing court case and the decision of the arbitrator in the event that the Court directs the parties to resolve the dispute through arbitration.

## 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:

Treasury bills / Government bonds  
Other investment securities

Analysed as:

- In Mauritius
- Overseas

The Group	
2023	2022
MUR' 000	MUR' 000
8,765,047	4,862,313
1,333,248	312,148
<b>10,098,295</b>	<b>5,174,461</b>
2,329,691	-
7,768,604	5,174,461
<b>10,098,295</b>	<b>5,174,461</b>

# Notes to the Financial Statements

For the year ended 31 December 2023

## 24. Capital commitments

Approved and contracted for  
Approved and not contracted for

The Group	
2023	2022
MUR' 000	MUR' 000
1,314,401	406,832
766,249	355,829

## 25. Net interest income/(expense)

### Interest income using the effective interest method

Cash and cash equivalents  
Loans to and placements with banks  
Loans and advances to non-bank customers  
Investment securities at amortised cost  
Investment securities at FVTOCI

The Group		The Company	
2023	2022	2023	2022
MUR' 000	MUR' 000	MUR' 000	MUR' 000
442,526	255,865	-	-
198,373	91,915	-	-
13,168,176	9,327,389	-	-
3,662,891	3,085,008	12,727	8,687
2,749,342	1,872,263	20,038	602
20,221,308	14,632,440	32,765	9,289
129,795	33,277	-	-
198,611	153,549	-	-
328,406	186,826	-	-
20,549,714	14,819,266	32,765	9,289
(7,464,200)	(4,117,814)	-	-
(1,056,943)	(737,794)	-	-
(653,312)	(507,363)	(534,993)	(484,779)
(70,827)	(68,823)	-	-
(9,245,282)	(5,431,794)	(534,993)	(484,779)
(664,631)	(465,252)	-	-
(9,909,913)	(5,897,046)	(534,993)	(484,779)
10,639,801	8,922,220	(502,228)	(475,490)

### Other interest income

Investment securities at FVTPL  
Derivatives held for risk management

### Total interest income

### Interest expense using the effective interest method

Deposits from non-bank customers  
Other borrowed funds  
Subordinated debts  
Interest expense on lease liabilities

### Other interest expense

Derivatives held for risk management

### Total interest expense

### Net interest income/(expense)

# Notes to the Financial Statements

For the year ended 31 December 2023

## 26. Net fee and commission income

### Fee and commission income

Retail banking customer fees
Corporate banking customer fees
Brokerage income
Asset management fees
Factoring fees
Card income
Other fees*

### Total fee and commission income

### Fee and commission expense

Interbank transaction fees
Brokerage
Other fees

### Total fee and commission expense

### Net fee and commission income

The Group	
2023	2022
MUR' 000	MUR' 000
<b>412,851</b>	377,976
<b>749,659</b>	595,431
<b>183,364</b>	412,635
<b>84,467</b>	84,646
<b>11,801</b>	12,050
<b>683,543</b>	660,042
<b>458,986</b>	253,177
<b>2,584,671</b>	2,395,957
<b>(63,009)</b>	(40,296)
<b>(1,374)</b>	-
<b>(72,975)</b>	(61,500)
<b>(137,358)</b>	(101,796)
<b>2,447,313</b>	2,294,161

\* Out of the other fee and commission income an amount of MUR'000 146,615 (2022: MUR'000 132,642) pertain to revenue from contract with customers (brokerage income) which has been recognised as per accounting policy described in note 26(a) below together with the related disclosures.

## 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:

#### Identify the performance obligations

##### SBM Mauritius Asset Managers Ltd

The Company provides asset management services. Revenue from contracts with customers is recognised when the services are rendered to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that management fees, retrocession fees, arranger fees, entry and exit fees and commission from structured products are capable of being distinct since they are different services being provided and the contracts are separate.

##### SBM Capital Markets Ltd

The Company provides corporate finance advisory services and stock broking services. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that commission from local equity, commission from local bonds, commission from international equity, commission from international bonds, management fees, retrocession fees, arranger fees, entry and exit fees and commission from structured products are capable of being distinct since they are different services being provided and the contracts are separate.

##### SBM Fund Services Ltd

The Company acts as registrar and transfer agent for numerous listed companies and mutual funds. It also provides administration services including trade and fees processing, net asset value computation and fund accounting services. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 26. Net fee and commission income (cont'd)

#### 26 (a). Revenue from contracts with customers (cont'd)

##### Identify the performance obligations (cont'd)

###### SBM Fund Services Ltd (cont'd)

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.

###### 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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 26. Net fee and commission income (cont'd)

#### 26 (a). Revenue from contracts with customers (cont'd)

##### SBM Capital Markets Ltd (cont'd)

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.

##### 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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 26. Net fee and commission income (cont'd)

#### 26 (a). Revenue from contracts with customers (cont'd)

##### SBM Fund Services Ltd

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.

##### 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 2023

### 26. Net fee and commission income (cont'd)

#### 26 (a). Revenue from contracts with customers (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.

#### **Disaggregated revenue information**

Set out below is the disaggregation of the Group's revenue from contracts with customers:

##### SBM Mauritius Asset Managers Ltd

Management fees

Entry and exit fees

Arranger fees

#### **Asset management fees included above**

##### SBM Capital Markets Ltd

Commission income - Local equity

Commission income - Foreign equity

Commission income - Local bonds

Commission income - Foreign bonds

#### **Brokerage income**

<b>The Group</b>	
<b>2023</b>	2022
<b>MUR'000</b>	MUR'000
<b>54,956</b>	49,314
<b>1,518</b>	2,572
<b>606</b>	3,733
<b>57,080</b>	55,619
<b>4,901</b>	4,993
<b>161,847</b>	388,045
<b>1,430</b>	1,274
<b>15,186</b>	18,323
<b>183,364</b>	412,635

# Notes to the Financial Statements

For the year ended 31 December 2023

## 26. Net fee and commission income (cont'd)

### 26 (a). Revenue from contracts with customers (cont'd)

#### Disaggregated revenue information (cont'd)

##### SBM Capital Markets Ltd

Entry and exit fees

Management fees

Retrocession fees

Advisory fees

##### SBM Fund Services Ltd

Registry fees from Funds

Registry fees from other clients

Trustee fees

Debenture holder representative fees

Administrative fees

Registry fees from ultimate holding company

##### SBM Factors Ltd

Factoring fees

Signing fees

##### SBM E-Business Ltd

Card income

Network fee

Administrative fee

##### SBM Insurance Agency Ltd

Life commission

General commission

DTA commission

#### Others

#### Total revenue from contracts with customers

#### Geographical markets

Mauritius

Europe

US

Asia Pacific

#### Total revenue from contracts with customers

#### Timing of revenue recognition

Services transferred at a point in time

Services transferred over time

#### Total revenue from contracts with customers

The Group	
2023	2022
MUR'000	MUR'000
1,588	1,767
25,801	24,561
7,147	6,270
7,558	3,634
7,220	6,373
9,757	6,430
914	934
195	300
8,638	7,766
1,830	1,230
5,815	6,215
-	35
5,222	-
9,872	9,262
-	6,262
11,403	13,712
11,625	8,902
32,030	28,989
146,615	132,642
387,059	600,896
210,025	194,528
11,494	28,176
165,526	378,007
14	185
387,059	600,896
350,598	559,599
36,461	41,297
387,059	600,896

## 27. Net trading income

Profit arising from dealing in foreign currencies

Profit on disposal of debt securities

Other interest rate instruments

The Group	
2023	2022
MUR' 000	MUR' 000
1,584,075	1,938,056
613,627	129,424
(17,039)	16,390
2,180,663	2,083,870



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 28 (a). Net gains from financial assets measured at FVTPL

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets measured at fair value through profit or loss	50,740	(12,783)	35,342	33,166
Derivatives held for risk management purposes	(10,487)	21,412	-	-
	40,253	8,629	35,342	33,166

### 28 (b). Net (losses)/gains on derecognition of financial assets measured at amortised cost

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets measured at amortised cost	(21,394)	11,382	-	11,382

The Group disposed some of its investments held at amortised cost during the year following credit downgrade of the investment. The nominal value of investment disposed amounts to MUR 265.8 million and realised a loss of MUR 21.4 million for the year ended 31 December 2023.

### 28 (c). Net gains on derecognition of financial assets measured at FVTOCI

	The Group	
	2023	2022
	MUR' 000	MUR' 000
Debt securities measured at FVTOCI	44,962	94,968

The Group disposed some of these assets due to the risks associated.

### 29. Other operating income

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gain on disposal of property and equipment	6,466	5,453	-	-
Dividend income from financial assets measured at FVTOCI	267,767	206,563	167,504	112,632
Dividend income from investment in subsidiaries	-	-	1,774,984	2,335,000
Foreign exchange gain	-	15,516	-	494
Management support income	-	-	104,093	35,815
Sundry income	25,016	11,062	-	-
	299,249	238,594	2,046,581	2,483,941

Dividend income 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 2023

### 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		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Salaries	<b>3,511,077</b>	3,014,275	<b>159,837</b>	58,830
Other social security obligations	<b>176,215</b>	165,843	<b>10,445</b>	1,080
Contributions to defined contribution plans	<b>143,703</b>	131,991	<b>9,310</b>	8,532
Defined benefit plans	<b>73,943</b>	56,981	<b>593</b>	1,113
Residual retirement gratuities	<b>(22,698)</b>	134,936	<b>683</b>	6,032
Staff welfare cost	<b>393,585</b>	358,246	<b>1,588</b>	1,975
	<b>4,275,825</b>	3,862,272	<b>182,456</b>	77,562

### 31. Other expenses

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	<b>1,484,847</b>	1,164,948	<b>794</b>	(1,248)
Utilities	<b>107,156</b>	80,038	<b>870</b>	42
Professional charges	<b>535,296</b>	472,415	<b>14,345</b>	4,157
Marketing costs	<b>227,196</b>	165,244	<b>4,359</b>	4,326
Rent, repairs and maintenance	<b>345,857</b>	270,292	-	-
Licence and other registration fees	<b>127,915</b>	144,123	<b>4,607</b>	18,180
Foreign exchange difference	<b>48,937</b>	46,592	<b>34,822</b>	22,591
Other operating and administrative costs	<b>1,350,867</b>	876,311	<b>16,290</b>	6,591
	<b>4,228,071</b>	3,219,963	<b>76,087</b>	54,639

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 32. Credit loss movement on financial assets and memorandum items

The table below shows the movement in credit loss recognised in the statements of profit or loss under IFRS 9 during 2023:

#### The Group

	2023			
	Stage 1 MUR' 000	Stage 2 MUR' 000	Stage 3 MUR' 000	Total MUR' 000
Loans and advances to non-bank customers	185,367	(1,393,849)	2,455,077	1,246,595
Loans and placements with banks*	9,773	9,458	-	19,231
Debt instruments measured at amortised cost and FVTOCI	68,641	132,407	-	201,048
Other receivables	27,303	-	41,985	69,288
Loan commitments	(17,506)	1,234	(14)	(16,286)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(6,937)	(6,895)	(37,964)	(51,796)
<b>Total credit loss expense</b>	<b>266,641</b>	<b>(1,257,645)</b>	<b>2,459,084</b>	<b>1,468,080</b>
Write off				38,385
Bad debts recovered				(459,218)
				<b>1,047,247</b>

#### The Company

	2023			
	Stage 1 MUR' 000	Stage 2 MUR' 000	Stage 3 MUR' 000	Total MUR' 000
Debt instruments measured at amortised cost	185	-	-	185

#### The Group

	2022			
	Stage 1 MUR' 000	Stage 2 MUR' 000	Stage 3 MUR' 000	Total MUR' 000
Loans and advances to non-bank customers	(304,760)	1,028,193	950,036	1,673,469
Loans and placements with banks*	(6,203)	-	-	(6,203)
Debt instruments measured at amortised cost and FVTOCI	(34,930)	(23,524)	-	(58,454)
Other receivables	32,377	-	-	32,377
Loan commitments	752	-	-	752
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	6,313	(39,209)	7,903	(24,993)
<b>Total credit loss expense</b>	<b>(306,451)</b>	<b>965,460</b>	<b>957,939</b>	<b>1,616,948</b>
Write off				43,286
Bad debts recovered				(327,491)
				<b>1,332,743</b>

#### The Company

	2022			
	Stage 1 MUR' 000	Stage 2 MUR' 000	Stage 3 MUR' 000	Total MUR' 000
Debt instruments measured at amortised cost	45	-	-	45
<b>Total credit loss expense under IFRS 9</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>45</b>

\* ECL movement for cash and cash equivalents are included under loans and placement with banks.

