

SBM HOLDINGS LTD

**INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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FOR THE SIX MONTHS ENDED 30 JUNE 2019

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1 Management Discussion and Analysis

The management of SBM Holdings Ltd (the “Group”) is pleased to present their Management Discussion and Analysis, in accordance with the Bank of Mauritius Guideline on Public Disclosure of Information for the six months ended 30 June 2019.

1.1 Financial Review

1.1.1 Group key financial highlights

Key Financial indicators	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018	Audited Year ended 31 December 2018
Statements of Profit or Loss (MUR million)			
Net interest income	3,174	2,770	5,845
Operating income	4,498	4,012	9,778
Profit before credit loss expense	1,592	2,087	5,081
Credit loss expense on financial assets	151	1,669	3,559
Profit attributable to equity holders of the parent	1,218	156	1,246
Statements of Financial position (MUR million)			
Total assets	241,500	205,872	226,374
Total gross loans and advances to non bank customers	114,259	111,632	112,426
Deposits from non-bank customers	173,382	152,271	169,384
Tier 1 capital	21,939	18,973	19,717
Total regulatory capital	31,809	29,365	30,058
Risk weighted assets	122,219	122,650	122,052
Shareholders' equity	26,190	23,974	24,177
Share information			
Market price per share (MUR)	5.6	7.3	6.0
Earnings per share (Cents)	47.2	6.0	48.3
Efficiency Ratio (%)			
Cost to income	64.6	48.0	48.0
Performance Ratios (%)			
Capital adequacy ratio	26.0	23.9	24.6
Tier 1 capital adequacy ratio	18.0	15.5	16.2
Return on average shareholders' equity	9.8	1.3	5.0
Return on average assets	1.1	0.2	0.6
Return on average risk-weighted assets	2.0	0.3	0.6
Asset Quality Ratios (%)			
Gross impaired advances to gross advances	13.7	5.9	13.6
Net impaired advances to net advances	5.9	2.2	6.4
Provision coverage ratio	61.2	64.5	57.6
Liquidity Ratio (%)			
Credit to deposit ratio	65.9	73.3	66.4

1 Management Discussion and Analysis (continued)

1.1 Financial Review (continued)

1.1.2 Revenue

Interest income increase by 30.4% from MUR 3,936 million to reach MUR 5,134 million. This increase is mainly attributable to an increase in interest income from investment securities due to higher volume investment in securities from MUR 50 billion in June 2018 to MUR 88 billion in June 2019. This translated to an increase in interest income from MUR 761 million for period ending 30 June 2018 to MUR 1,775 million for period ending 30 June 2019.

Interest expense for the period under review was MUR 1,960 million which comprise of interest on deposits from non-bank customers amounted to MUR 1,405 million.

Non-interest income has increased by 6.6% from MUR 1,242 million for the period ending 30 June 2018 to MUR 1,324 million in June 2019. The increase is mainly attributable to higher profit arising from dealing in foreign currencies; net gain on sale of securities; dividend income and fee and commission income by MUR 253 million offset by a decrease in net gain from financial instruments of MUR 171 million.

The Group recorded an operating income of MUR 4,498 million for the six month ended 30 June 2019, as compared to MUR 4,011 million for the corresponding prior period .

1.1.3 Cost Control

Non-interest expense of the Group for the six months ended 30 June 2019 were MUR 2,906 million.

	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018	Audited Year ended 31 December 2018
	MUR million	MUR million	MUR million
Personnel expenses	1,341	957	2,026
Depreciation of property and equipment	226	83	205
Amortisation of intangible assets	326	276	622
Other expenses	1,012	609	1,844
Non-interest expense	2,906	1,925	4,697

Some expenses have been reclassified between the classes of non-interest expense based on their nature. The comparative figures have also changed to reflect the classification.

Personnel expenses increased by MUR 384 million or 40 % on account of annual increase in salaries and pensions costs coupled with an increase in headcount in 2019 and full impact of CBLR in the current period under review following the completion of the acquisition on 18 August 2018, with an additional 700 staffs.

The increase in depreciation and amortisation of MUR 142 million on the costs of the new systems taken over following the acquisition of CBLR on 18 August 2018.

1.1.4 Credit Exposure

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

The Group's strategy is to achieve a right balance between growth, liquidity and profitability through a well-diversified portfolio spread over different sectors of the economy and is in line with the industry practice. The classification is provided in notes 9.4.3.1 on page 21.

1 Management Discussion and Analysis (continued)

1.1 Financial Review (continued)

1.1.5 Credit Quality

IFRS 9 replaces IAS 39 and addresses classification, measurement and derecognition of financial assets and liabilities, the impairment of financial assets measured at amortised cost or fair value through other comprehensive income and general hedge accounting.

The impairment of financial assets is provided in notes 9.4.2.2, 9.4.3.2, 9.6 and 9.12.

1.1.6 Assets and Liabilities

Total assets of the Group witnessed an increase of MUR 15 billion or 7% as at 30 June 2019 it stood at MUR 241 billion compared to MUR 226 billion as at 31 December 2018, mainly on account of increase in investment securities from MUR 71 billion as at 31 December 2018 compared to MUR 88 billion as at 30 June 2019.

Loans and advances accounted for 42.9% of total assets as at 30 June 2019 (31 December 2018: 45.1%), while investment in securities and equity investments amounted to MUR 95 billion as at 30 June 2019. Cash and cash equivalents including nostro balances with banks abroad totalled MUR 15 billion at the reporting date.

Total liabilities increased by MUR 13 billion or 6.5% mainly on account of increase in other borrowed funds.

1.1.7 Capital Structure

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

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

The table below show the components of Tier 1 and Tier 2 Capital for the Group and the resulting capital adequacy ratios which stood at 26.0% at 30 June 2019 as compared to the statutory requirement of 13.375% including provision for Domestically Systemic Important Banks (D-SIBs) and Capital Conservation Buffer.

	Unaudited	Unaudited	Audited
	30 June 2019	30 June 2018	31 December
	MUR million	MUR million	2018
			MUR million
Capital Base			
Tier 1	21,939	18,973	19,717
Tier 2	9,870	10,392	10,341
	<u>31,809</u>	<u>29,365</u>	<u>30,058</u>
Risk Weighted Assets			
On balance sheet	104,350	104,768	103,305
Off balance sheet	6,568	7,942	8,084
Operational Risk	9,684	8,071	9,684
Market Risk	1,617	1,869	979
	<u>122,219</u>	<u>122,650</u>	<u>122,052</u>
Capital Adequacy Ratio (%)	<u>26.0</u>	<u>23.94</u>	<u>24.6</u>
Tier 1 Capital Adequacy Ratio (%)	<u>18.0</u>	<u>15.47</u>	<u>16.2</u>

The Capital Adequacy Ratio has increased from 24.6% in December 2018 to 26.0% in June 2019.

