SBM HOLDINGS LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

CONTENTS

NOTES TO THE FINANCIAL STATEMENTS

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 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 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 Group's external auditors, Ernst & Young, have full and free access to the board of directors and it 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 while ensuring that: the Financial Statements fairly present the state of affairs of the Group, as at the financial year end, and the results of its operations and cash flow for that period; and they have been prepared in accordance with and comply with International Financial Reporting Standards and the Companies Act 2001, as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder.

Directors are also responsible for safeguarding the assets of the Group 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 uploading of the Code of Corporate Governance and ensuring timely and comprehensive communication to all stakeholders on events significant to the Group.

The Board of SBM Holdings Ltd, recognising that the Group, as a financial organisation, encounters risk in every aspect of its business, has put in place the necessary committees to manage such risks, as required by Basel III. The Board, whilst approving risk strategy, appetite and policies, has delegated the formulation thereof and the monitoring of their implementation to the Risk Management Committee.

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

On behalf of the Board.

Kee Chong LI KWONG WING, G.O.S.K.	**Subhas THECKA**
Chairman	**Chairman, Audit Committee**

01 April 2019

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

....
D. Ramjug Chumun
Company Secretary

01 April 2019

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SBM Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 11 to 121 which comprise the statements of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Group and Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and comply with the Companies Act 2001 and 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 Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses (ECL) -impaired facilities The Group has net loans and advances portfolio of MUR 102.11 billion at 31 December 2018. As explained in the accounting policies, these loans and advances are carried at amortised cost, less allowance for credit impairment of MUR 8.54 billion for impaired facilities and MUR 1.78 billion for non-impaired facilities respectively. A financial asset is considered to be credit impaired in accordance with IFRS9 when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Identification of credit-impaired facilities and determination of the expected credit losses thereon involves significant judgement, estimates and assumptions regarding (i) the determination of whether a facility is credit impaired and (ii) in estimating the forecasted cash flows that the Group expects to receive from the obligors. This includes an estimate of what the Group can realise from the collaterals it holds as security on the impaired facilities.	We reviewed and assessed the design of the controls over the identification of facilities that are credit impaired and the related calculations of expected credit losses, including the quality of underlying data and systems. For impairment of loans in stage 3, judgement is required to determine when a loan is considered to be credit impaired and the determination of the impairment loss suffered. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers. We thus assessed the independence and the qualification of the appraisers. Areas of focus included the corporate and international banking lending portfolios which represent high value exposures. We ensured that all credit impaired loans have been properly identified by management by: 1. Reviewing the minutes of the impaired asset review forum, Management Credit forum, Board Credit Committee; 2. Obtaining and testing loan arrears reports and ensuring that all arrears exceeding 90 days are included in the stage 3 impairment list of the ECL model; 3. Identifying loan facilities meeting certain criteria such as financial difficulties of the borrower, restructured loans, insufficient collaterals and exposures to sectors in decline and ensuring these are included in the list of credit impaired facilities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter	How the matter was addressed in the audit
During the year, the Group experienced events of default on a group of related borrowers with exposure totalling MUR 8.44 billion of which MUR 3.32 billion are secured by cash collaterals. The impairment loss recorded on these exposures amounted to MUR 1.36 billion. Refer to Note 9 for accounting policy on loans and advances and allowance for credit impairment (stage 3). Given the size of the loans and advances of the Group (45 % of total assets), we identified the determination of the allowance for expected credit losses on loans and advances as a key audit matter.	For loans that are credit impaired, we independently assessed the appropriateness of provisioning methodologies and policies and formed an independent view on the levels of provisions booked based on the detailed loan and counterparty information in the credit files. We re-performed calculations within a sample of discounted cash flow models and assessed the reasonableness of assumptions used to support the timing and extent of the cash flows. Where the borrowers' cash flow forecasts are used to determine recoverable amounts, we ensured that these are supported by objective and unbiassed evidence. With respect to the specific group of related borrowers for which the Group recorded an impairment loss of MUR 1.36 billion, we performed the following audit procedures: 1. We examined the pattern of cash flows from the obligors, the status of the days past due and the events of default on the facilities to determine whether these facilities should be considered to be credit-impaired. 2. We examined the loan contracts and supporting documents including the collaterals given to secure the facilities. 3. We reviewed and assessed Management's expected cash flows from the realisation of collaterals and other assets (owned by the directors / owners of the borrowing entities) through other legal routes considered by the Group. We evaluated the viability of such other actions to recover additional cash flows. 