### 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	
	2023 MUR' 000	2022 MUR' 000
Profit for the year	4,316,937	3,635,661
Profit attributable to owners of the Company	4,316,937	3,635,661
Number of shares entitled to dividend (thousands)	2,581,792	2,581,792
Basic and Diluted Earnings per share (cents)	167.2	140.8

# Notes to the Financial Statements

For the year ended 31 December 2023

## 34. Net cash from operating activities

Notes	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>Cash flows from operating activities</b>				
Profit for the year	<b>4,316,937</b>	3,635,661	<b>1,307,731</b>	1,903,651
<b>Adjustments to determine net cash flows:</b>				
Depreciation of property and equipment	10(a) <b>330,262</b>	322,017	<b>372</b>	273
Depreciation of right of use assets	10(b) <b>238,631</b>	237,472	-	-
Amortisation of intangible assets	11 <b>531,095</b>	495,319	<b>269</b>	274
Impairment of equity investment	-	-	<b>13,816</b>	14,366
Pension expense	30 <b>51,245</b>	191,917	<b>1,276</b>	7,145
Net impairment loss on financial assets	32 <b>1,468,080</b>	1,332,743	<b>185</b>	45
Write off of intangible assets	11 -	22,614	-	-
Net gain on termination of right of use	<b>2,212</b>	4,906	-	-
Net gain on disposal of property and equipment	<b>(4,255)</b>	(5,453)	-	-
Net gain/(loss) on financial assets at amortised cost	28 (b) <b>21,394</b>	(11,382)	-	(11,382)
Investment securities at fair value through profit or loss	<b>(40,253)</b>	(8,629)	<b>(35,342)</b>	(8,629)
Interest income	-	-	<b>(32,765)</b>	(9,289)
Interest expense	-	-	<b>534,993</b>	484,779
Interest on lease liabilities	10(b) <b>70,827</b>	68,822	-	-
Tax expense	17(b) <b>683,920</b>	319,297	<b>(1,221)</b>	2,189
Dividend income	29 <b>(267,767)</b>	(206,563)	<b>(1,942,488)</b>	(2,447,632)
<b>Operating profit/(loss) before working capital changes</b>	<b>7,402,328</b>	6,398,741	<b>(153,174)</b>	(64,210)
<b>Change in operating assets and liabilities</b>				
Decrease/(increase) in derivative financial instruments (assets)	<b>526,095</b>	(420,917)	-	-
Increase in loans to and placements with banks	<b>(1,644,643)</b>	(383,833)	-	-
Decrease/(increase) in loans and advances to non bank customers	<b>488,530</b>	(21,007,334)	-	-
(Increase)/decrease in gilt-edged investment securities	<b>(4,235,325)</b>	(183,003)	<b>58,127</b>	(624,301)
Increase in mandatory balances with central banks	<b>(1,195,501)</b>	(2,077,893)	-	-
Decrease/(increase) in other assets	<b>256,497</b>	(855,145)	<b>(51,437)</b>	88,433
(Decrease)/increase in derivative financial instruments (liabilities)	<b>(122,722)</b>	145,422	-	-
(Decrease)/increase in deposits from banks	<b>(1,140,880)</b>	1,032,906	-	-
Decrease in deposits from non-bank customers	<b>(2,710,629)</b>	(5,230,423)	-	-
Increase/(decrease) in other liabilities	<b>1,037,000</b>	747,999	<b>63,648</b>	(62,826)
Pension contribution paid	13(a) <b>(373,941)</b>	(53,700)	<b>(3,569)</b>	(549)
Interest received	-	-	<b>36,403</b>	357,968
Interest paid	-	-	<b>(487,510)</b>	(484,779)
Income tax paid	17(c) <b>(939,160)</b>	(396,208)	<b>(164)</b>	(4,944)
<b>Net cash used in operating activities</b>	<b>(2,652,351)</b>	(22,283,388)	<b>(537,676)</b>	(795,208)

# Notes to the Financial Statements

For the year ended 31 December 2023

## 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

#### Statement of financial position

##### (a) Credit facilities

##### (i) Loans

Balance at beginning of year	
Loans to directors / entities who ceased to be related parties during the year	
Existing loans of new related parties	
Exchange difference	
Other net movements	
Balance at end of year	

##### (ii) Off-balance sheet obligations

Balance at end of year	
------------------------	--

##### (b) Deposits at end of year

#### Statement of profit or loss

- (c) Interest income
- (d) Interest expense
- (e) Other income

### Key management personnel including directors

2023	2022
MUR' 000	MUR' 000
274,357	358,690
(31,816)	(11,120)
78,598	73,346
(19)	(87)
74,742	(146,472)
395,862	274,357
323,260	-
277,010	259,907
13,925	13,744
6,287	1,790
649	514

Short term benefits amounted to MUR 171.2 million at the reporting date (2022: MUR 85.4 million) and long term benefits was nil at the reporting date (2022:nil).

### The Company

- (a) Cash and cash equivalents at year end
- (b) Payables
- (c) Dividend income
- (d) Management support income
- (e) Management support cost
- (f) Receivables

### Subsidiaries

2023	2022
MUR'000	MUR'000
710,733	28,219
279	4,969
1,774,984	2,335,000
104,093	35,815
5,462	3,293
113,597	62,160



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 35. Related party disclosures (cont'd)

Related party transactions in relation to SBM Pension Funds are as follows:

	The Group	
	2023	2022
	MUR' 000	MUR' 000
Deposits at end of year	<b>446,502</b>	85,166

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.

The above mentioned outstanding balances arose in the normal course of business. For the year ended 31 December 2023, the Group has recognised expected credit losses on doubtful debts relating to amounts owed by related parties as per ECL model currently being applied on financial assets. At 31 December 2023, none of the facilities to related parties was non-performing (2022: Nil). In addition, for the year ended 31 December 2023, the Banking Group has not written off any amount owed by related party (2022: Nil).

The Government of Mauritius (GOM), by virtue of board representation, exercise significant influence on SBMH. The transactions with GOM and other entities controlled, jointly controlled or significantly influenced by GOM pertain mainly to investments, loans and advances and deposits. The transactions are individually and collectively not material. None of these transactions are carried out on either non-market terms or outside the normal course of business.

### 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.

All Banking entities within the Group have also met their respective minimum capital adequacy ratio requirements. Banks in Mauritius are required to maintain a ratio of eligible capital to risk weighted assets of at least 14.5%, whereas for India, Kenya and Madagascar, the minimum ratio is set at 11.5%, 14.5% and 8% respectively.

	The Group	
	2023	2022
	MUR' 000	MUR' 000
Tier 1 Capital	<b>27,016,479</b>	22,769,955
Eligible capital	<b>36,694,250</b>	33,554,900
Risk weighted assets	<b>178,946,163</b>	175,429,198
Capital adequacy ratio (%)	<b>20.5</b>	19.1

Tier 1 Capital also known as going concern capital consists of shareholders' 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).

# Notes to the Financial Statements

For the year ended 31 December 2023

## 37. Other reserves

<b>The Group</b>	<b>Fair value reserve</b>	<b>Translation reserve</b>	<b>Prudential provisions reserve</b>	<b>Earnings reserve</b>	<b>Restructuring reserve</b>	<b>Total</b>
	<b>MUR' 000</b>	<b>MUR' 000</b>	<b>MUR' 000</b>	<b>MUR' 000</b>	<b>MUR' 000</b>	<b>MUR' 000</b>
At 1 January 2022	(1,323,070)	854,815	710,956	2,935,807	(8,316,147)	(5,137,639)
Other comprehensive income for the year	(1,710,283)	(598,644)	-	-	-	(2,308,927)
Reclassification of reserves	-	-	(87,202)	-	-	(87,202)
Appropriation of reserves	-	-	159,726	-	-	159,726
<b>At 31 December 2022</b>	<b>(3,033,353)</b>	<b>256,171</b>	<b>783,480</b>	<b>2,935,807</b>	<b>(8,316,147)</b>	<b>(7,374,042)</b>
At 1 January 2023	<b>(3,033,353)</b>	<b>256,171</b>	<b>783,480</b>	<b>2,935,807</b>	<b>(8,316,147)</b>	<b>(7,374,042)</b>
Other comprehensive income for the year	<b>1,501,646</b>	<b>(566,236)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>935,410</b>
Appropriation of reserves	<b>-</b>	<b>-</b>	<b>38,911</b>	<b>-</b>	<b>-</b>	<b>38,911</b>
<b>At 31 December 2023</b>	<b>(1,531,707)</b>	<b>(310,065)</b>	<b>822,391</b>	<b>2,935,807</b>	<b>(8,316,147)</b>	<b>(6,399,721)</b>

### Fair value reserve

This reserve comprise of fair value movements recognised on financial assets measured at FVTOCI.

### Translation reserve

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

### Prudential provisions reserve

The prudential provision reserve relate to SBMBK where impairment losses required as per prudential guidelines exceed those computed under IFRS, the excess is recognised as a regulatory loan loss reserve and accounted for as an appropriation of retained profits and the reverse for reduction. Investment fluctuation reserve is 2% of FVOCI and FVTPL portfolio of investment required to be transferred and profit on investment securities held at amortised cost portfolio required to be appropriated as required by legislation.

### Restructuring reserve

Restructuring reserve includes unrealised investment fair value reserve of MUR 5,401 million, translation reserve of MUR 646 million and 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.

### 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 2023

### 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 approves the risk policies and a set of prudential limits and risk tolerance limits, besides regulatory limits, within which the Group operates. The Senior Management 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	2023	2022
		MUR' 000	MUR' 000
<b>Financial assets</b>			
Cash and cash equivalents	Amortised cost	23,827,701	30,275,037
Mandatory balances with central banks	Amortised cost	16,918,939	15,723,438
Derivative financial instruments	Fair value through P&L	679,073	1,205,168
Loans to and placements with banks	Amortised cost	2,853,065	1,221,415
Loans and advances to non-bank customers	Amortised cost	148,259,418	149,994,543
Investment securities	Amortised cost	80,397,287	78,574,565
Investment securities	Fair value through OCI	57,677,846	56,320,724
Investment securities	Fair value through P&L	12,016,065	9,698,723
Equity investment	Fair value through OCI	5,771,917	5,714,321
Equity investment	Fair value through P&L	1,669,600	1,669,600
Other assets <sup>*1</sup>	Amortised cost	2,967,576	3,271,047
<b>Total financial assets</b>		<b>353,038,487</b>	<b>353,668,581</b>
<b>Financial liabilities</b>			
Deposits from banks	Amortised cost	2,662,028	3,802,908
Deposits from non-bank customers	Amortised cost	290,639,805	293,350,435
Derivative financial instruments	Fair value through P&L	782,595	905,317
Other borrowed funds	Amortised cost	13,405,661	15,489,470
Lease liabilities	Amortised cost	801,229	888,617
Other liabilities <sup>*2</sup>	Amortised cost	9,387,530	8,442,132
Subordinated debts	Amortised cost	11,232,173	10,616,492
<b>Total financial liabilities</b>		<b>328,911,021</b>	<b>333,495,371</b>

# Notes to the Financial Statements

For the year ended 31 December 2023

## 38. Risk management (cont'd)

### (a). (i). Classification of financial assets and financial liabilities (cont'd)

The Company	Classification and measurement category	2023	2022
<b>Financial assets</b>		<b>MUR' 000</b>	<b>MUR' 000</b>
Cash and cash equivalents	Amortised cost	<b>710,733</b>	28,219
Investment securities	Amortised cost	<b>374,756</b>	375,695
Investment securities	Fair value through P&L	-	425,755
Investment securities	Fair value through OCI	<b>467,537</b>	65,044
Equity investment	Fair value through OCI	<b>4,303,044</b>	4,303,044
Equity investment	Fair value through P&L	<b>1,669,600</b>	1,669,600
Other assets <sup>*3</sup>	Amortised cost	<b>113,597</b>	62,533
<b>Total financial assets</b>		<b>7,639,267</b>	6,929,890
<b>Financial liabilities</b>			
Other liabilities <sup>*4</sup>	Amortised cost	<b>86,111</b>	65,362
Subordinated debts	Amortised cost	<b>9,952,271</b>	9,916,536
<b>Total financial liabilities</b>		<b>10,038,382</b>	9,981,898

<sup>\*1</sup> An amount of MUR 1,108 million pertaining to security deposits, prepayments and taxes has been excluded from other assets under the above section. (2022: MUR 1,130 million)

<sup>\*2</sup> An amount of MUR 652 million pertaining to taxes has been excluded from other liabilities under the above section. (2022: MUR 629 million).