1 Management Discussion and Analysis (Continued)

1.1 Financial Review (Continued)

1.1.7 Capital Structure (Continued)

1.1.7.1 Credit Risk

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

1.2 Risk Management Policies and Controls

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

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

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

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

1.2.1 Credit Risk Concentration

The Group has complied with the Bank of Mauritius requirements on credit concentration limit and remains within the regulatory limits. Total outstanding credit facilities, net of deposits where there is a right of set off, including guarantees, acceptances, and other similar commitments extended by the Banking Group to any one customer or group of closely-related customers for amounts aggregating more than 10% of its tier 1 capital amounted to MUR 21,624 million representing only 99% of its tier 1 capital, well within the 800% allowed under the BOM guideline on credit concentration risk.

1 Management Discussion and Analysis (continued)

1.2 Risk Management Policies and Controls (continued)

1.2.2 Related Party Transactions

The Group provides regular banking services to its related parties in the ordinary course of business. These services are on terms similar to those offered to non-related parties.

Outstanding loans to executive officers of SBM totalled MUR 281 million as at 30 June 2019.

On and off balance sheet exposures to related parties after set off amounted to MUR 7,172 million representing 6.2% of aggregate on and off balance sheet exposures and 31.4% of Tier 1 Capital, well within the limit of 60% as per guideline on related party transactions.

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

1.2.3 Market risk

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

A description of each market risk category is provided below:

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

1.2.5 Equity risk

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

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

1 Management Discussion and Analysis (continued)

1.2 Risk Management Policies and Controls (continued)

1.2.6 Foreign Exchange risk

Foreign exchange risk is defined as the risk arising from movement in exchange rate from one currency to another. The Group mitigates this risk by exercising stringent control over its foreign currency exposure by setting prudential limits. The overall exposure to foreign exchange is reported by the treasurer to the Asset and Liability Committee (“ALCO”).

1.2.7 Liquidity risk

Liquidity risk is the risk of potential earnings volatility arising from being unable to fund assets at reasonable rates over required maturities. The Bank 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 buckets and currency under realistic and stress scenarios.

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

1.2.8 Operational risk

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

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

1.2.9 Internal audit

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

1.2.10 Compliance

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

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

2. Statement of Corporate Governance Practices

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board confirms that these interim condensed financial statement have been prepared in accordance with IAS 34.

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

The Board of Directors delegates the day to day running of the Group and Company to various forums and committees. The Board of Directors is made up of the following Members;

	<u>Appointment date</u>
(1) Mr. Kee Chong Li Kwong Wing, G.O.S.K. Chairman	14-Apr-15
(2) Mr Azim Fakhruddin Currimjee	28-Jun-16
(3) Mr. Medha Gunpath	04-Feb-15
(4) Mr. Maxime Hardy	30-Jun-15
(5) Mr. Vidianand Lutchmeeparsad	30-Jun-15
(6) Mr. Ramprakash Maunthrooa	30-Jun-15
(7) Mr. Roodesh Muttylall	30-Jun-15
(8) Ms. Sharon Ramdenee	14-Dec-18
(9) Mr. Subhas Thecka	23-Jun-17
(10) Mr. Andrew Bainbridge	28-Jun-18

The Committees reporting to the Board are as follows:

- Audit Committee
- Corporate Governance & Conduct Review Committee
- IT Steering Committee*
- Regional Expansion Steering Committee
- Nomination & Remuneration Committee
- Risk Management Committee
- Strategy Committee

With the exception of the IT Committee, all committee nominations are made by the Board of SBM Holdings Ltd.

*Includes members of the Board of SBM (Bank) Mauritius Ltd.

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

3. Statement of Management's Responsibility for Financial Reporting

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

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

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

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

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

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

Approved by the Board on 09 August 2019 and signed on its behalf by:


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


Subhas THECKA
Chairman, Audit Committee

**REVIEW REPORT TO THE BOARD OF DIRECTORS OF
SBM HOLDINGS LTD**

We have reviewed the accompanying interim condensed statements of financial position of SBM Holdings Ltd the "Company") and its subsidiaries (the "Group") as of 30 June 2019, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and abridged cash flows for the six months then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information does not present fairly, in all material respects, the financial position of the Group and the Company as at 30 June 2019, and of their financial performance and their cash flows for the six months then ended in accordance with IAS 34 Interim Financial Reporting.



ERNST & YOUNG
Ebène, Mauritius



PATRICK NG TSEUNG, A.C.A.
Licensed by FRC

Date: **09 AUG 2019**
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SBM HOLDINGS LTD
5. INTERIM UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

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Notes	The Group			The Company		
	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS						
	14,586,167	15,825,917	15,653,515	41,631	4,045,856	32,890
9.4.1	10,073,974	8,972,096	9,977,260	-	-	-
	7,278,785	8,894,197	11,090,361	-	-	-
9.4.2	856,266	1,057,195	764,077	-	-	-
	103,598,355	105,765,461	102,108,174	-	-	-
9.4.3	88,435,637	49,633,255	71,594,287	2,642,870	608,395	3,105,326
	6,096,689	5,986,371	5,752,870	4,227,683	4,227,683	4,227,683
	-	-	-	28,730,768	26,286,453	28,485,152
	1,444,215	1,394,629	1,308,157	1,272,977	1,272,977	1,272,977
	3,737,121	2,822,508	3,153,914	4,718	6,846	5,780
	2,985,653	3,705,291	3,226,412	39	50	44
	93,401	91,968	89,440	-	-	-
	2,313,476	1,722,690	1,655,659	210,637	1,021,161	153,309
	241,499,709	205,871,578	226,374,126	37,131,323	37,469,421	37,283,161
LIABILITIES						
	922,258	545,866	716,702	-	-	-
	173,381,539	152,270,962	169,384,480	-	-	-
9.5	23,723,436	14,962,122	14,522,085	-	-	-
	739,550	898,669	799,441	-	-	-
	417,442	256,888	495,964	-	503	503
	107,498	184,015	159,477	-	-	-
	6,443,659	3,332,546	6,706,294	102,441	72,832	91,777
	9,573,944	9,446,952	9,412,677	9,573,944	9,446,952	9,412,677
	215,309,326	181,898,020	202,197,120	9,676,385	9,520,287	9,504,957
SHAREHOLDERS' EQUITY						
	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204
	2,998,573	1,729,478	2,270,280	651,596	1,172,263	965,704
	(4,433,363)	(5,381,093)	(5,718,447)	(821,831)	(848,302)	(812,673)
	31,065,414	28,848,589	29,052,037	32,329,969	32,824,165	32,653,235
	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)
	26,190,383	23,973,558	24,177,006	27,454,938	27,949,134	27,778,204
	241,499,709	205,871,578	226,374,126	37,131,323	37,469,421	37,283,161
	22,218,644	23,832,364	20,454,774			
9.6						

Approved by the Board of Directors and authorised for issue on 09 August 2019.