4. We evaluated Management's estimates and judgement around the likelihood and extent of recovery based on factual and supportable evidences provided by Management. 5. We considered the events after the year end and assessed the impact on the financial statements at year end. 6. We recalculated the allowance for expected credit losses based on the outcome of the above procedures.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses (ECL) - facilities which are not credit impaired The determination of ECL on loans and advances which are not credit impaired involves the highest level of management judgement, thus requiring greater audit attention. Specific areas of judgement and estimation uncertainty include: 1. Identification of significant increase in credit risk (SICR), and in particular the selection of criteria to identify a SICR. These criteria are highly judgemental and can materially impact the ECL recognised for certain portfolios where the life of the facilities is greater than 12 months; 2. Complexity of the ECL model involving a number of critical assumptions in the determination of probabilities of default (PD), loss given default (LGD) and Exposure at default (EAD). 3. Use of forward looking information to determine the likelihood of future losses being incurred. 4. Qualitative adjustments made to model driven ECL results raised to address model limitations, emerging risks and trends in underlying portfolios which are inherently judgemental. 5. Accuracy and adequacy of the financial statement disclosures	IFRS 9 was implemented by the Group on 1 January 2018. This new standard requires the Group to recognise expected credit losses (ECL) on financial instruments which involves significant judgement and estimates to be made by the Group. The carrying value of financial instruments within the scope of IFRS 9 may be materially misstated if judgements or estimates made by the Group are inappropriate. For stage 1 and stage 2 loans, we assessed the appropriateness of the model used including the inputs and assumptions by performing the following procedures: 1. Reviewing the methodology adopted by the Bank for calculation of ECL and in particular the segmentation of loans in appropriate portfolios reflecting different risk factors. Our review also includes an assessment of the design of the models used for determination of PD, LGD and EAD for different types of loans including inter-alia terms loans, overdraft facilities, credit cards, guarantees and other off-balance sheet exposures; 2. Checking the adequacy and quality of the data used for the calculation of PD, LGD and EAD; 3. Assessing the key assumptions used in PD, LGD and EAD models and ensure such assumptions reflect the actual behaviours of the credit facilities; 4. 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; 5. Reviewing the minutes of Watchlist Review Committee and ensure proper classification to Stage 2 is made for all clients on watchlist; 6. Checking the accuracy of critical data elements input into the system used for credit grading and the approval of credit facilities; 7. Review of the PD and LGD calculations including the incorporation of forecast macro-economic information by our data modelling specialists; 8. Tested the accuracy and completeness of the ECL model by reperformance and focussing on exception reports. 9. We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards including disclosure of transition from IAS 39.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter	How the matter was addressed in the audit
Acquisition of assets and assumption of liabilities of Chase Bank (Kenya) Limited (in Receivership) On 18 August 2018, the Group acquired certain assets and liabilities of Chase Bank (Kenya) Limited (in receivership) through its subsidiary the SBM Bank Kenya by having an asset purchase agreement between the SBM Bank Kenya, Chase Bank (Kenya) Limited (in Receivership) and the Central Bank of Kenya. This acquisition and assumption of assets and liabilities represented a business combination in terms of IFRS 3 - Business Combination. The purchase price allocation exercise was performed, whereby assets and liabilities acquired were fair valued and allocated to acquisition price to arrive at the bargain purchase gain of MUR 1.313 billion. The detail disclosures of this transaction are in note 43 to the financial statements. The identification of assets acquired and liabilities assumed is critical and their respective fair value measurement is inherently judgemental and require the use of assumptions and estimates. Therefore, we have considered this area to be a key audit matter.	We performed the following audit procedures in response to this matter: 1. We have reviewed the purchase agreement and the contingent consideration arrangement to understand the key terms and conditions, and to confirm our understanding of the transaction with the management and to evaluate the assets and liabilities identified in the acquisition accounting against the terms of the agreement. 2. We assessed management's consideration of other identifiable assets and liabilities which are not recorded on the acquisition balance sheet. 3. We obtained management's workings of the fair values of the acquired assets and assumed liabilities and assessed whether the calculation, methodologies and the underlying assumptions applied in the determination of the fair value were justifiable in the context and nature of the assets and liabilities. 4. We also evaluated the measurement of the contingent consideration at the transaction and reporting date. 5. We checked the calculation of the resulting bargain purchase gain. 6. We evaluated the appropriateness and completeness of the disclosures under IFRS 3 "Business combination".

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Other Information

The directors are responsible for the other information. The other information comprises the Statement of Directors' responsibility for financial reporting and the Report from the Company's Secretary as required by the Companies Act 2001, Management Discussion and Analysis and Corporate Governance Report which we obtained prior to the date of this auditor's report. The Annual Report is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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 identified above (other than the Corporate Governance Report) 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.