<sup>\*3</sup> An amount of MUR 0.4 million pertaining to prepayments has been excluded from other assets under the above section. (2022: MUR NIL)

<sup>\*4</sup> An amount of MUR 3.2 million pertaining to taxes has been excluded from other liabilities under the above section. (2022: MUR NIL).

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (a). (ii). Fair values

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.

	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
The Group	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>Financial assets</b>				
Cash and cash equivalents	23,827,701	23,827,701	30,275,037	30,275,037
Mandatory balances with central banks	16,918,939	16,918,939	15,723,438	15,723,438
Loans to and placements with banks	2,853,065	2,853,065	1,221,415	1,221,415
Derivative financial instruments	679,073	679,073	1,205,168	1,205,168
Loans and advances to non-bank customers	148,259,418	147,835,105	149,994,543	149,438,537
Investment securities	157,532,715	153,842,650	151,977,933	144,940,641
Other assets	2,967,576	2,967,576	3,271,047	3,271,047
	<b>353,038,487</b>	<b>348,924,109</b>	<b>353,668,581</b>	<b>346,075,283</b>
<b>Financial liabilities</b>				
Deposits from banks	2,662,028	2,662,028	3,802,908	3,802,908
Deposits from non-bank customers	290,639,805	290,525,872	293,350,435	293,212,265
Other borrowed funds	13,405,661	13,405,661	15,489,470	15,489,470
Derivative financial instruments	782,595	782,595	905,317	905,317
Lease liabilities	801,229	801,229	888,617	888,617
Other liabilities	9,387,530	9,387,530	8,442,132	8,442,132
Subordinated debts	11,232,173	11,232,173	10,616,492	10,616,492
	<b>328,911,021</b>	<b>328,797,088</b>	<b>333,495,371</b>	<b>333,357,201</b>



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (a). (ii). Fair values (cont'd)

	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>The Company</b>	<b>MUR' 000</b>	<b>MUR' 000</b>	MUR' 000	MUR' 000
<b>Financial assets</b>				
Cash and cash equivalents	710,733	710,733	28,219	28,219
Investment securities	6,814,937	6,997,766	6,839,138	7,024,607
Other assets	113,597	113,597	62,533	62,533
	<b>7,639,267</b>	<b>7,822,096</b>	<b>6,929,890</b>	<b>7,115,359</b>
<b>Financial liabilities</b>				
Other liabilities	86,111	86,111	65,362	65,362
Subordinated debts	9,952,271	9,952,271	9,916,536	9,916,536
	<b>10,038,382</b>	<b>10,038,382</b>	<b>9,981,898</b>	<b>9,981,898</b>

#### **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 or net assets value of the investees.

#### **Derivative financial instruments**

Derivative products valued using a valuation methodology with market observable inputs include forward foreign exchange contracts, interest rate swaps and option contracts across several asset classes, including but not limited to foreign currencies, commodities, indices and equities. The most frequently applied valuation techniques include forward pricing and swap models, using discounted cash flow methodology based on market conventions. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves, market volatilities and other feeds from appointed valuation/calculation agents.

#### **Deposits from non-bank customers**

For deposits from non-bank customers, all the term deposits maturing after one year have been fair valued based on the current prevailing savings rate.

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.

# Notes to the Financial Statements

For the year ended 31 December 2023

## 38. Risk management (cont'd)

### (a). (iii). Fair value measurement hierarchy

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

- Level 1 - 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
<b>31 December 2023</b>								
<b>Derivative financial assets</b>	-	679,073	-	679,073	-	-	-	-
<b>Investment securities measured at FVTPL</b>								
Debt securities	11,618,018	-	398,049	12,016,067	-	-	-	-
Equity securities	-	1,669,600	-	1,669,600	-	1,669,600	-	1,669,600
<b>Investments measured at FVTOCI</b>								
Debt securities	52,131,449	2,804,612	2,741,785	57,677,846	467,537	-	-	467,537
Equity securities	79,600	677,967	5,014,350	5,771,917	-	-	4,303,044	4,303,044
<b>Total assets</b>	<b>63,829,067</b>	<b>5,831,252</b>	<b>8,154,184</b>	<b>77,814,503</b>	<b>467,537</b>	<b>1,669,600</b>	<b>4,303,044</b>	<b>6,440,181</b>
<b>Derivative financial liabilities</b>	-	782,595	-	782,595	-	-	-	-
<b>Total liabilities</b>	-	782,595	-	782,595	-	-	-	-
<b>31 December 2022</b>								
<b>Derivative financial assets</b>	-	1,205,168	-	1,205,168	-	-	-	-
<b>Investment securities measured at FVTPL</b>								
Debt securities	9,193,296	-	505,427	9,698,723	425,755	-	-	425,755
Equity securities	-	1,669,600	-	1,669,600	-	1,669,600	-	1,669,600
<b>Investments measured at FVTOCI</b>								
Debt securities	51,402,631	3,376,644	1,541,449	56,320,724	65,044	-	-	65,044
Equity securities	77,605	636,417	5,000,299	5,714,321	-	-	4,303,044	4,303,044
<b>Total assets</b>	<b>60,673,532</b>	<b>6,887,829</b>	<b>7,047,175</b>	<b>74,608,536</b>	<b>490,799</b>	<b>1,669,600</b>	<b>4,303,044</b>	<b>6,463,443</b>
<b>Derivative financial liabilities</b>	-	905,317	-	905,317	-	-	-	-
<b>Total liabilities</b>	-	905,317	-	905,317	-	-	-	-

# Notes to the Financial Statements

For the year ended 31 December 2023

## 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)	397,439,098	(397,439,098)

Reconciliation of level 3 assets:

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Balance at start of year	7,047,175	6,865,508	4,303,044	4,004,362
Additions	1,175,600	615,656	-	-
Disposals	(105,685)	(659,144)	-	-
Exchange difference	4,865	4,535	-	-
Movement in fair value	32,229	220,620	-	298,682
Balance at end of year	8,154,184	7,047,175	4,303,044	4,303,044

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 fulfill 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 2023

### 38. Risk management (cont'd)

#### (b). Credit risk (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	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<u>Fund-based exposures:</u>				
Cash and cash equivalents	19,844,113	27,227,378	710,733	28,219
Mandatory balances with central banks	16,918,939	15,723,438	-	-
Loans to and placements with banks	2,871,465	1,226,864	-	-
Derivative financial instruments	679,073	1,205,168	-	-
Loans and advances to non-bank customers	157,802,162	163,450,730	-	-
Investment securities	157,631,227	152,009,609	6,815,370	6,839,185
Other assets	2,967,576	3,271,047	113,597	62,533
	<b>358,714,555</b>	<b>364,114,234</b>	<b>7,639,700</b>	<b>6,929,937</b>
<u>Non-fund based exposures:</u>				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	28,899,072	31,194,279	-	-
Credit commitments	34,692,390	25,630,135	-	-
	<b>63,591,462</b>	<b>56,824,414</b>	<b>-</b>	<b>-</b>

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.

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:

	2023	2022
The Group	MUR' 000	MUR' 000
Grades:		
1 to 3 - High Grade	82,419,389	93,624,870
4 to 6 - Standard	74,112,156	60,877,883
7 to 10 (including unrated) - Sub standard	30,414,698	36,123,045
	<b>186,946,243</b>	<b>190,625,798</b>

Grade 1 includes customers with low credit risk factors, strong financial conditions and excellent repayment capacities whereas grade 10 includes weak category clients and unrated customers who have been defaulted to 10 on a prudent basis due to outdated financials. For non bank exposures, internal ratings are used except for some corporates which have external ratings.

#### 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 and ECL of modified financial assets for where modification did not result in derecognition. No modification gain/loss were recognised as amounts were not material.

	2023		2022	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Modified loans	11,417,910	516,682	10,361,995	744,792

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 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 macroeconomic 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.

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	Fitch 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
6-7	4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	Standard
8-9	5	B+ to B-	B1 to B3	B+ to B-	Sub-standard
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.



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (b). Credit risk (cont'd)

##### (ii). Credit risk assessment (cont'd)

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.

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 downside) 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.

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.

**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%.

#### 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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (b). Credit risk (cont'd)

#### (ii). Credit risk assessment (cont'd)

##### 2. Incorporation of forward-looking information (cont'd)

When estimating the macroeconomic variables used in ECL calculation, the Bank 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. 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 macroeconomic variables, credit risk and credit losses. The following key indicators were considered:

- Labour Force Survey: Employed persons
- Interest rates : Treasury bill rate
- International reserves – Official reserve assets
- Implicit Price Deflator: Government consumption
- Balance of payments: Direct investment – Assets
- National accounts : Real Gross Fixed Capital Formation
- Industrial production index: General index
- Terms of trade
- Interest Rates: 5-year government bond yield
- Stock Price Index
- National accounts : Real Gross Domestic Product
- Labour Force Survey: Employment – Total

In light of the high inflationary environment coupled with rising interest rates, SBM reviewed its ECL framework so as to cater for the higher level of uncertainty in markets, both local and across borders. Adjusting for forward looking information during this unprecedented event, the Group had factored in post model adjustment on its retail book to cater for clients where recomputed debt-to-income based on prevailing interest rates, following hike in interest rates, was above norms. The adjustment was based on uncertainty of future interest rates and its impact on the future probability of default of this segment. No overlay was considered for the corporate book given that the Group have updated financials and status of clients.

##### 3. 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 the year under review, the Group has also considered all reschedulement done over the last 12 months as criteria of significant increase in credit risk.

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.

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:

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (b). Credit risk (cont'd)

#### (ii). Credit risk assessment (cont'd)

##### 3. Significant increase in credit risk (cont'd)

- 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.

#### 4. 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 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.

##### (iii) Exposure at default (EAD).

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained 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.

#### 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 macroeconomic variables have been chosen for inclusion in the logic models based on their statistical significance in explaining defaults as well as intuitiveness of the coefficients.

For Banks, external default data from Standard & Poor's (S&P) is used. The PD models convert the through-the-cycle transition matrices (and TTC Default rates) from Standard & Poor's into point-in-time estimates that reflect economic conditions observed at reporting date. The forward looking factor is quantified by a scalar factor arrived by a difference if two economic regressions (with Macroeconomic variables and without Macroeconomic variables).