Kee Chong LI KWONG WING, C.O.S.K.
 Chairman


Shihhas THECKA
 Chairman, Audit Committee

The notes on pages 17 to 29 form an integral part of these interim unaudited condensed financial statements.

Notes	The Group					The Company				
	Unaudited Quarter ended 30 June 2019	Unaudited Quarter ended 30 June 2018	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018	Audited Year ended 31 December 2018	Unaudited Quarter ended 30 June 2019	Unaudited Quarter ended 30 June 2018	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018	Audited Year ended 31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income	2,632,095	2,048,273	5,133,519	3,936,062	8,816,856	20,261	6,763	45,106	21,257	77,913
Interest expense	(958,776)	(604,535)	(1,959,846)	(1,166,380)	(2,971,513)	(119,858)	(38,811)	(238,733)	(75,140)	(309,019)
Net interest income / (expense)	1,673,319	1,443,738	3,173,673	2,769,682	5,845,343	(99,597)	(32,048)	(193,627)	(53,883)	(231,106)
Fee and commission income	397,465	321,709	744,069	644,605	1,307,329	-	-	-	-	-
Fee and commission expense	(9,631)	(8,764)	(17,426)	(15,248)	(30,919)	(35)	(30)	(74)	(45)	(199)
Net fee and commission income / (expense)	387,834	312,945	726,643	629,357	1,276,410	(35)	(30)	(74)	(45)	(199)
Profit / (loss) arising from dealing in foreign currencies	150,611	144,441	259,940	320,608	758,677	(71,351)	(52,506)	(139,807)	(58,513)	(29,695)
Net gain on sale of securities	129,951	42,513	236,224	65,019	204,458	900	26,768	680	28,426	27,614
Dividend income	45,313	2	45,313	59	110,051	445,000	347,200	445,000	697,500	1,233,068
Net gain from financial instruments	4,751	80,597	54,982	226,414	509,849	7,683	-	23,105	-	-
Other operating income	(78)	423	802	423	1,073,651	-	-	-	-	-
Non-interest income	718,382	580,921	1,323,904	1,241,880	3,933,096	382,197	321,432	328,904	667,368	1,230,788
Operating income	2,391,701	2,024,659	4,497,577	4,011,562	9,778,439	282,600	289,384	135,277	613,485	999,682
Personnel expenses	(674,683)	(499,694)	(1,340,720)	(956,894)	(2,026,085)	(23,128)	(26,144)	(45,424)	(41,878)	(104,253)
Depreciation of property and equipment	(127,834)	(40,933)	(226,341)	(83,340)	(205,246)	(532)	(485)	(1,063)	(881)	(1,946)
Amortisation of intangible assets	(144,245)	(138,713)	(326,442)	(275,773)	(621,951)	(3)	-	(5)	-	(6)
Other expenses	(618,090)	(349,727)	(1,012,475)	(608,609)	(1,844,271)	(3,101)	(104,514)	(15,761)	(114,018)	(253,729)
Non-interest expense	(1,564,852)	(1,029,067)	(2,905,978)	(1,924,616)	(4,697,553)	(26,764)	(131,143)	(62,253)	(156,777)	(359,934)
Profit before credit loss expense	826,849	995,592	1,591,599	2,086,946	5,080,886	255,836	158,241	73,024	456,708	639,748
Credit loss expense on financial assets	(252,582)	(1,431,182)	(151,288)	(1,668,728)	(3,559,350)	10	-	494	-	(1,646)
Operating profit / (loss)	574,267	(435,590)	1,440,311	418,218	1,521,536	255,846	158,241	73,518	456,708	638,102
Share of profit of associate	42,928	35,089	66,485	53,420	100,240	-	-	-	-	-
Profit / (loss) before income tax	617,195	(400,501)	1,506,796	471,638	1,621,776	255,846	158,241	73,518	456,708	638,102
Tax expense	(116)	(190,136)	(289,106)	(315,610)	(375,982)	7,913	(10,188)	(357)	(10,188)	(10,867)
Profit / (loss) for the quarter / year / period / attributable to equity holders of the parent	617,079	(590,637)	1,217,690	156,028	1,245,794	263,759	148,053	73,161	446,520	627,235
Earnings per share (cents)	23.90	(22.88)	47.16	6.04	48.25					

	The Group					The Company				
	Unaudited Quarter ended 30 June 2019	Unaudited Quarter ended 30 June 2018	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018	Audited Year ended 31 December 2018	Unaudited Quarter ended 30 June 2019	Unaudited Quarter ended 30 June 2018	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018	Audited Year ended 31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit / (loss) for the quarter / year / period/ attributable to equity holders of the parent	617,079	(590,637)	1,217,690	156,028	1,245,794	263,759	148,053	73,161	446,520	627,235
Other comprehensive income :										
<i>Items that will not be reclassified subsequently to profit or loss:</i>										
Reversal in net property revaluation reserve	-	1,027	-	-	(17,689)	-	-	-	-	-
Share of associate-remeasurement of defined benefit pension plan	(32,283)	-	(32,283)	-	-	-	-	-	-	-
Share of other comprehensive income of associate	63,236	6,006	78,360	3,888	(96,235)	-	-	-	-	-
Remeasurement of defined benefit pension plan (net of deferred tax)	-	-	-	-	(27,802)	-	-	-	-	-
Net gain / (loss) on equity instruments designated at FVTOCI	-	-	45,278	-	(77,085)	-	-	-	-	(77,085)
	30,953	7,033	91,355	3,888	(218,811)	-	-	-	-	(77,085)
<i>Items that may be reclassified subsequently to profit or loss:</i>										
Exchange differences on translation of foreign operations	42,724	(33,272)	255,985	(45,066)	(176,373)	-	-	-	-	-
Exchange differences resulting from share of associate	21,754	-	23,494	-	-	-	-	-	-	-
Investment securities measured at FVTOCI										
Fair value re-cycled on disposal	-	-	-	-	1,491	-	-	-	-	-
Equity instrument at FVOCI-Net movement in fair value	(133,061)	47,157	-	(63,812)	-	-	(65,242)	-	(65,242)	-
Net movement in fair value during the quarter / period / year	768,586	(293,003)	747,871	(410,965)	(505,354)	-	(24,893)	-	(47,472)	-
Movement in credit loss expense relating to debt instruments held at FVTOCI	8,658	-	(11,784)	-	24,686	-	-	-	-	-
Net income / (loss) on derecognition of financial instruments at fair value through other comprehensive income	85,367	17,328	76,035	26,010	-	175	-	(9,158)	-	-
	794,028	(261,790)	1,091,601	(493,833)	(655,550)	175	(90,135)	(9,158)	(112,714)	-
Total other comprehensive income / (loss)	824,981	(254,757)	1,182,956	(489,945)	(874,361)	175	(90,135)	(9,158)	(112,714)	(77,085)
Total comprehensive income / (loss) attributable to equity holders of the parent	1,442,060	(845,394)	2,400,646	(333,917)	371,433	263,934	57,918	64,003	333,806	550,150