Corporate Governance report

The Directors are responsible for preparing the Corporate Governance Report. Our responsibility under the Financial Reporting Act 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 Group has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the Group and 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 intends to liquidate the Group and or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 and the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide the directors 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 the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law 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.

Use of our report

This report is made solely for the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

We have no relationship with or interests in the Group and Company other than in our capacity as auditors, tax advisors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

ERNST & YOUNG
Ebène, Mauritius

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

Date: ....1 APR 2019...

		The Group			The Company		
	Notes	31 December 2018	31 December 2017	31 December 2016	31 December 2018	31 December 2017	31 December 2016
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS							
Cash and cash equivalents	6	15,653,515	16,331,538	9,490,208	32,890	73,223	15,321
Mandatory balances with central banks		9,977,260	8,966,717	7,097,994	-	-	-
Loans to and placements with banks	7	11,090,361	8,897,399	4,645,911	-	-	-
Derivative financial instruments	8	764,077	1,356,774	165,998	-	-	-
Loans and advances to non-bank customers	9	102,108,174	103,128,838	71,624,874	-	-	-
Investment securities	10 (i)	71,594,287	40,000,421	39,430,829	3,105,326	1,461,801	4,305,882
Equity investments	10 (ii)	5,752,870	6,137,779	5,732,722	4,227,683	4,292,925	4,261,347
Investment in subsidiaries	10 (iii)	-	-	-	28,485,152	24,665,178	21,854,773
Investment in associate	10 (iv)	1,308,157	1,336,902	1,275,880	1,272,977	1,272,977	1,272,977
Property and equipment	11	3,153,914	2,854,218	2,809,777	5,780	3,106	4,309
Goodwill and other intangible assets	12	3,226,412	3,875,613	3,770,271	44	-	-
Deferred tax assets	18 b	89,440	95,461	215,260	-	-	-
Other assets	13	1,655,659	1,039,721	635,984	153,309	70,448	1,501
Total assets		226,374,126	194,021,381	146,895,708	37,283,161	31,839,658	31,716,110
LIABILITIES							
Deposits from banks	15	716,702	689,265	2,611,669	-	-	-
Deposits from non-bank customers	16	169,384,480	144,850,676	109,241,194	-	-	-
Other borrowed funds	17	14,522,085	13,686,203	4,486,008	-	-	-
Derivative financial instruments	8	799,441	1,334,641	182,413	-	-	-
Current tax liabilities		495,964	124,195	364,670	503	1,005	1,354
Deferred tax liabilities	18 b	159,477	170,905	-	-	-	64
Other liabilities	19	6,706,294	4,299,258	2,339,683	91,777	5,501	5,997
Subordinated debts	20	9,412,677	3,701,466	3,865,371	9,412,677	3,701,466	3,865,371
Total liabilities		202,197,120	168,856,609	123,091,008	9,504,957	3,707,972	3,872,786
SHAREHOLDERS' EQUITY							
Stated capital	21	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204
Retained earnings		2,270,280	2,410,007	865,100	965,704	1,242,101	1,020,810
Other reserves		(5,718,447)	(4,870,408)	(4,685,573)	(812,673)	(735,588)	(802,659)
		29,052,037	30,039,803	28,679,731	32,653,235	33,006,717	32,718,355
Treasury shares	21	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)
Total equity attributable to equity holders of the parent		24,177,006	25,164,772	23,804,700	27,778,204	28,131,686	27,843,324
Total equity and liabilities		226,374,126	194,021,381	146,895,708	37,283,161	31,839,658	31,716,110

Approved by the Board of Directors and authorised for issue on 01 April 2019.

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

....