For sovereigns, historical default rates from Moody's is used together with correlated Global MEVs. The average 12-month rating transition matrix is converted into point-in-time (PIT) transition 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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (b). Credit risk (cont'd)

#### (ii). Credit risk assessment (cont'd)

##### 4. Measurement of ECL (cont'd)

##### LGD (cont'd)

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.

##### 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 Bank 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.

**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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (b). Credit risk (cont'd)

#### (ii). Credit risk assessment (cont'd)

##### 4. Measurement of ECL (cont'd)

**Credit cards and other revolving facilities:** The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. In the case of credit cards, the most significant judgement is to reflect the operational practice of card reissuance and the associated credit assessment as enabling a formal re-origination trigger. As a consequence, a capped lifetime approach of 12 months is used for overdraft balances since limit are renewed on a yearly basis. For credit cards, an estimate of the behavioural lifetime is considered by segment (36 months for retail cards and 20 months for corporates and SME).

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.

##### 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 Bankruptcy 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.

##### Regulatory provision

For SBM Bank (Mauritius) Ltd, regulatory provision is conducted in accordance with the Bank of Mauritius Guideline on 'Credit Impairment Measurement and Income Recognition (April 2016)' and 'Additional Macroprudential Measures For the Banking Sector (January 2015)' which require the bank in Mauritius 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 portfolio provision.

For SBM Bank (Kenya) Limited, the following minimum percentage amounts for provisioning are to be maintained according to assigned classifications as described below:

- (i) for loans classified as 'Normal' minimum 1% portfolio provision
- (ii) for loans classified as 'Watch' minimum 3% portfolio provision
- (iii) for loans classified 'Substandard' 20% applied on net balances after deduction of realisable value of security and interest in suspense.
- (iv) for loans classified 'Doubtful' 100% applied on net balances after deduction of realisable value of security and interest in suspense.
- (v) for loans classified 'Loss' 100% applied on net balances after deduction of realisable value of security and interest in suspense.



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (b). Credit risk (cont'd)

#### (ii). Credit risk assessment (cont'd)

##### 4. Measurement of ECL (cont'd)

###### Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Group's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the 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.

##### 5. 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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (b). Credit risk (cont'd)

#### (ii). Credit risk assessment (cont'd)

##### 5. Modified financial asset (cont'd)

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.

#### (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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (b). Credit risk (cont'd)

#### (iii). Collateral and other credit enhancements (cont'd)

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	2023	2022	Principal Type of collateral held
The Group	MUR' 000	MUR' 000	
<b>Fund-based exposures:</b>			
Cash and cash equivalents	19,844,113	27,227,378	Unsecured
Mandatory balances with central banks	16,918,939	15,723,438	Unsecured
Loans to and placements with banks	2,871,465	1,226,864	Unsecured
Derivative financial instruments	679,073	1,205,168	Unsecured
			Residential/ Commercial property/ Floating charge on assets
Loans and advances to non-bank customers	157,802,162	163,450,730	Unsecured
Investment securities	157,631,227	152,009,609	Unsecured
Other assets	2,967,576	3,271,047	Unsecured
<b>Non-fund based exposures:</b>			
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	28,899,072	31,194,279	Fixed/Floating charge on assets
Credit commitments	34,692,390	25,630,135	Unsecured

#### The Company

The Fund-based exposures are 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.

#### (iv). Ageing of loans and advances:

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:

	The Group			
	2023		2022	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
0-30 days	143,238,376	1,668,540	144,797,800	2,926,462
31-60 days	1,924,130	66,444	3,116,139	96,120
61-89 days	1,780,649	103,736	1,008,540	38,916
<b>Total</b>	<b>146,943,155</b>	<b>1,838,720</b>	<b>148,922,479</b>	<b>3,061,498</b>

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (b). Credit risk (cont'd)

##### (v). Impaired financial assets

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

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

	The Group	
	2023	2022
	MUR' 000	MUR' 000
Loans and advances (note 8d)	10,859,007	14,528,251
Specific allowance held in respect of impaired advances (note 8d)	7,704,024	10,394,689
Fair value of collaterals of impaired advances	4,656,830	3,150,384

##### (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 10% of its Tier I Capital, classified by industry sectors:

	The Group	
	2023	2022
	MUR' 000	MUR' 000
<b>Portfolio</b>		
Agriculture	2,755,624	5,703,996
Traders	21,991,430	7,911,107
Real estate	5,983,820	8,984,299
Financial Institutions	-	23,437,291
Services	3,223,968	3,220,563
Tourism	4,066,777	6,842,347
	38,021,619	56,099,603

##### (vii). Offsetting financial instruments

###### *Loans and advances to customers*

The Group holds cash collateral and marketable securities to mitigate the credit risk of securities lending.

###### *Derivative financial instruments*

The Group 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 Group 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.

##### (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.

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (c). Liquidity risk (cont'd)

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

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket *	Total
The Group	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>31 December 2023</b>								
<b>Financial assets</b>								
Cash and cash equivalents	21,110,097	257,143	156,046	111,525	44,035	2,155,782	(6,927)	23,827,701
Mandatory balances with central banks	2,091,114	1,358,034	868,498	691,768	753,376	11,156,149	-	16,918,939
Loans to and placements with banks	565,953	664,524	27,109	1,553,203	72,235	-	(29,959)	2,853,065
Derivative financial instruments	25,224	11,579	13,863	22,047	242,568	65,787	298,005	679,073
Loans and advances to non-bank customers	6,021,461	12,654,130	6,683,800	8,023,432	37,785,806	77,413,439	(322,650)	148,259,418
Investment securities	15,556,270	3,050,863	15,705,558	9,065,504	38,943,989	60,952,346	14,258,185	157,532,715
Other assets	27,154	5,804	-	-	15,187	1,219	2,918,212	2,967,576
	<b>45,397,273</b>	<b>18,002,077</b>	<b>23,454,874</b>	<b>19,467,479</b>	<b>77,857,196</b>	<b>151,744,722</b>	<b>17,114,866</b>	<b>353,038,487</b>
<b>Financial liabilities</b>								
Deposits from banks	1,496,906	595,358	165,869	89,642	314,253	-	-	2,662,028
Deposits from non-bank customers	52,046,632	24,592,690	19,648,913	19,194,412	15,925,825	153,725,250	5,506,083	290,639,805
Other borrowed funds	8,849,920	1,259,211	281,196	554,331	1,989,302	471,701	-	13,405,661
Derivative financial instruments	-	-	-	-	-	-	782,595	782,595
Subordinated debts	48,876	-	1,574,847	-	3,351,948	6,256,502	-	11,232,173
Lease liabilities	-	-	-	-	-	-	801,229	801,229
Other liabilities	102,203	37,274	-	27,491	42,591	-	9,177,971	9,387,530
	<b>62,544,537</b>	<b>26,484,533</b>	<b>21,670,825</b>	<b>19,865,876</b>	<b>21,623,919</b>	<b>160,453,453</b>	<b>16,267,878</b>	<b>328,911,021</b>
Liquidity Gap	<b>(17,147,264)</b>	<b>(8,482,456)</b>	<b>1,784,049</b>	<b>(398,397)</b>	<b>56,233,277</b>	<b>(8,708,731)</b>	<b>846,988</b>	<b>24,127,466</b>

\* 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 2023

### 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 Group	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>31 December 2022</b>								
<b>Financial assets</b>								
Cash and cash equivalents	30,253,748	21,977	-	-	-	-	(688)	30,275,037
Mandatory balances with central banks	5,130,246	559,708	693,150	996,328	764,554	7,579,452	-	15,723,438
Loans to and placements with banks	-	658,677	224,584	219,471	124,132	-	(5,449)	1,221,415
Derivative financial instruments	-	-	-	-	-	-	1,205,168	1,205,168
Loans and advances to non-bank customers	13,132,677	11,757,676	8,114,408	10,471,860	36,319,783	66,474,885	3,723,254	149,994,543
Investment securities	35,911,355	2,127,973	5,126,465	9,032,545	23,113,208	59,720,929	16,945,458	151,977,933
Other assets	-	-	-	-	-	-	3,271,047	3,271,047
	<u>84,428,026</u>	<u>15,126,011</u>	<u>14,158,607</u>	<u>20,720,204</u>	<u>60,321,677</u>	<u>133,775,266</u>	<u>25,138,790</u>	<u>353,668,581</u>
<b>Financial liabilities</b>								
Deposits from banks	1,925,003	182,647	582,378	492,827	492,292	-	127,761	3,802,908
Deposits from non-bank customers	48,544,890	19,307,856	22,177,108	23,404,646	12,611,668	158,994,450	8,309,817	293,350,435
Other borrowed funds	8,616,281	288,258	267,892	538,012	4,923,113	855,914	-	15,489,470
Derivative financial instruments	-	-	-	-	-	-	905,317	905,317
Subordinated debts	-	-	34,813	-	4,821,203	5,760,476	-	10,616,492
Lease liabilities	-	-	-	-	-	-	888,617	888,617
Other liabilities	-	-	-	-	-	-	8,442,132	8,442,132
	<u>59,086,174</u>	<u>19,778,761</u>	<u>23,062,191</u>	<u>24,435,485</u>	<u>22,848,276</u>	<u>165,610,840</u>	<u>18,673,644</u>	<u>333,495,371</u>
<b>Liquidity Gap</b>	<u>25,341,852</u>	<u>(4,652,750)</u>	<u>(8,903,584)</u>	<u>(3,715,281)</u>	<u>37,473,401</u>	<u>(31,835,574)</u>	<u>6,465,146</u>	<u>20,173,210</u>

# Notes to the Financial Statements

For the year ended 31 December 2023

## 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 *	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>The Company</b>								
<b>31 December 2023</b>								
<b>Financial assets</b>								
Cash and cash equivalents	710,733	-	-	-	-	-	-	710,733
Investment securities	-	49,967	72,122	345,437	-	374,767	5,972,644	6,814,937
Other assets	-	-	-	-	-	-	113,597	113,597
	<u>710,733</u>	<u>49,967</u>	<u>72,122</u>	<u>345,437</u>	<u>-</u>	<u>374,767</u>	<u>6,086,241</u>	<u>7,639,267</u>
<b>Financial liabilities</b>								
Subordinated debts	-	-	1,526,812	-	3,351,948	5,073,511	-	9,952,271
Other liabilities	-	-	-	-	-	-	86,111	86,111
	<u>-</u>	<u>-</u>	<u>1,526,812</u>	<u>-</u>	<u>3,351,948</u>	<u>5,073,511</u>	<u>86,111</u>	<u>10,038,382</u>
<b>Liquidity Gap</b>	<u>710,733</u>	<u>49,967</u>	<u>(1,454,690)</u>	<u>345,437</u>	<u>(3,351,948)</u>	<u>(4,698,744)</u>	<u>6,000,130</u>	<u>(2,399,115)</u>
<b>31 December 2022</b>								
<b>Financial assets</b>								
Cash and cash equivalents	28,219	-	-	-	-	-	-	28,219
Investment securities	17,733	410,000	63,428	8,779	-	366,600	5,972,598	6,839,138
Other assets	-	-	-	-	-	-	62,533	62,533
	<u>45,952</u>	<u>410,000</u>	<u>63,428</u>	<u>8,779</u>	<u>-</u>	<u>366,600</u>	<u>6,035,131</u>	<u>6,929,890</u>
<b>Financial liabilities</b>								
Subordinated debts	-	-	34,813	-	4,821,203	5,060,520	-	9,916,536
Other liabilities	-	-	-	-	-	-	65,362	65,362
	<u>-</u>	<u>-</u>	<u>34,813</u>	<u>-</u>	<u>4,821,203</u>	<u>5,060,520</u>	<u>65,362</u>	<u>9,981,898</u>
<b>Liquidity Gap</b>	<u>45,952</u>	<u>410,000</u>	<u>28,615</u>	<u>8,779</u>	<u>(4,821,203)</u>	<u>(4,693,920)</u>	<u>5,969,769</u>	<u>(3,052,008)</u>