SBM HOLDINGS LTD
7. INTERIM UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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The Group	Stated capital	Treasury shares	Statutory reserve	Retained earnings	Fair value reserve on financial instruments recognised in OCI	Net property revaluation reserve	Net translation reserve	Net other reserve	Restructure reserve	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018	32,500,204	(4,875,031)	593,966	2,410,007	(315,863)	120,416	109,847	1,566	(5,380,340)	25,164,772
Impact of adopting IFRS 9	-	-	-	(340,939)	-	-	-	-	-	(340,939)
Restated opening balance under IFRS 9	32,500,204	(4,875,031)	593,966	2,069,068	(315,863)	120,416	109,847	1,566	(5,380,340)	24,823,833
Profit for the period	-	-	-	156,028	-	-	-	-	-	156,028
Other comprehensive loss for the period	-	-	-	-	(448,767)	-	(45,066)	3,888	-	(489,945)
Total comprehensive income / (loss) for the period	-	-	-	156,028	(448,767)	-	(45,066)	3,888	-	(333,917)
Transfer to retained earnings	-	-	-	20,740	-	(20,740)	-	-	-	-
Dividend (Note 9.11)	-	-	-	(516,358)	-	-	-	-	-	(516,358)
At 30 June 2018	32,500,204	(4,875,031)	593,966	1,729,478	(764,630)	99,676	64,781	5,454	(5,380,340)	23,973,558
At 01 January 2018	32,500,204	(4,875,031)	593,966	2,410,007	(315,863)	120,416	109,847	1,566	(5,380,340)	25,164,772
Impact of adopting IFRS 9	-	-	-	(490,560)	34,993	-	-	-	-	(455,567)
Restated opening balance under IFRS 9	32,500,204	(4,875,031)	593,966	1,919,447	(280,870)	120,416	109,847	1,566	(5,380,340)	24,709,205
Profit for the year	-	-	-	1,245,794	-	-	-	-	-	1,245,794
Credit loss expense relating to debts instruments held at FVOCI	-	-	-	-	24,686	-	-	-	-	24,686
Other comprehensive loss for the year	-	-	-	(27,802)	(580,948)	(17,689)	(176,373)	(96,235)	-	(899,047)
Total comprehensive income / (loss) for the year	-	-	-	1,217,992	(556,262)	(17,689)	(176,373)	(96,235)	-	371,433
Transfer to statutory reserve	-	-	3,108	(3,108)	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	39,581	-	(39,581)	-	-	-	-
Dividend (Note 9.11)	-	-	-	(903,632)	-	-	-	-	-	(903,632)
At 31 December 2018	32,500,204	(4,875,031)	597,074	2,270,280	(837,132)	63,146	(66,526)	(94,669)	(5,380,340)	24,177,006
At 01 January 2019	32,500,204	(4,875,031)	597,074	2,270,280	(837,132)	63,146	(66,526)	(94,669)	(5,380,340)	24,177,006
Profit for the period	-	-	-	1,217,690	-	-	-	-	-	1,217,690
Credit loss expense relating to debts instruments held at FVOCI	-	-	-	-	(11,784)	-	-	-	-	(11,784)
Share of OCI of associate	-	-	-	-	78,360	-	23,494	-	-	101,854
Other comprehensive income for the period	-	-	-	(32,283)	869,184	-	255,985	-	-	1,092,886
Total comprehensive income for the period	-	-	-	1,185,407	935,760	-	279,479	-	-	2,400,646
Reclassification of associate to their respective reserve	-	-	-	-	(76,784)	-	(17,885)	94,669	-	-
Transfer to retained earnings	-	-	-	20,155	-	(19,081)	(1,074)	-	-	-
Transfer to statutory reserve	-	-	90,000	(90,000)	-	-	-	-	-	-
Dividend (Note 9.11)	-	-	-	(387,269)	-	-	-	-	-	(387,269)
At 30 June 2019	32,500,204	(4,875,031)	687,074	2,998,573	21,844	44,065	193,994	-	(5,380,340)	26,190,383

The notes on pages 17 to 29 form an integral part of these interim unaudited condensed financial statements.

SBM HOLDINGS LTD

7. INTERIM UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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<u>The Company</u>	<u>Stated capital</u> MUR' 000	<u>Treasury shares</u> MUR' 000	<u>Retained earnings</u> MUR' 000	<u>Net unrealised investment fair value reserve</u> MUR' 000	<u>Total equity</u> MUR' 000
At 01 January 2018	32,500,204	(4,875,031)	1,242,101	(735,588)	28,131,686
Profit for the period	-	-	446,520	-	446,520
Other comprehensive loss for the period	-	-	-	(112,714)	(112,714)
Total comprehensive income / (loss) for the period	-	-	446,520	(112,714)	333,806
Dividend (Note 9.11)	-	-	(516,358)	-	(516,358)
At 30 June 2018	32,500,204	(4,875,031)	1,172,263	(848,302)	27,949,134
At 01 January 2018	32,500,204	(4,875,031)	1,242,101	(735,588)	28,131,686
Profit for the year	-	-	627,235	-	627,235
Other comprehensive loss for the year	-	-	-	(77,085)	(77,085)
Total comprehensive income / (loss) for the year	-	-	627,235	(77,085)	550,150
Dividend (Note 9.11)	-	-	(903,632)	-	(903,632)
At 31 December 2018	32,500,204	(4,875,031)	965,704	(812,673)	27,778,204
At 01 January 2019	32,500,204	(4,875,031)	965,704	(812,673)	27,778,204
Profit for the period	-	-	73,161	-	73,161
Other comprehensive loss for the period	-	-	-	(9,158)	(9,158)
Total comprehensive income / (loss) for the period	-	-	73,161	(9,158)	64,003
Dividend (Note 9.11)	-	-	(387,269)	-	(387,269)
At 30 June 2019	32,500,204	(4,875,031)	651,596	(821,831)	27,454,938

SBM HOLDINGS LTD

**8. INTERIM UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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	The Group			The Company		
	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018	Audited Year ended 31 December 2018	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018	Audited Year ended 31 December 2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Net cash (used in) / generated from operating activities	(9,427,746)	(6,857,777)	(3,844,388)	480,359	(328,049)	(984,142)
Net cash generated from / (used in) financing activities	8,975,350	6,505,048	3,542,808	(226,002)	5,229,128	4,768,453
Net cash used in investing activities	(894,430)	(152,892)	(181,006)	(245,616)	(928,446)	(3,824,644)
Net change in cash and cash equivalents	(1,346,826)	(505,621)	(482,586)	8,741	3,972,633	(40,333)
Net foreign exchange difference	279,478	-	(195,437)	-	-	-
Cash and cash equivalents at beginning of period / year	15,653,515	16,331,538	16,331,538	32,890	73,223	73,223
Cash and cash equivalents at period / year end (Note 9.4.1)	14,586,167	15,825,917	15,653,515	41,631	4,045,856	32,890

9 Notes to the Financial Statements

9.1 General information

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

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

9.2 Accounting policies

These interim unaudited condensed financial statements do not include all the information and disclosures contained in the annual audited financial statements, and should be read in conjunction with the Group’s annual audited financial statements as at 31 December 2018.