Subhas THECKA
Chairman, Audit Committee

		The Group			The Company		
	Notes	**31 December 2018**	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Interest income		**8,816,856**	7,007,347	6,249,765	**77,913**	131,045	227,814
Interest expense		**(2,971,513)**	(2,239,586)	(1,866,491)	**(309,019)**	(149,011)	(149,307)
Net interest income/(expense)	27	**5,845,343**	4,767,761	4,383,274	**(231,106)**	(17,966)	78,507
Fee and commission income		**1,307,329**	1,268,893	1,081,945	**-**	-	-
Fee and commission expense		**(30,919)**	(29,385)	(29,346)	**(199)**	(339)	-
Net fee and commission income/(expense)	28	**1,276,410**	1,239,508	1,052,599	**(199)**	(339)	-
Profit / (loss) arising from dealing in foreign currencies		**758,677**	560,843	536,831	**(29,695)**	67,735	116,785
Net gain on sale of securities	31	**204,458**	464,433	455,500	**27,614**	12,765	13,036
Dividend income	29	**110,051**	21,501	38,864	**1,233,068**	1,270,535	27,563
Net gain/(loss) from dealing from financial instruments	30	**509,849**	516,538	(25,108)	**-**	-	-
Other operating income	32	**1,073,651**	1,221	4,265	**-**	-	-
Non-interest income		**3,933,096**	2,804,044	2,062,951	**1,230,788**	1,350,696	40,716
Operating income		**9,778,439**	7,571,805	6,446,225	**999,682**	1,332,730	119,223
Personnel expenses	33	**(2,026,085)**	(1,618,992)	(1,395,895)	**(104,253)**	(18,843)	(3,830)
Depreciation of property and equipment	11	**(205,246)**	(166,796)	(158,036)	**(1,946)**	(1,203)	(1,203)
Amortisation of intangible assets	12	**(621,951)**	(503,170)	(191,968)	**(6)**	-	-
Other expenses	34	**(1,844,271)**	(1,099,274)	(995,723)	**(253,729)**	(61,566)	(48,005)
Non-interest expense		**(4,697,553)**	(3,388,232)	(2,741,622)	**(359,934)**	(81,612)	(53,038)
Profit before credit loss expense on financial assets		**5,080,886**	4,183,573	3,704,603	**639,748**	1,251,118	66,185
Credit loss expense on financial assets	35	**(3,559,350)**	(1,115,280)	(716,899)	**(1,646)**	-	-
Operating profit		**1,521,536**	3,068,293	2,987,704	**638,102**	1,251,118	66,185
Share of profit of associate	10 (iv)	**100,240**	92,005	1,627	**-**	-	-
Profit before income tax		**1,621,776**	3,160,298	2,989,331	**638,102**	1,251,118	66,185
Tax (expense)/income	18 a	**(375,982)**	(585,375)	(680,429)	**(10,867)**	2,895	(16,979)
Profit for the year		**1,245,794**	2,574,923	2,308,902	**627,235**	1,254,013	49,206
Earnings per share (Cents)	36	**48.25**	99.73	89.43			

The notes on page 17 to 121 form an integral part of these financial statements.

		The Group			The Company		
	Notes	**31 December 2018**	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit for the year		**1,245,794**	2,574,923	2,308,902	**627,235**	1,254,013	49,206
Other comprehensive income :							
Items that will not be reclassified subsequently to profit or loss net of deferred tax:							
Movement in net property revaluation reserve		**-**	-	1,530	**-**	-	-
Reversal in net property revaluation reserve		**(17,689)**	-	-	**-**	-	-
Underprovision of deferred tax assets on revaluation of property in prior years		**-**	-	(24,817)	**-**	-	-
Share of other comprehensive income of associate	10(iv)	**(96,235)**	290	1,276	**-**	-	-
Remeasurement of defined benefit pension plan	14&18(b)	**(27,802)**	(32,876)	1,599	**-**	-	-
Net loss on equity instruments designated at FVOCI		**(77,085)**	-	-	**(77,085)**	-	-
		(218,811)	(32,586)	(20,412)	**(77,085)**	-	-
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of foreign operations	40	**(176,373)**	(65,347)	(80,866)	**-**	-	-
Available-for-sale investments							
Movement in fair value of available-for-sale investments	40	**-**	144,422	650,541	**-**	52,013	3,826
Fair value reserve re-cycled on disposal of available-for-sale investments	40	**-**	(228,618)	(180,697)	**-**	15,058	(6,740)
Fair value realised on reclassification of available for sale investments to investment in associate		**-**	-	(2,591)	**-**	-	(2,591)
Investment securities measured at FVTOCI							
Movement in fair value during the year		**(505,354)**	-	-	**-**	-	-
Fair value re-cycled on disposal		**1,491**	-	-	**-**	-	-
Loss allowance relating to debt instruments held at FVOCI		**24,686**	-	-	**-**	-	-
		(655,550)	(149,543)	386,387	**-**	67,071	(5,505)
Total other comprehensive (loss)/income		**(874,361)**	(182,129)	365,975	**(77,085)**	67,071	(5,505)
Total comprehensive income for the year		**371,433**	2,392,794	2,674,877	**550,150**	1,321,084	43,701