\* 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 2023

### 38. Risk management (cont'd)

#### (c). Liquidity risk (cont'd)

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

The Group	On Demand	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
<b>Financial liabilities</b>							
Deposits	193,322,589	44,113,684	11,405,975	14,439,185	24,068,264	5,952,136	293,301,833
Derivative financial instruments	-	58,558	29,771	21,024	252,037	421,205	782,595
Other borrowed funds	5,778,718	4,330,412	281,196	554,331	1,989,302	471,702	13,405,661
Subordinated debts	-	48,876	1,574,847	-	3,351,948	6,256,502	11,232,173
Lease liabilities	-	-	-	-	-	801,229	801,229
Other liabilities	102,203	37,274	-	27,491	42,591	9,177,971	9,387,530
<b>31 December 2023</b>	<b>199,203,510</b>	<b>48,588,804</b>	<b>13,291,789</b>	<b>15,042,031</b>	<b>29,704,142</b>	<b>23,080,745</b>	<b>328,911,021</b>
<b>Financial liabilities</b>							
Deposits	203,232,801	38,286,525	21,428,314	19,118,658	13,103,960	1,983,085	297,153,343
Derivative financial instruments	905,317	-	-	-	-	-	905,317
Other borrowed funds	-	8,904,539	267,892	538,012	4,923,113	855,914	15,489,470
Subordinated debts	-	-	34,813	-	4,821,203	5,760,476	10,616,492
Lease liabilities	-	-	-	-	-	888,617	888,617
Other liabilities	8,442,132	-	-	-	-	-	8,442,132
<b>31 December 2022</b>	<b>212,580,250</b>	<b>47,191,064</b>	<b>21,731,019</b>	<b>19,656,670</b>	<b>22,848,276</b>	<b>9,488,092</b>	<b>333,495,371</b>
The Company	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
<b>Financial liabilities</b>							
Subordinated debts	-	-	1,526,812	-	3,351,948	5,073,511	9,952,271
Other liabilities	86,111	-	-	-	-	-	86,111
<b>31 December 2023</b>	<b>86,111</b>	<b>-</b>	<b>1,526,812</b>	<b>-</b>	<b>3,351,948</b>	<b>5,073,511</b>	<b>10,038,382</b>
<b>Financial liabilities</b>							
Subordinated debts	-	-	34,813	-	4,821,203	5,060,520	9,916,536
Other liabilities	65,362	-	-	-	-	-	65,362
<b>31 December 2022</b>	<b>65,362</b>	<b>-</b>	<b>34,813</b>	<b>-</b>	<b>4,821,203</b>	<b>5,060,520</b>	<b>9,981,898</b>

#### 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.

# Notes to the Financial Statements

For the year ended 31 December 2023

## 38. Risk management (cont'd)

### (d). Market risk (cont'd)

#### (i). Interest rate risk

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

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

The Group	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 2023	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>Financial assets</b>								
Cash and cash equivalents	8,288,429	-	-	-	-	-	15,539,272	23,827,701
Mandatory balances with central banks	96,567	4,410	18,116	39,058	-	-	16,760,788	16,918,939
Loans to and placements with banks	2,855,915	-	-	-	-	-	(2,850)	2,853,065
Derivative financial instruments	36,803	13,863	22,047	194,594	113,761	-	298,005	679,073
Loans and advances to non-bank customers	124,976,293	7,912,321	6,733,067	4,021,257	7,119,739	4,901,546	(7,404,805)	148,259,418
Investment securities	11,174,196	16,048,688	9,200,421	24,831,198	39,392,308	49,542,918	7,342,986	157,532,715
Other assets	26,837	5,736	-	-	15,010	953	2,919,040	2,967,576
<b>Total assets</b>	<b>147,455,040</b>	<b>23,985,018</b>	<b>15,973,651</b>	<b>29,086,107</b>	<b>46,640,818</b>	<b>54,445,417</b>	<b>35,452,436</b>	<b>353,038,487</b>
<b>Financial liabilities</b>								
Deposits from banks	662,830	165,869	89,642	192,677	121,576	-	1,429,434	2,662,028
Deposits from non-bank customers	155,152,395	12,937,030	13,438,143	9,045,255	8,383,512	124,083	91,559,387	290,639,805
Other borrowed funds	10,020,065	241,518	483,036	1,475,057	479,520	-	706,465	13,405,661
Derivative financial instruments	58,558	29,771	21,024	230,747	27,218	-	415,277	782,595
Lease liabilities	-	-	-	-	-	-	801,229	801,229
Subordinated debts	48,876	48,034	1,526,812	-	3,351,948	6,256,503	-	11,232,173
Other liabilities	102,203	37,274	-	27,491	42,591	-	9,177,971	9,387,530
<b>Total liabilities</b>	<b>166,044,927</b>	<b>13,459,496</b>	<b>15,558,657</b>	<b>10,971,227</b>	<b>12,406,365</b>	<b>6,380,586</b>	<b>104,089,763</b>	<b>328,911,021</b>
On balance sheet interest rate sensitivity gap	(18,589,887)	10,525,522	414,994	18,114,880	34,234,453	48,064,831	(68,637,327)	24,127,466
Off balance sheet interest rate sensitivity gap	281,273	(1,019,378)	(2,685)	-	1,000,000	(346,173)	-	(86,963)
	<b>(18,308,614)</b>	<b>9,506,144</b>	<b>412,309</b>	<b>18,114,880</b>	<b>35,234,453</b>	<b>47,718,658</b>	<b>(68,637,327)</b>	<b>24,040,503</b>

# Notes to the Financial Statements

For the year ended 31 December 2023

## 38. Risk management (cont'd)

### (d). Market risk (cont'd)

#### (i). Interest rate risk (cont'd)

The 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 2022	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>Financial assets</b>								
Cash and cash equivalents	713,701	-	-	-	-	-	29,561,336	30,275,037
Mandatory balances with central banks	-	-	-	-	-	-	15,723,438	15,723,438
Loans to and placements with banks	1,002,014	219,471	-	-	-	-	(70)	1,221,415
Derivative financial instruments	-	-	-	-	-	-	1,205,168	1,205,168
Loans and advances to non-bank customers	117,799,332	4,701,863	2,928,500	7,746,672	14,928,588	12,872,026	(10,982,438)	149,994,543
Investment securities	14,376,613	9,013,568	18,169,582	19,918,327	35,827,283	47,815,228	6,857,332	151,977,933
Other assets	-	-	-	-	-	-	3,271,047	3,271,047
<b>Total assets</b>	<b>133,891,660</b>	<b>13,934,902</b>	<b>21,098,082</b>	<b>27,664,999</b>	<b>50,755,871</b>	<b>60,687,254</b>	<b>45,635,813</b>	<b>353,668,581</b>
<b>Financial liabilities</b>								
Deposits from banks	607,516	582,378	492,827	492,292	-	-	1,627,895	3,802,908
Deposits from non-bank customers	136,640,875	20,602,833	17,677,300	9,954,525	1,994,532	139,902	106,340,468	293,350,435
Other borrowed funds	6,648,764	244,639	481,314	4,644,999	477,810	-	2,991,944	15,489,470
Derivative financial instruments	-	-	-	-	-	-	905,317	905,317
Lease liabilities	-	-	-	-	-	-	888,617	888,617
Subordinated debts	2,500,000	-	-	-	3,321,203	4,760,476	34,813	10,616,492
Other liabilities	-	-	-	-	-	-	8,442,132	8,442,132
<b>Total liabilities</b>	<b>146,397,155</b>	<b>21,429,850</b>	<b>18,651,441</b>	<b>15,091,816</b>	<b>5,793,545</b>	<b>4,900,378</b>	<b>121,231,186</b>	<b>333,495,371</b>
On balance sheet interest rate sensitivity gap	(12,505,495)	(7,494,948)	2,446,641	12,573,183	44,962,326	55,786,876	(75,595,373)	20,173,210
Off balance sheet interest rate sensitivity gap	1,087,502	(997,834)	244,397	(673,255)	(671,837)	430,339	-	(580,688)
	<b>(11,417,993)</b>	<b>(8,492,782)</b>	<b>2,691,038</b>	<b>11,899,928</b>	<b>44,290,489</b>	<b>56,217,215</b>	<b>(75,595,373)</b>	<b>19,592,522</b>



# Notes to the Financial Statements

For the year ended 31 December 2023

## 38. Risk management (cont'd)

### (d). Market risk (cont'd)

#### (i). Interest rate risk (cont'd)

The Company	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 2023	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>Financial assets</b>								
Cash and cash equivalents	-	-	-	-	-	-	710,733	710,733
Investment securities	-	49,967	72,122	345,437	-	374,767	5,972,644	6,814,937
Other assets	-	-	-	-	-	-	113,597	113,597
<b>Total assets</b>	<b>-</b>	<b>49,967</b>	<b>72,122</b>	<b>345,437</b>	<b>-</b>	<b>374,767</b>	<b>6,796,974</b>	<b>7,639,267</b>
<b>Financial liabilities</b>								
Subordinated debts	-	-	1,526,812	-	3,351,948	5,073,511	-	9,952,271
Other liabilities	-	-	-	-	-	-	86,111	86,111
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,526,812</b>	<b>-</b>	<b>3,351,948</b>	<b>5,073,511</b>	<b>86,111</b>	<b>10,038,382</b>
On balance sheet interest rate sensitivity gap	-	49,967	(1,454,690)	345,437	(3,351,948)	(4,698,744)	6,710,863	(2,399,115)
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	<b>-</b>	<b>49,967</b>	<b>(1,454,690)</b>	<b>345,437</b>	<b>(3,351,948)</b>	<b>(4,698,744)</b>	<b>6,710,863</b>	<b>(2,399,115)</b>
<b>31 December 2022</b>								
<b>Financial assets</b>								
Cash and cash equivalents	-	-	-	-	-	-	28,219	28,219
Investment securities	427,733	57,062	8,779	-	300,000	66,600	5,978,964	6,839,138
Other assets	-	-	-	-	-	-	62,533	62,533
<b>Total assets</b>	<b>427,733</b>	<b>57,062</b>	<b>8,779</b>	<b>-</b>	<b>300,000</b>	<b>66,600</b>	<b>6,069,716</b>	<b>6,929,890</b>
<b>Financial liabilities</b>								
Subordinated debts	2,500,000	-	-	-	3,321,203	4,060,520	34,813	9,916,536
Other liabilities	-	-	-	-	-	-	65,362	65,362
<b>Total liabilities</b>	<b>2,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,321,203</b>	<b>4,060,520</b>	<b>100,175</b>	<b>9,981,898</b>
On balance sheet interest rate sensitivity gap	(2,072,267)	57,062	8,779	-	(3,021,203)	(3,993,920)	5,969,541	(3,052,008)
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	<b>(2,072,267)</b>	<b>57,062</b>	<b>8,779</b>	<b>-</b>	<b>(3,021,203)</b>	<b>(3,993,920)</b>	<b>5,969,541</b>	<b>(3,052,008)</b>

# Notes to the Financial Statements

For the year ended 31 December 2023

## 38. Risk management (cont'd)

### (d). Market risk (cont'd)

#### (i). Interest rate risk (cont'd)

Various scenarios are used to measure the effect of the changing interest rates on net interest income including the standardised approach of 200bp parallel shock over a 12-month period assuming a static balance sheet, as shown below.