9.2.1 Basis of preparation

This interim unaudited condensed financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies adopted in the preparation of the interim unaudited condensed financial statements for the six months ended 30 June 2019 are consistent with those followed in the preparation of the Group’s audited financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as from 01 January 2019. The nature and the effect of these changes are disclosed below in 9.3.1

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

9.3.1 New standards, interpretations and amendments applied by the Group

In the current period, the Group has applied all the revised Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 January 2019.

The nature and the effect of these changes are disclosed below.

New standards, interpretation and amendments	Effective date
IFRS 16 Leases	01-January-19
IFRIC 23 Uncertainty over Income Tax Treatments	01-January-19
IAS 19 Plan Amendment, Curtailment or Settlement	01-January-19
Prepayments features with negative compensation (Amendments to IFRS 9)	01-January-19
Annual Improvements 2015-2017 cycle	01-January-19

Where the adoption of the standard or interpretation or improvement is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

9 Notes to the financial statements (Continued)

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

9.3.1 New standards, interpretations and amendments applied by the Group (Continued)

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the prospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 is as follows:

Impact on the statement of financial position as at 01 January 2019 would be an increase in both assets and liabilities as follows:

	MUR'000
Minimum lease payments under Operating leases as of 31 December 2018	778,015
Effect from discounting at the incremental borrowing rate as of 1 January 2019	(163,795)
Liabilities recognized based on the initial application of IFRS 16 as of 1 January 2019	614,220
Right of use recognised based on the initial application of IFRS 16 as of 1 January 2019	614,220

As at 30 June 2019, the impact of IFRS 16 on the statement of financial position and statement of profit or loss was as follows:

	Statement of Financial Position (MUR' 000)	Statement of Profit or Loss (MUR' 000)
Property and equipment – Right of use	585,835	-
Lease liabilities	602,040	-
Interest on lease liabilities relating to "rights of use" assets (Accounted under interest expense)	-	(19,227)
Amortisation of "right of use" assets (Accounted under depreciation of property and equipment)	-	(90,142)
Lease payments in respect of "rights of use" assets (Accounted in other expenses)	-	93,051

The weighted-average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019, for the Group was 3.5% to 11.25 % p.a respectively.

Leases – Company as a lessee

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases led to:

- a. Recognition of the right-of-use assets and lease liabilities in the statement of financial position
- b. Recognition of depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- c. Apportionment of total rental paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

9 Notes to the financial statements (Continued)

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

9.3.1 New standards, interpretations and amendments applied by the Group (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at the present value of the lease payments to be made over the lease term. It is remeasured when there is a change in future lease payments arising from a change in an index or rate. Group also changes its assessment if it decides to exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'Interest bearing loans and borrowings' in the statement of financial position.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

This Interpretation had no impact on its financial statements of the Group during the period.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Group during the period.

9 Notes to the Financial Statements (Continued)

9.4.1 Cash and cash equivalents	The Group			The Company		
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	30 June	30 June	31 December	30 June	30 June	31 December
	2019	2018	2018	2019	2018	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash in hand	2,752,010	1,273,965	3,211,813	-	-	-
Foreign currency notes and coins	93,211	259,356	293,161	-	-	-
Unrestricted balances with central banks	1,427,745	4,197,694	1,830,100	-	-	-
Loans and placements with banks	2,917,886	7,136,385	3,563,925	-	-	-
Balances with banks	7,396,480	2,958,517	6,797,814	41,631	4,045,856	32,890
	14,587,332	15,825,917	15,696,813	41,631	4,045,856	32,890
Less expected credit loss allowance	(1,165)	-	(43,298)	-	-	-
	14,586,167	15,825,917	15,653,515	41,631	4,045,856	32,890

9.4.2 Loans to and placements with banks	The Group			The Company		
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	30 June	30 June	31 December	30 June	30 June	31 December
	2019	2018	2018	2019	2018	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Loans to and placements with banks						
- In Mauritius	2,167,811	4,810,504	5,588,012	-	-	-
- Outside Mauritius	5,148,828	4,115,355	5,539,316	-	-	-
	7,316,639	8,925,859	11,127,328	-	-	-
Less expected credit loss allowance	(37,884)	(31,662)	(36,967)	-	-	-
	7,278,755	8,894,197	11,090,361	-	-	-

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

	Unaudited				Unaudited	Audited		
	30 June 2019						30 June 2018	31 December 2018
	Stage 1	Stage 2	Stage 3	Total				
	MUR' 000	MUR' 000	MUR' 000	MUR' 000			Total	Total
Internal rating grade								
Performing								
High grade	387,452	-	-	387,452	41,432	797,769		
Standard grade	5,198,141	-	-	5,198,141	5,261,513	8,618,008		
Sub-standard grade	1,731,046	-	-	1,731,046	3,622,914	1,711,551		
Past due but not impaired	-	-	-	-	-	-		
Non-performing								
Individually impaired	-	-	-	-	-	-		
Total	7,316,639	-	-	7,316,639	8,925,859	11,127,328		

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

	Unaudited				Unaudited	Audited		
	30 June 2019						30 June 2018	31 December 2018
	Stage 1	Stage 2	Stage 3	Total				
	MUR' 000	MUR' 000	MUR' 000	MUR' 000			Total	Total
Gross carrying amount as at 1 January 2019								
	11,127,328	-	-	11,127,328	8,897,399	8,897,399		
New assets originated or purchased	2,613,263	-	-	2,613,263	4,703,000	5,350,478		
Assets derecognised or repaid (excluding write offs)	(6,561,708)	-	-	(6,561,708)	(4,734,039)	(3,119,041)		
Exchange adjustment	137,756	-	-	137,756	59,499	(1,508)		
	7,316,639	-	-	7,316,639	8,925,859	11,127,328		

	Unaudited				Unaudited	Audited		
	30 June 2019						30 June 2018	31 December 2018
	Stage 1	Stage 2	Stage 3	Total				
	MUR' 000	MUR' 000	MUR' 000	MUR' 000			Total	Total
ECL allowance as at 1 January 2019								
	36,967	-	-	36,967	16,091	16,091		
New assets originated or purchased	11,624	-	-	11,624	22,063	54,984		
Assets derecognised or repaid (excluding write offs)	(10,707)	-	-	(10,707)	(6,492)	(34,108)		
Exchange adjustment	37,884	-	-	37,884	31,662	36,967		

9 Notes to the Financial Statements (Continued)

9.4.3 Loans and advances to non-bank customers

	The Group			The Company		
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	30 June	30 June	31 December	30 June	30 June	31 December
	2019	2018	2018	2019	2018	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Government	9,267	2,708,666	9,315	-	-	-
Retail customers	37,127,858	34,143,745	32,121,254	-	-	-
Credit cards	596,221	558,733	606,448	-	-	-
Mortgages	23,748,957	21,160,346	22,478,894	-	-	-
Other retail loans	12,782,680	12,424,666	9,035,912	-	-	-
Corporate customers	44,629,642	40,138,887	44,638,968	-	-	-
Entities outside Mauritius (including offshore / Global Business Licence Holders)*	32,492,482	34,640,542	35,656,506	-	-	-
Gross Loans and advances	114,259,249	111,631,840	112,426,043	-	-	-
Less expected credit loss allowance	(10,660,894)	(5,866,379)	(10,317,869)	-	-	-
Net Loans and advances	103,598,355	105,765,461	102,108,174	-	-	-

9.4.3.1 Gross Advances by sectors

	The Group			The Company		
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	30 June	30 June	31 December	30 June	30 June	31 December
	2019	2018	2018	2019	2018	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Agriculture and fishing	4,687,107	5,314,404	5,792,922	-	-	-
Manufacturing	6,163,776	9,155,681	5,908,387	-	-	-
of which EPZ	1,313,743	1,072,080	1,185,948	-	-	-
Tourism	11,135,319	11,234,717	10,984,654	-	-	-
Transport	4,196,417	3,503,251	4,480,491	-	-	-
Construction	8,264,893	8,256,041	8,042,894	-	-	-
Financial and business services	11,846,966	12,531,914	12,714,623	-	-	-
Traders	17,847,193	15,301,842	17,183,936	-	-	-
Personal	37,196,353	32,912,374	34,785,152	-	-	-
of which credit cards	762,962	608,255	616,509	-	-	-
Professional	551,118	493,946	229,479	-	-	-
Global Business Licence holders	6,179,069	5,097,852	4,115,179	-	-	-
Others	6,191,038	7,829,818	8,188,326	-	-	-
	114,259,249	111,631,840	112,426,043	-	-	-

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

9.4.3.2 Gross carrying amount

	Unaudited 30 June 2019				Unaudited 30 June 2018	Audited 31 December 2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Internal rating grade						
Performing						
High grade	35,316,960	1,379,264	-	36,696,224	3,809,302	34,546,337
Standard grade	31,305,963	7,514,708	-	38,820,671	85,033,947	30,511,019
Sub-standard grade	9,291,584	10,595,368	293,902	20,180,854	11,103,326	26,690,004
Past due but not impaired	-	123,482	527,156	650,638	4,367,409	2,877,132
Non-performing						
Individually impaired	-	-	17,910,862	17,910,862	7,317,856	17,801,551
Total	75,914,507	19,612,822	18,731,920	114,259,249	111,631,840	112,426,043

	Unaudited 30 June 2019				Unaudited 30 June 2018	Audited 31 December 2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR' 000	MUR' 000
Gross carrying amount						
As at 1 January	61,765,293	32,583,929	18,196,108	112,545,330	107,197,840	107,197,840
New assets originated or purchased	16,690,941	4,222,592	850,172	21,763,705	27,539,509	41,598,053
Assets derecognised or repaid (excluding write offs)	(12,590,554)	(6,348,504)	(815,950)	(19,755,008)	(23,218,804)	(33,706,247)
Transfers to Stage 1	14,735,099	(14,524,893)	(210,206)	-	-	-
Transfers to Stage 2	(4,335,685)	4,425,140	(89,455)	-	-	-
Transfers to Stage 3	(278,959)	(751,431)	1,030,390	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	(275,593)	(23,747)	(392,251)	(691,591)	-	-
Amounts written off	-	-	-	-	(5,715)	-
Foreign exchange adjustments	203,965	29,736	163,112	396,813	119,010	(2,663,603)
Total	75,914,507	19,612,822	18,731,920	114,259,249	111,631,840	112,426,043

	Unaudited 30 June 2019				Unaudited 30 June 2018	Audited 31 December 2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR' 000	MUR' 000
ECL allowance						
As at 1 January	605,878	1,175,955	8,536,035	10,317,868	4,069,002	4,069,002
New assets originated or purchased	201,097	196,371	750,671	1,148,139	1,825,113	6,677,379
Assets derecognised or repaid (excluding write offs)	(338,578)	(183,542)	(93,082)	(615,202)	(86,282)	(674,883)
Transfers to Stage 1	465,078	(327,923)	(137,155)	-	-	-
Transfers to Stage 2	(58,607)	78,160	(19,553)	-	-	-
Transfers to Stage 3	(836)	(156,979)	157,815	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	(266,179)	(95,490)	(510,764)	(872,433)	69,294	171,616
Changes to models and inputs used for ECL calculations	-	-	-	-	-	74,755
Recoveries	-	-	-	-	-	-
Amounts written off	-	-	474,520	474,520	(5,715)	-
Foreign exchange adjustments	5,714	78,661	123,627	208,002	(5,033)	-
Total	613,567	765,213	9,282,114	10,660,894	5,866,379	10,317,869

9 Notes to the Financial Statements (Continued)

9.5 Deposits from non-bank customers

	The Group			The Company		
	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Retail	93,766,151	82,060,971	83,932,934	-	-	-
Corporate	69,577,499	60,189,058	72,200,290	-	-	-
Government	10,037,889	10,020,933	13,251,256	-	-	-
	173,381,539	152,270,962	169,384,480	-	-	-

9.6 Contingent liabilities

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

	The Group			The Company		
	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Acceptances on account of customers	326,926	868,040	435,096	-	-	-
Guarantees on account of customers	7,696,983	8,098,713	8,285,833	-	-	-
Letters of credit and other obligations on account of customers	766,258	1,277,512	861,137	-	-	-
Others	11,284,600	11,578,881	9,071,296	-	-	-
	20,074,767	21,823,146	18,653,362	-	-	-

Others

	The Group			The Company		
	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Inward bills held for collection	176,506	162,591	303,789	-	-	-
Outward bills sent for collection	1,967,371	1,846,627	1,497,623	-	-	-
	2,143,877	2,009,218	1,801,412	-	-	-
Total	22,218,644	23,832,364	20,454,774	-	-	-