	2023	2022
	MUR' 000	MUR' 000
Increase in profit	(199,512)	(292,519)

#### Interest rate sensitivity

The following table demonstrates the sensitivity of a 2% change in interest rates in the different countries:

	2023	2022
	MUR' 000	MUR' 000
Mauritius	(24,768)	181,760
India	32,940	(286,127)
Madagascar	2,369	(3,312)
Kenya	(188,686)	(138,036)
Others	(21,367)	(46,804)
	(199,512)	(292,519)

#### (ii). Fair value hedges

	2023				2022			
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
Micro fair value hedges	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000
Fixed rate corporate loans	308,516	-	-	15,643	349,608	-	-	11,692
Fixed rate debt instrument	-	-	-	-	1,111,311	-	-	66,498

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:

	2023			2022		
	Notional Amount	Carrying Amount		Notional Amount	Carrying Amount	
Micro fair value hedges	MUR' 000	Assets MUR' 000	Liabilities MUR' 000	MUR' 000	Assets MUR' 000	Liabilities MUR' 000
Interest rate swaps	279,741	15,977	-	1,377,620	97,148	-

# Notes to the Financial Statements

For the year ended 31 December 2023

## 38. Risk management (cont'd)

### (d). Market risk (cont'd)

#### (ii). Fair value hedges (cont'd)

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		2023			2022		
		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
Hedging instruments							
Micro fair value hedge relationships hedging assets							
Fixed rate corporate loans	Interest rate swaps	(15,643)	15,977	334	(11,692)	12,171	479
Fixed rate debt instrument	Interest rate swaps	-	-	-	(66,498)	84,977	18,479
Micro fair value hedge relationships hedging liabilities							
Fixed rate non-bank deposits	Interest rate swaps	-	-	-	-	-	-
Total micro fair value hedge relationship		(15,643)	15,977	334	(78,190)	97,148	18,958

The maturity profile of the hedging instruments used in micro fair value hedge relationships is as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>At 31 December 2023:</b>						
<b>Fixed rate corporate loans</b>						
Interest rate swap (Notional amount)	-	-	-	-	279,741	279,741
<b>At 31 December 2022:</b>						
<b>Fixed rate corporate loans</b>						
Interest rate swap (Notional amount)	-	-	-	1,073,750	303,870	1,377,620

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 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:

The Group	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
31 December 2023	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>Financial Assets</b>								
Cash and cash equivalents	4,579,357	13,499,735	650,895	715,268	2,896,375	287,682	1,198,389	23,827,701
Mandatory balances with central banks	12,880,174	1,327,729	162,981	508,671	1,367,313	474,842	197,229	16,918,939
Loans to and placements with banks	(18,400)	2,798,532	-	72,933	-	-	-	2,853,065
Derivative financial instruments	173,679	120,790	2,053	-	370,726	-	11,825	679,073
Loans and advances to non-bank customers	81,627,831	19,925,895	895,623	13,619,189	22,758,130	8,350,232	1,082,518	148,259,418
Investment securities	86,379,142	45,797,056	-	1,611,976	13,690,366	9,591,236	462,939	157,532,715
Other assets	320,320	1,282,621	2,798	60,296	1,092,617	402,132	(193,208)	2,967,576
<b>Total monetary financial assets</b>	<b>185,942,103</b>	<b>84,752,358</b>	<b>1,714,350</b>	<b>16,588,333</b>	<b>42,175,527</b>	<b>19,106,124</b>	<b>2,759,692</b>	<b>353,038,487</b>
<b>Financial Liabilities</b>								
Deposits from banks	341,537	1,093,966	1,506	36,141	1,167,168	179	21,531	2,662,028
Deposits from non-bank customers	145,263,132	85,663,757	3,142,636	14,026,716	27,085,600	11,012,074	4,445,890	290,639,805
Other borrowed funds	4,036,479	-	-	652,356	2,938,108	5,778,718	-	13,405,661
Derivative financial instruments	102,511	305,097	-	-	345,342	-	29,645	782,595
Subordinated debts	6,600,412	3,351,859	-	-	1,279,902	-	-	11,232,173
Lease liabilities	229,610	-	-	-	321,168	242,684	7,767	801,229
Other liabilities	3,883,348	3,874,984	54,258	524,408	718,065	235,659	96,808	9,387,530
<b>Total monetary financial liabilities</b>	<b>160,457,029</b>	<b>94,289,663</b>	<b>3,198,400</b>	<b>15,239,621</b>	<b>33,855,353</b>	<b>17,269,314</b>	<b>4,601,641</b>	<b>328,911,021</b>
On balance sheet position	25,485,074	(9,537,305)	(1,484,050)	1,348,712	8,320,174	1,836,810	(1,841,949)	24,127,466
Off balance sheet position	-	-	-	-	-	-	-	-
<b>Net currency position</b>	<b>25,485,074</b>	<b>(9,537,305)</b>	<b>(1,484,050)</b>	<b>1,348,712</b>	<b>8,320,174</b>	<b>1,836,810</b>	<b>(1,841,949)</b>	<b>24,127,466</b>

# Notes to the Financial Statements

For the year ended 31 December 2023

## 38. Risk management (cont'd)

### (d). Market risk (cont'd)

#### (iii). Currency risk (cont'd)

The Group	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
<b>31 December 2022</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	2,229,108	21,370,631	1,181,602	1,039,461	2,940,358	636,550	877,327	30,275,037
Mandatory balances with Central Banks	12,013,258	814,967	114,069	349,620	1,711,650	482,426	237,448	15,723,438
Loans to and placements with banks	(5,449)	1,101,841	-	125,023	-	-	-	1,221,415
Derivative financial instruments	322,380	284,592	-	5,609	572,187	-	20,400	1,205,168
Loans and advances to non-bank customers	72,646,569	19,758,726	652,162	14,095,246	28,117,076	13,680,021	1,044,743	149,994,543
Investment securities	77,325,373	43,125,612	-	492,705	17,927,642	12,591,763	514,838	151,977,933
Other assets	1,549,868	567,282	1,053	70,339	866,316	261,698	(45,509)	3,271,047
<b>Total monetary financial assets</b>	<b>166,081,107</b>	<b>87,023,651</b>	<b>1,948,886</b>	<b>16,178,003</b>	<b>52,135,229</b>	<b>27,652,458</b>	<b>2,649,247</b>	<b>353,668,581</b>
<b>Financial Liabilities</b>								
Deposits from banks	642,720	862,879	23,763	95,891	2,170,848	3,754	3,053	3,802,908
Deposits from non-bank customers	133,897,916	85,530,413	3,342,326	15,587,601	33,171,754	17,538,930	4,281,495	293,350,435
Other borrowed funds	(528,197)	-	-	757,808	7,254,464	8,005,395	-	15,489,470
Derivative financial instruments	326,043	239,825	-	-	315,712	-	23,737	905,317
Subordinated debts	6,595,509	3,321,028	-	-	699,955	-	-	10,616,492
Lease liabilities	888,617	-	-	-	-	-	-	888,617
Other liabilities	4,166,315	2,588,426	55,246	604,325	1,434,619	(493,571)	86,772	8,442,132
<b>Total monetary financial liabilities</b>	<b>145,988,923</b>	<b>92,542,571</b>	<b>3,421,335</b>	<b>17,045,625</b>	<b>45,047,352</b>	<b>25,054,508</b>	<b>4,395,057</b>	<b>333,495,371</b>
On balance sheet position	20,092,184	(5,518,920)	(1,472,449)	(867,622)	7,087,877	2,597,950	(1,745,810)	20,173,211
Off balance sheet position	-	-	-	-	-	-	-	-
<b>Net currency position</b>	<b>20,092,184</b>	<b>(5,518,920)</b>	<b>(1,472,449)</b>	<b>(867,622)</b>	<b>7,087,877</b>	<b>2,597,950</b>	<b>(1,745,810)</b>	<b>20,173,211</b>

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 198.4 million (2022 : MUR 93.3 million) and subordinated debts (financial liabilities) amounting to MUR 5,760.8 million (2022: MUR 5,157.9 million).

#### Currency risk sensitivity

The following table demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, and the impact on the Group's profit and equity.

	Impact on Group's profit after tax and Equity					
	USD	GBP	EURO	INR	KES	OTHER
<b>31 December 2023</b>	<b>MUR' 000</b>	<b>MUR' 000</b>	<b>MUR' 000</b>	<b>MUR' 000</b>	<b>MUR' 000</b>	<b>MUR' 000</b>
5%	(476,865)	(74,202)	67,436	416,009	91,840	(92,097)
-5%	476,865	74,202	(67,436)	(416,009)	(91,840)	92,097
<b>31 December 2022</b>						
5%	(275,946)	(73,622)	(43,381)	354,394	129,897	(87,291)
-5%	275,946	73,622	43,381	(354,394)	(129,897)	87,291



# Notes to the Financial Statements

## For the year ended 31 December 2023

### 38. Risk management (cont'd)

#### (d). Market risk (cont'd)

#### (iii). Currency risk (cont'd)

##### Value-at-Risk Analysis

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

The Group's VAR amounted to:

	2023	2022
	MUR' 000	MUR' 000
Minimum for the year		
SBM Bank (Mauritius) Ltd	1,390,000	857,000
SBM Bank (India) Limited	533	110
Banque SBM Madagascar S.A	59	59
SBM Bank (Kenya) Limited	2,018	1,211,288
Maximum for the year		
SBM Bank (Mauritius) Ltd	11,226,000	6,773,000
SBM Bank (India) Limited	630,817	1,398,367
Banque SBM Madagascar S.A	4,924	4,924
SBM Bank (Kenya) Limited	14,803	4,254,357
Year end		
SBM Bank (Mauritius) Ltd	5,167,000	2,489,000
SBM Bank (India) Limited	179,512	518,573
Banque SBM Madagascar S.A	1,731	1,731
SBM Bank (Kenya) Limited	2,018	1,862,684

#### (iv). Equity price sensitivity analysis

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

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

	The Group		The Company	
	2023	2022	2023	2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Statements of other comprehensive income	288,596	285,716	215,152	215,152
	288,596	285,716	215,152	215,152

#### (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 2023

### 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 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
<b>31 December 2023</b>						
Interest income from external customers	20,432,486	84,463	-	32,765	-	20,549,714
Non-interest income from external customers	4,417,956	366,206	1,625	342,621	(5)	5,128,403
<b>Revenue from external customers</b>	<b>24,850,442</b>	<b>450,669</b>	<b>1,625</b>	<b>375,386</b>	<b>(5)</b>	<b>25,678,117</b>
Interest income from internal customers	59,346	-	-	-	(59,346)	-
Non interest income from internal customers	1,624,984	311,639	-	1,750,000	(3,686,623)	-
<b>Revenue from other segments of the entity</b>	<b>1,684,330</b>	<b>311,639</b>	<b>-</b>	<b>1,750,000</b>	<b>(3,745,969)</b>	<b>-</b>
Total gross revenue	26,534,772	762,308	1,625	2,125,386	(3,745,974)	25,678,117
Interest and fee and commission expense to external customers	(9,509,092)	(62,754)	-	(534,997)	-	(10,106,843)
Interest expense to internal customers	-	-	-	5	59,567	59,572
	(9,509,092)	(62,754)	-	(534,992)	59,567	(10,047,271)
<b>Operating income</b>	<b>17,025,680</b>	<b>699,554</b>	<b>1,625</b>	<b>1,590,394</b>	<b>(3,686,407)</b>	<b>15,630,845</b>
Depreciation and amortisation	(1,082,573)	(16,546)	(148)	(720)	-	(1,099,987)
Other non-interest expenses	(8,102,391)	(308,859)	(2,173)	(264,965)	174,492	(8,503,896)
Net impairment loss on financial assets	(1,032,793)	(14,269)	-	(185)	-	(1,047,247)
Operating profit	6,807,923	359,880	(696)	1,324,524	(3,511,915)	4,979,716
Profit before income tax	6,807,923	359,880	(696)	1,324,524	(3,511,915)	4,979,716
Tax expense	(628,168)	(35,832)	-	1,221	-	(662,779)
Profit for the year	6,179,755	324,048	(696)	1,325,745	(3,511,915)	4,316,937
Segment assets	382,756,205	3,770,906	146,470	39,096,369	(63,516,635)	362,253,315
Segment liabilities	321,679,856	1,380,965	661	10,058,060	(2,549,060)	330,570,482
Additions to tangible and intangible assets	918,395	58,442	-	739	-	977,576