9 Notes to the Financial Statements (Continued)

9.6 Contingent liabilities (Continued)

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

	Unaudited				Unaudited	Audited
	30 June 2019				30 June 2018	31 December 2018
	Stage 1 Individual MUR' 000	Stage 2 Individual MUR' 000	Stage 3 MUR' 000	Total MUR' 000	Total MUR' 000	Total MUR' 000
Internal rating grade						
Performing						
High grade	7,378,823	195,783	-	7,574,606	3,755,785	4,808,242
Standard grade	6,960,057	430,168	-	7,390,225	16,390,931	12,188,955
Sub-standard grade	6,697,726	555,082	-	7,252,808	3,685,648	3,454,079
Non-performing						
Individually impaired	-	-	1,005	1,005	-	3,498
Total	21,036,606	1,181,033	1,005	22,218,644	23,832,364	20,454,774

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

	Unaudited				Unaudited	Audited
	30 June 2019				30 June 2018	31 December 2018
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000	Total MUR' 000	Total MUR' 000
Gross carrying amount						
As at 1 January	14,933,183	5,518,093	3,498	20,454,774	26,856,831	26,856,831
New assets originated or purchased	8,752,187	435,443	-	9,187,630	7,942,157	12,400,094
Assets derecognised or repaid (excluding write offs)	(6,141,186)	(1,382,641)	(2,533)	(7,526,360)	(10,976,782)	(18,802,151)
Transfers to Stage 1	3,484,846	(3,484,846)	-	-	-	-
Transfers to Stage 2	(94,450)	94,570	(120)	-	-	-
Transfers to Stage 3	(160)	-	160	-	-	-
Foreign exchange adjustments	102,186	414	-	102,600	10,158	-
As at 30 June/December	21,036,606	1,181,033	1,005	22,218,644	23,832,364	20,454,774

	Unaudited				Unaudited	Audited
	30 June 2019				30 June 2018	31 December 2018
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000	Total MUR' 000	Total MUR' 000
ECL allowance						
As at 1 January	161,446	13,664	4,590	179,700	172,863	172,863
New assets originated or purchased	84,010	3,288	-	87,298	74,653	63,149
Assets derecognised or repaid (excluding write offs)	(54,880)	(14,630)	(20)	(69,530)	(126,977)	(56,312)
Transfers to Stage 1	32,981	(32,981)	-	-	-	-
Transfers to Stage 2	(430)	430	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	(45,655)	40,761	4,894	-	-	-
Foreign exchange adjustments	2,699	(1,109)	(145)	1,445	-	-
As at 30 June/December	180,171	9,423	9,319	198,913	120,539	179,700

9 Notes to the financial statements (Continued)

9.7 Net interest income /(expense)

	The Group					The Company				
	Unaudited Quarter ended 30 June 2019 MUR'000	Unaudited Quarter ended 30 June 2018 MUR'000	Unaudited Six months ended 30 June 2019 MUR'000	Unaudited Six months ended 30 June 2018 MUR'000	Audited Year ended 31 December 2018 MUR'000	Unaudited Quarter ended 30 June 2019 MUR'000	Unaudited Quarter ended 30 June 2018 MUR'000	Unaudited Six months ended 30 June 2019 MUR'000	Unaudited Six months ended 30 June 2018 MUR'000	Audited Year ended 31 December 2018 MUR'000
Interest income on financial instruments at amortised cost										
Cash and cash equivalents	49,657	50,918	113,376	110,929	272,443	-	-	-	-	-
Loans to and placements with banks	59,143	49,502	132,256	70,648	206,188	-	-	-	-	-
Loans and advances to non bank customers	1,590,774	1,581,653	3,131,931	3,069,632	6,457,991	-	-	-	-	-
Investment securities	637,733	90,107	1,202,537	229,991	1,114,845	20,261	6,763	45,106	21,257	77,913
	2,337,307	1,772,180	4,580,100	3,481,200	8,051,467	20,261	6,763	45,106	21,257	77,913
Interest income on financial instruments at fair value										
Investment securities	295,829	317,335	572,563	530,935	943,885	-	-	-	-	-
Derivative financial instruments	(15,480)	(41,915)	(39,818)	(76,921)	(181,641)	-	-	-	-	-
Other	14,439	673	20,674	848	3,145	-	-	-	-	-
	294,788	276,093	553,419	454,862	765,389	-	-	-	-	-
Total interest income	2,632,095	2,048,273	5,133,519	3,936,062	8,816,856	20,261	6,763	45,106	21,257	77,913
Interest expense										
Deposits from non-bank customers	(730,484)	(475,462)	(1,405,975)	(933,550)	(2,179,998)	-	-	-	-	-
Other borrowed funds	(109,228)	(90,262)	(315,138)	(157,690)	(482,496)	-	-	-	-	-
Subordinated debts	(119,064)	(38,811)	(238,733)	(75,140)	(309,019)	(119,858)	(38,811)	(238,733)	(75,140)	(309,019)
Total interest expense	(958,776)	(604,535)	(1,959,846)	(1,166,380)	(2,971,513)	(119,858)	(38,811)	(238,733)	(75,140)	(309,019)
Net interest income / (expense)	1,673,319	1,443,738	3,173,673	2,769,682	5,845,343	(99,597)	(32,048)	(193,627)	(53,883)	(231,106)

9 Notes to the financial statements (Continued)

9.8 Net gain from financial instruments

	The Group					The Company				
	Unaudited Quarter ended 30 June 2019 MUR'000	Unaudited Quarter ended 30 June 2018 MUR'000	Unaudited Six months ended 30 June 2019 MUR'000	Unaudited Six months ended 30 June 2018 MUR'000	Audited Year ended 31 December 2018 MUR'000	Unaudited Quarter ended 30 June 2019 MUR'000	Unaudited Quarter ended 30 June 2018 MUR'000	Unaudited Six months ended 30 June 2019 MUR'000	Unaudited Six months ended 30 June 2018 MUR'000	Audited Year ended 31 December 2018 MUR'000
Net gain from trading instruments	9,687	60,137	36,665	288,601	337,734	-	-	-	-	-
Investment securities at fair value through profit or loss	21,832	3,917	45,078	(95,669)	54,921	7,683	-	23,105	-	-
Other	(26,768)	16,543	(26,761)	33,482	117,194	-	-	-	-	-
	4,751	80,597	54,982	226,414	509,849	7,683	-	23,105	-	-