# Notes to the Financial Statements

## For the year ended 31 December 2023

### 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
<b>31 December 2022</b>	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income from external customers	14,747,657	62,320	-	9,289	-	14,819,266
Non-interest income from external customers	4,084,815	587,930	524	160,148	(17)	4,833,400
<b>Revenue from external customers</b>	<b>18,832,472</b>	<b>650,250</b>	<b>524</b>	<b>169,437</b>	<b>(17)</b>	<b>19,652,666</b>
Interest income from internal customers	33,565	-	-	-	(33,565)	-
Non interest income from internal customers	2,160,000	373,877	-	2,375,000	(4,908,877)	-
<b>Revenue from other segments of the entity</b>	<b>2,193,565</b>	<b>373,877</b>	<b>-</b>	<b>2,375,000</b>	<b>(4,942,442)</b>	<b>-</b>
Total gross revenue	21,026,037	1,024,127	524	2,544,437	(4,942,459)	19,652,666
Interest and fee and commission expense to external customers	(5,508,975)	(38,652)	-	(484,797)	-	(6,032,424)
Interest expense to internal customers	-	-	-	17	33,565	33,582
	(5,508,975)	(38,652)	-	(484,780)	33,565	(5,998,842)
<b>Operating income</b>	<b>15,517,062</b>	<b>985,475</b>	<b>524</b>	<b>2,059,657</b>	<b>(4,908,894)</b>	<b>13,653,824</b>
Depreciation and amortisation	(1,037,177)	(16,476)	(461)	(694)	-	(1,054,808)
Other non-interest expenses	(6,822,432)	(269,361)	(2,910)	(144,047)	156,515	(7,082,235)
Net impairment loss on financial assets	(1,300,322)	(32,376)	-	(45)	-	(1,332,743)
Profit before income tax	6,357,131	667,262	(2,847)	1,914,871	(4,752,379)	4,184,038
Tax expense	(481,882)	(64,306)	-	(2,189)	-	(548,377)
Profit for the year	5,875,249	602,956	(2,847)	1,912,682	(4,752,379)	3,635,661
Segment assets	383,281,977	3,898,738	141,807	38,236,019	(63,217,156)	362,341,385
Segment liabilities	326,205,938	1,628,042	896	9,999,883	(2,663,013)	335,171,746
Additions to tangible and intangible assets	1,085,506	830	-	650	-	1,086,986

# Notes to the Financial Statements

For the year ended 31 December 2023

## 39. Segment information - The Group (cont'd)

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

	Banking	
	2023	2022
	MUR' 000	MUR' 000
Revenue from external customers arising from the following products and services:		
Loans and advances to non-bank customers	762,669	479,752
Loans to and placements with banks	442,526	255,865
Net trading income	1,660,378	1,938,050
Card income	357,688	516,505
Trade finance services	2,692,927	2,547,470
Deposit and other products /services	434,346	262,728
	<b>6,350,534</b>	<b>6,000,370</b>

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

	Banking		
	Mauritius	Other countries	Total
	MUR' 000	MUR' 000	MUR' 000
<b>31 December 2023</b>			
Revenue from external customers	11,872,303	8,560,183	20,432,486
Tangible and intangible assets	3,439,902	217,195	3,657,097
<b>31 December 2022</b>			
Revenue from external customers	8,083,732	6,663,925	14,747,657
Tangible and intangible assets	3,134,712	515,695	3,650,407

## 40. Subsequent events

- (i) On 26<sup>th</sup> January 2024, SBM Holdings Ltd made a capital contribution of INR 1 billion in its subsidiary, SBM (Bank) Holdings Ltd which it subsequently injected in SBM Bank (India) Limited.
- (ii) On 7<sup>th</sup> March 2024, SBM Holdings Ltd received dividend amounting to MUR 1 billion from its subsidiary, SBM (Bank) Holdings Ltd.
- (iii) The class A1 MUR senior unsecured bonds were repaid to bondholders at maturity date in March 2024.

Except for the above, the directors are not aware of any material events after the end of the reporting period that would require recognition or disclosure in these financial statements.

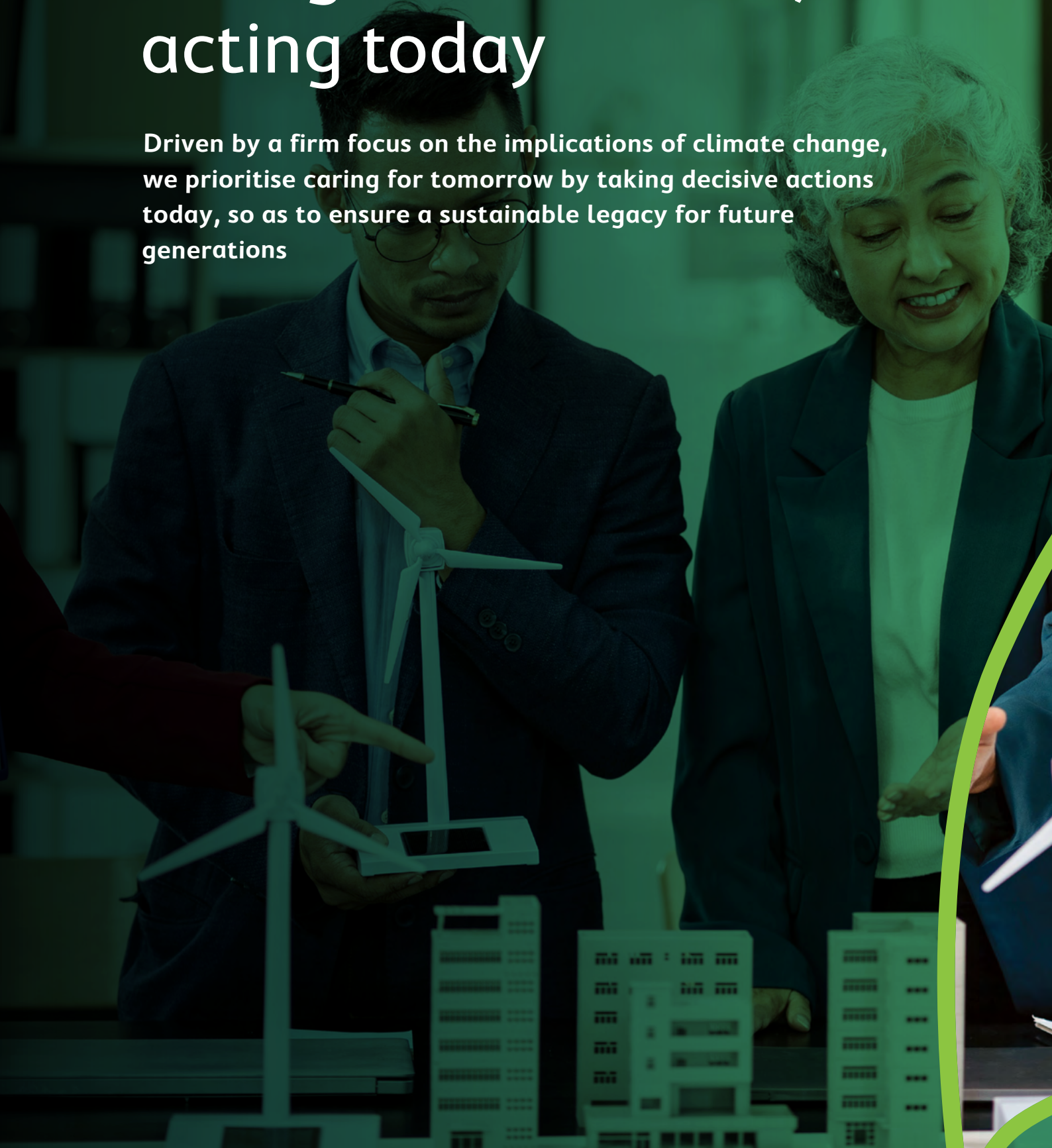






# Climate consciousness: caring for tomorrow, acting today

Driven by a firm focus on the implications of climate change, we prioritise caring for tomorrow by taking decisive actions today, so as to ensure a sustainable legacy for future generations













# Additional Information



# Directors of SBM Holdings Ltd and its Subsidiaries

Holding entity	Bank holding entity
<b>SBM Holdings Ltd</b>	<b>SBM (Bank) Holdings Ltd</b>
Mr Sattar Hajee Abdoula ( <i>Chairman</i> )	Mr Nayen Koomar Ballah, G.O.S.K. ( <i>Chairman</i> )
Mr Jean Paul Emmanuel Arouff	Mr Jean Paul Emmanuel Arouff
Mr Raoul Gufflet ( <i>Group CEO</i> )	Mr Raoul Gufflet
Ms Shakilla Bibi Jhungeer	Ms Shakilla Bibi Jhungeer
Ms Sharon Ramdenee	Mr Visvanaden Soondram
Mr Visvanaden Soondram	
Dr Subhas Thecka	
<b>Bank operating entities</b>	
<b>SBM Bank (Mauritius) Ltd</b>	<b>SBM Bank (India) Limited</b>
Mr Visvanaden Soondram ( <i>Chairman</i> )	Mr Sattar Hajee Abdoula ( <i>Chairman</i> )
Mr Jean Paul Emmanuel Arouff	Mr R. Amalorpavanathan
Mr Raoul Gufflet	Mr Shyam Sundar Barik
Mrs Imalambaal Kichenin	Mr Raoul Gufflet
Mr Premchand Mungar ( <i>CEO</i> )	Mr Umesh Jain
Mr Rajcoomar Rampertab	Mr Ameet Patel
Mr Muhammad Azeem Salehmohamed	Ms Sharon Ramdenee
Ms Oumila Sibartie	Mrs Sudha Ravi
Mr Ranapartab Tacouri	Mr Ashish Vijayakar ( <i>MD &amp; CEO</i> )
Mr Lawrence Eric Wong Tak Wan	
<b>SBM Bank (Kenya) Limited</b>	<b>Banque SBM Madagascar SA</b>
Mr Sattar Hajee Abdoula ( <i>Chairman</i> )	Mr Sattar Hajee Abdoula ( <i>Chairman</i> )
Mr Nayen Koomar Ballah, G.O.S.K.	Mr Leckram Dawonauth
Mr Raoul Gufflet	Mr Raoul Gufflet
Ms Shakilla Bibi Jhungeer	Mr Maurice Jean Marc Ulcoq
Dr James Boyd McFie	
Mr Moezz Mir ( <i>CEO</i> )*	
Mrs Flora Mutahi	
Ms Sharon Ramdenee	
Mr Sharad Sadashiv Rao	
<b>Bank non-operating entities</b>	
<b>SBM Overseas One Ltd   SBM Overseas Two Ltd   SBM Overseas Three Ltd   SBM Overseas Four Ltd   SBM Overseas Five Ltd   SBM Overseas Six Ltd</b>	
Mr Sivakrisna Goinden	
Mr Raoul Gufflet	
<b>SBM Africa Holdings Ltd</b>	
Mr Sattar Hajee Abdoula	
Mr Nayen Koomar Ballah, G.O.S.K.	
<b>Non-bank holding entity</b>	
<b>SBM (NBFC) Holdings Ltd</b>	
Mr Sattar Hajee Abdoula ( <i>Chairman</i> )	
Mr Raoul Gufflet	
Mr Thierry Hugnin	
Ms Shakilla Bibi Jhungeer	
Mrs Mariam Rajabally	
Mr Roshan Ramoly	
Mr Shailendrasingh Sreekeessoon ( <i>CEO</i> )	
Mr Pierre d'Unienville	