9.9 Net gain on sale of securities

	The Group					The Company				
	Unaudited Quarter ended 30 June 2019 MUR'000	Unaudited Quarter ended 30 June 2018 MUR'000	Unaudited Six months ended 30 June 2019 MUR'000	Unaudited Six months ended 30 June 2018 MUR'000	Audited Year ended 31 December 2018 MUR'000	Unaudited Quarter ended 30 June 2019 MUR'000	Unaudited Quarter ended 30 June 2018 MUR'000	Unaudited Six months ended 30 June 2019 MUR'000	Unaudited Six months ended 30 June 2018 MUR'000	Audited Year ended 31 December 2018 MUR'000
Net (loss) / gain on derecognition of financial assets measured at fair value through other comprehensive income	(651)	2,907	1,777	1,484	4,321	433	-	410	-	(794)
Net gain on derecognition of financial assets measured at amortised cost	5,935	26,863	12,123	33,153	33,179	467	26,768	270	28,426	28,408
Net gain on derecognition of financial assets at fair value through profit or loss	124,667	12,743	222,324	30,382	166,958	-	-	-	-	-
	129,951	42,513	236,224	65,019	204,458	900	26,768	680	28,426	27,614

9 Notes to the Financial Statements (Continued)

9.10 Taxation

	The Group					The Company				
	Unaudited Quarter ended 30 June 2019 MUR'000	Unaudited Quarter ended 30 June 2018 MUR'000	Unaudited Six months ended 30 June 2019 MUR'000	Unaudited Six months ended 30 June 2018 MUR'000	Audited Year ended 31 December 2018 MUR'000	Unaudited Quarter ended 30 June 2019 MUR'000	Unaudited Quarter ended 30 June 2018 MUR'000	Unaudited Six months ended 30 June 2019 MUR'000	Unaudited Six months ended 30 June 2018 MUR'000	Audited Year ended 31 December 2018 MUR'000
Income tax										
Income tax expense	27,720	206,472	316,331	290,960	186,133	(7,413)	10,188	(503)	10,188	10,251
Movement in deferred tax	(39,641)	(22,293)	(51,975)	13,110	153,822	-	-	-	-	(64)
Corporate social responsibility contribution	10,781	5,957	22,108	11,540	24,362	(500)	-	860	-	680
Withholding tax	1,256	-	2,642	-	11,665	-	-	-	-	-
	116	190,136	289,106	315,610	375,982	(7,913)	10,188	357	10,188	10,867

9.11 Dividend

	The Group			The Company		
	Unaudited Six months ended 30 June 2019 MUR'000	Unaudited Six months ended 30 June 2018 MUR'000	Audited Year ended 31 December 2018 MUR'000	Unaudited Six months ended 30 June 2019 MUR'000	Unaudited Six months ended 30 June 2018 MUR'000	Audited Year ended 31 December 2018 MUR'000
Dividend declared during the period / year	387,269	(516,358)	903,632	387,269	(516,358)	903,632
Less: dividend paid	(387,269)	516,358	(903,632)	(387,269)	516,358	(903,632)
Dividend payable	-	-	-	-	-	-

9.12 Credit loss expense on financial assets

Quarter ended 30 June 2019	Unaudited Six months ended 30 June 19				Unaudited Six months ended 30 June 2018	Audited Year ended 31 December 2018
	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000	Total MUR'000	Total MUR'000
Loans and advances to non bank customers	94,038	(315,044)	954,581	733,575	1,864,900	3,711,750
Loans and placements with banks	(41,267)	-	-	(41,267)	(594)	47,975
Debt instruments measured at amortised cost	(9,360)	-	-	(9,360)	11,064	46,010
Loan commitments	4,294	-	-	4,294	(15,824)	(19,832)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	10,263	(43,892)	(20)	(33,649)	(36,501)	(22,146)
Total credit loss under IFRS 9	57,968	(358,936)	954,561	653,593	1,823,045	3,763,757
Write off	-	-	-	3,865	(147,779)	-
Recoveries	-	-	-	(506,170)	(6,538)	(204,407)
Total credit loss	57,968	(358,936)	954,561	151,288	1,668,728	3,559,350

9 Notes to the Financial Statements (Continued)

9.13 Segment Information

	The Group				
	Banking	Non-bank financial institutions	Non financial institutions	Intersegment adjustments	Group Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Revenue from external customers	5,917,765	162,028	377,630	-	6,457,423
Revenue from other segments of the entity	893,242	18,758	-	(912,000)	-
Total gross revenue	<u>6,811,007</u>	<u>180,786</u>	<u>377,630</u>	<u>(912,000)</u>	<u>6,457,423</u>
Operating income	<u>5,082,200</u>	<u>191,372</u>	<u>138,897</u>	<u>(914,892)</u>	<u>4,497,577</u>
Profit after tax	<u>1,916,235</u>	<u>114,355</u>	<u>74,828</u>	<u>(887,728)</u>	<u>1,217,690</u>
Segment assets	<u>258,769,696</u>	<u>2,991,559</u>	<u>37,818,380</u>	<u>(58,079,926)</u>	<u>241,499,709</u>

9 Notes to the Financial Statements (Continued)

9.14 Financial Assets And Financial Liabilities

<u>The Group</u>	Unaudited		Audited	
	30 June 19		31 December 18	
	Carrying		Carrying	
	Value	Fair Value	Value	Fair Value
	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets				
Cash and cash equivalents	14,586,167	14,586,167	15,653,515	15,653,515
Mandatory balances with Central banks	10,073,974	10,073,974	9,977,260	9,977,260
Loans to and placements with banks	7,278,755	7,278,755	11,090,361	11,090,361
Derivative financial instruments	856,266	856,266	764,077	764,077
Loans and advances to non-bank customers	103,598,355	110,175,996	102,108,174	102,636,234
Investment securities	88,435,637	88,681,936	71,594,287	75,496,262
Equity investments	6,096,689	6,096,689	5,752,870	5,752,870
Other assets	2,096,154	2,096,154	1,432,707	1,432,707
	233,021,997	239,845,937	218,373,251	222,803,286
Financial liabilities				
Deposits from banks	922,258	922,258	716,702	716,702
Deposits from non-bank customers	173,381,539	173,522,282	169,384,480	169,505,655
Other borrowed funds	23,723,436	23,723,436	14,522,085	14,522,085
Derivative financial instruments	739,550	739,550	799,441	799,441
Other liabilities	3,235,975	3,235,975	3,397,898	3,397,898
Subordinated debts	9,573,944	9,573,944	9,412,677	9,412,677
	211,576,702	211,717,445	198,233,283	198,354,458
<u>The Company</u>				
	Unaudited		Audited	
	30 June 19		31 December 18	
	Carrying		Carrying	
	Value	Fair Value	Value	Fair Value
	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets				
Cash and cash equivalents	41,631	41,631	32,890	32,890
Investment securities	2,642,870	2,796,685	3,105,326	3,327,032
Equity investments	4,227,683	4,227,683	4,227,683	4,227,683
Other assets	210,637	210,637	153,309	153,309
	7,122,821	7,276,636	7,519,209	7,740,916
Financial liabilities				
Other liabilities	102,441	102,441	91,777	91,777
Subordinated debts	9,573,944	9,573,944	9,412,677	9,412,677
	9,676,385	9,676,385	9,504,454	9,504,454