Non-bank operating entities		
SBM Capital Markets Ltd	SBM Mauritius Asset Managers Ltd	SBM Fund Services Ltd
Mr Sattar Hajee Abdoula <i>(Chairman)</i>	Mr Pierre D'Unienville <i>(Chairman)</i>	Mr Assad Abdullatif <i>(Chairman)</i>
Mr Raoul Gufflet	Mr Assad Abdullatif	Mr Samade Jhummun
Mrs Mariam Rajabally	Mr Vaughan Heberden	Mr Shailendrasingh Sreekeessoon
Mr Roshan Ramoly	Mr Roshan Ramoly	
Mr Shailendrasingh Sreekeessoon	Mr Shailendrasingh Sreekeessoon	
Mr Eric Venpin	Mr Eric Venpin	
SBM Insurance Agency Ltd	SBM Factors Ltd	SBM eBusiness Ltd
Mr Roshan Ramoly <i>(Chairman)</i>	Mr Sattar Hajee Abdoula <i>(Chairman)</i>	Mr Sattar Hajee Abdoula <i>(Chairman)</i>
Mr Andre Chung Shui	Mr Raoul Gufflet	Mr Shaan Kundomal
Mr Vaughan Heberden	Mr Vaughan Heberden	Ms Johanna Van Rensburg
Ms Shakilla Bibi Jhungeer	Ms Shakilla Bibi Jhungeer	Mr Shailendrasingh Sreekeessoon
Mr Shailendrasingh Sreekeessoon	Mr Shailendrasingh Sreekeessoon	
SBM Leasing Co. Ltd		
Mr Shailendrasingh Sreekeessoon		
Entities managed by SBM Mauritius Asset Managers Ltd		
SBM India Fund	SBM Maharaja Fund <i>(in process of winding up)</i>	SBM Africa Equity Fund Ltd
Mr Assad Abdullatif <i>(Chairman)</i>	Mr Assad Abdullatif <i>(Chairman)</i>	Mr Jayvash Nundoo
Mr Amal Autar	Mr Amal Autar	Mr Shailendrasingh Sreekeessoon
Mr Shaan Kundomal	Mr Shaan Kundomal	
Mr Shailendrasingh Sreekeessoon	Mr Shailendrasingh Sreekeessoon	
SBM Alternative Investments Ltd	SBM Alternative Solutions Ltd	
Mr Shailendrasingh Sreekeessoon	Mr Shailendrasingh Sreekeessoon	
Entities managed by SBM Capital Markets Ltd		
SBM Structured Solutions PCC		
Mr Shailendrasingh Sreekeessoon <i>(Chairman)</i>		
Mr Jayvash Nundoo		
Non-financial entity		Others
SBM (NFC) Holdings Ltd		SBM 3S Ltd
Mr Soondrassen Murday <i>(Chairman)</i>		Mr Sattar Hajee Abdoula <i>(Chairman)</i>
Mr Jean Paul Emmanuel Arouff		Mr Sivakrisna Goinden
Mr Deovrat Baichoo		Ms Shakilla Bibi Jhungeer
Ms Sharon Ramdenee		

\* Mr Mir was in office as the CEO of SBM Bank (Kenya) Limited till 07 May 2024. Mr Bhartesh Shah has been appointed as CEO of SBMBK effective 08 May 2024.

# Registered Office Addresses of SBM Holdings Ltd and its Subsidiaries

Holding entity		Bank holding entity	
<b>SBM Holdings Ltd</b>		<b>SBM (Bank) Holdings Ltd</b>	
SBM Tower 1, Queen Elizabeth II Avenue, Port Louis, Republic of Mauritius Tel: (230) 202 1111/1000 Fax: (230) 202 1234 Website: www.sbmgroup.mu Email: sbm@sbmgroup.mu		SBM Tower 1, Queen Elizabeth II Avenue, Port Louis, Republic of Mauritius Tel: (230) 202 1111/1000 Fax: (230) 202 1234 Website: www.sbmgroup.mu Email: sbm@sbmgroup.mu	
Bank operating entities			
<b>SBM Bank (Mauritius) Ltd</b>		<b>SBM Bank (India) Limited</b>	
SBM Tower 1, Queen Elizabeth II Avenue, Port Louis, Republic of Mauritius Tel: (230) 202 1111 Fax: (230) 202 1234 Swift: STCBMUMU Website: www.sbmbank.com Email: sbm@sbmgroup.mu		101, Raheja Centre, 1 <sup>st</sup> Floor, Free Press Journal Marg, Nariman Point, Mumbai - 400021, Maharashtra, India Tel: (91) (22) 4302 8888 Fax: (91) (22) 2284 2966 Swift: STCBINBX Website: www.sbmbank.co.in Email: customercare@sbmbank.co.in	
<b>SBM Bank (Kenya) Limited</b>		<b>Banque SBM Madagascar SA</b>	
Riverside Mews Building, Riverside Drive, Nairobi, Kenya P.O. Box 34886 - 00100 Tel: (254) 709 800 000/ (254) 730 175 000 Swift: SBMKKENA Website: www.sbmbank.co.ke Email: atyourservice@sbmbank.co.ke		1, Rue Andrianary Rationarivo Antsahavola, 101 Antananarivo, Madagascar Tel: (261) 20 22 666 07 Fax: (261) 20 22 666 08 Swift: BSBMMGMG Website: www.sbmgroup.mu Email: HOTLINEMADA@sbmgroup.mu	
Non-bank holding entity			
<b>SBM (NBFC) Holdings Ltd</b>			
SBM Tower 1, Queen Elizabeth II Avenue, Port Louis, Republic of Mauritius Tel: (230) 202 1111 Fax: (230) 210 1234 Website: www.sbmgroup.mu Email: nbfc.leads@sbmgroup.mu			
Non-bank operating entities			
<b>SBM Capital Markets Ltd</b>	<b>SBM Mauritius Asset Managers Ltd</b>	<b>SBM Fund Services Ltd</b>	
SBM Tower 1, Queen Elizabeth II Avenue, Port Louis, Republic of Mauritius Tel: (230) 202 1111 Fax: (230) 210 3369 Website: www.sbmgroup.mu Email (Investment): sbm.corporatefinance@sbmgroup.mu Email (Trading): scmltrading@sbmgroup.mu	SBM Tower 1, Queen Elizabeth II Avenue, Port Louis, Republic of Mauritius Tel: (230) 202 1111 Fax: (230) 210 3369 Website: www.sbmgroup.mu Email: sbm.assetm@sbmgroup.mu	SBM Tower 1, Queen Elizabeth II Avenue, Port Louis, Republic of Mauritius Tel:(230) 202 1505/1445/1374/1447 Website: www.sbmgroup.mu Email: sbmfundservices@sbmgroup.mu	

<b>SBM Insurance Agency Ltd</b>	<b>SBM Factors Ltd</b>	<b>SBM eBusiness Ltd</b>
SBM Tower 1, Queen Elizabeth II Avenue, Port Louis, Republic of Mauritius Tel: (230) 202 1210 Fax: (230) 202 1234 Website: www.sbmgroup.mu Email: insurance@sbmgroup.mu	SBM Tower 1, Queen Elizabeth II Avenue, Port Louis, Republic of Mauritius Tel: (230) 202 4899 Fax: (230) 214 1305 Website: www.sbmgroup.mu Email: sbmfactors@sbmgroup.mu	c/o Rogers Capital Fund Services Ltd, 3rd Floor, Rogers House, No. 5 President John Kennedy Street, Port Louis, Republic of Mauritius Tel: (230) 203 1100 Fax: (230) 203 1150 Website: www.rogerscapital.mu
<b>Non-financial entity</b>		<b>Others</b>
<b>SBM (NFC) Holdings Ltd</b>		<b>SBM 3S Ltd</b>
SBM Tower 1, Queen Elizabeth II Avenue, Port Louis, Republic of Mauritius Tel: (230) 202 1111 Fax: (230) 211 8838 Website: www.sbmgroup.mu Email: finance@sbmgroup.mu		SBM Tower 1, Queen Elizabeth II Avenue, Port Louis, Republic of Mauritius Tel: (230) 202 1111 Website: www.sbmgroup.mu Email: finance@sbmgroup.mu

# Compliance with Section 221 of the Mauritius Companies Act 2001

- a. Total Remuneration and benefits received or due and receivable by the Executive Director from SBM Holdings Ltd and its subsidiaries for the year ended 31 December 2023

Name of Director	SBM Holdings Ltd	Other Subsidiaries
	MUR	MUR
Mr Raoul Gufflet	34,081,408	1,728,118

- b. Total Remuneration and Benefits received or due and receivable by the Directors from SBM Holdings Ltd and its subsidiaries for the year ended 31 December 2023

Directors	SBM Holdings Ltd	Other Subsidiaries
	MUR	MUR
Executive	34,081,408	1,728,118
Non-Executive	9,689,000	14,468,000

- c. Auditors' Remuneration paid by the SBM Holdings Ltd and its subsidiaries

	2023	2022
	MUR' 000	MUR' 000
<b>SBM Holdings Ltd</b>		
Statutory audit and quarterly reviews	1,093	949
Other services	28	27
<b>SBM (Bank) Holdings Ltd</b>		
Statutory audit and quarterly reviews	719	741
Other services	12	12
<b>SBM Bank (Mauritius) Ltd</b>		
Statutory audit and quarterly reviews - Deloitte	17,480	11,236
Other services - Deloitte	840	972
<b>SBM Bank (India) Limited</b>		
Statutory audit - K.S Aiyar & Co	1,392	2,702
Statutory audit and quarterly reviews - Deloitte	1,150	1,208
Other services - K.S Aiyar & Co	2,132	-
Other services - Deloitte	-	-
<b>Banque SBM Madagascar SA</b>		
Statutory audit - Delta Audit	503	438
Statutory audit - Mazars Fivoarana	503	438
Statutory audit and quarterly reviews - Deloitte	431	-
Other services - Deloitte	-	-
<b>SBM Bank (Kenya) Limited</b>		
Statutory audit and quarterly reviews - Deloitte	4,657	5,594
Other services - Deloitte	1,875	3,767
<b>SBM Africa Holdings Ltd</b>		
Statutory audit - Deloitte	115	53
Other services - Deloitte	-	-
<b>SBM (NFC) Holdings Ltd</b>		
Statutory audit - Deloitte	115	66
Other services - Deloitte	20	18

c. Auditors' Remuneration paid by the SBM Holdings Ltd and its Subsidiaries (cont'd)

	2023	2022
	MUR' 000	MUR' 000
<b>SBM Capital Markets Ltd</b>		
Statutory audit - Deloitte	403	153
Other services - Deloitte	30	29
<b>SBM Insurance Agency Ltd</b>		
Statutory audit - Deloitte	115	44
Other services - Deloitte	25	24
<b>SBM E-business Ltd</b>		
Statutory audit - Deloitte	115	44
Other services - Deloitte	25	24
<b>SBM 3S Ltd</b>		
Statutory audit - Deloitte	115	66
Other services - Deloitte	25	24
<b>SBM Leasing Co. Ltd</b>		
Other services - Deloitte	-	93
Other services - Deloitte	25	24
<b>SBM (NBFC) Holdings Ltd</b>		
Statutory audit - Deloitte	403	218
Other services - Deloitte	25	24
<b>SBM Mauritius Asset Managers Ltd</b>		
Statutory audit - Deloitte	115	109
Other services - Deloitte	25	24
<b>SBM Fund Services Ltd</b>		
Statutory audit - Deloitte	115	109
Other services - Deloitte	25	24
<b>SBM Factors Ltd</b>		
Statutory audit - Deloitte	403	109
Other services - Deloitte	25	24
<b>SBM Africa Equity Fund Ltd</b>		
Statutory audit - Deloitte	115	61
Other services - Deloitte	30	29



# Notes

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