The Group	Stated capital	Treasury shares	Statutory reserve	(Accumulated losses) / Retained earnings	Net property revaluation reserve	Other reserves (Note 40)	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2016	32,500,204	(4,875,031)	592,187	(430,006)	224,209	(5,823,200)	22,188,363
Profit for the year	-	-	-	2,308,902	-	-	2,308,902
Other comprehensive income/(loss) for the year	-	-	-	1,599	(23,287)	387,663	365,975
Total comprehensive income/(loss) for the year	-	-	-	2,310,501	(23,287)	387,663	2,674,877
Transfer to retained earnings	-	-	-	43,145	(43,145)	-	-
Dividend (Note 22)	-	-	-	(1,058,540)	-	-	(1,058,540)
At 31 December 2016	32,500,204	(4,875,031)	592,187	865,100	157,777	(5,435,537)	23,804,700
At 01 January 2017	32,500,204	(4,875,031)	592,187	865,100	157,777	(5,435,537)	23,804,700
Profit for the year	-	-	-	2,574,923	-	-	2,574,923
Other comprehensive loss for the year	-	-	-	(32,876)	-	(149,253)	(182,129)
Total comprehensive income/(loss) for the year	-	-	-	2,542,047	-	(149,253)	2,392,794
Transfer to statutory reserve	-	-	1,779	(1,779)	-	-	-
Transfer to retained earnings	-	-	-	37,361	(37,361)	-	-
Dividend (Note 22)	-	-	-	(1,032,722)	-	-	(1,032,722)
At 31 December 2017	32,500,204	(4,875,031)	593,966	2,410,007	120,416	(5,584,790)	25,164,772
At 01 January 2018	**32,500,204**	**(4,875,031)**	**593,966**	**2,410,007**	**120,416**	**(5,584,790)**	**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**	**120,416**	**(5,549,797)**	**24,709,205**
Profit for the year	**-**	**-**	**-**	**1,245,794**	**-**	**-**	**1,245,794**
Loss allowance relating to debts instruments held at FVOCI	**-**	**-**	**-**	**-**	**-**	**24,686**	**24,686**
Other comprehensive loss for the year	**-**	**-**	**-**	**(27,802)**	**(17,689)**	**(853,556)**	**(899,047)**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**1,217,992**	**(17,689)**	**(828,870)**	**371,433**
Transfer to statutory reserve	**-**	**-**	**3,108**	**(3,108)**	**-**	**-**	**-**
Transfer to retained earnings	**-**	**-**	**-**	**39,581**	**(39,581)**	**-**	**-**
Revaluation adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividend (Note 22)	**-**	**-**	**-**	**(903,632)**	**-**	**-**	**(903,632)**
At 31 December 2018	**32,500,204**	**(4,875,031)**	**597,074**	**2,270,280**	**63,146**	**(6,378,667)**	**24,177,006**

Other reserves in the balance sheet comprise of statutory reserve, net property revaluation reserve and other reserve

The Company	Stated capital	Treasury shares	Retained earnings	Net unrealised investment fair value reserve	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2016	32,500,204	(4,875,031)	2,030,144	(797,154)	28,858,163
Profit for the year	-	-	49,206	-	49,206
Other comprehensive loss for the year	-	-	-	(5,505)	(5,505)
Total comprehensive income/(loss) for the year	-	-	49,206	(5,505)	43,701
Dividend (Note 22)	-	-	(1,058,540)	-	(1,058,540)
At 31 December 2016	32,500,204	(4,875,031)	1,020,810	(802,659)	27,843,324
At 01 January 2017	32,500,204	(4,875,031)	1,020,810	(802,659)	27,843,324
Profit for the year	-	-	1,254,013	-	1,254,013
Other comprehensive income for the year	-	-	-	67,071	67,071
Total comprehensive income for the year	-	-	1,254,013	67,071	1,321,085
Dividend (Note 22)	-	-	(1,032,722)	-	(1,032,722)
At 31 December 2017	32,500,204	(4,875,031)	1,242,101	(735,588)	28,131,686
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 income for the year	**-**	**-**	**-**	**(77,085)**	**(77,085)**
Total comprehensive income for the year	**-**	**-**	**627,235**	**(77,085)**	**550,150**
Dividend (Note 22)	**-**	**-**	**(903,632)**	**-**	**(903,632)**
At 31 December 2018	**32,500,204**	**(4,875,031)**	**965,704**	**(812,673)**	**27,778,204**

		The Group			The Company		
	Notes	**31 December 2018**	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Net cash from operating activities	37.	**(3,844,388)**	1,234,721	1,950,483	**(984,142)**	3,801,568	2,115,295
Cash flows from / (used in) financing activities							
Increase / (decrease) in other borrowed funds		**(1,225,645)**	7,770,802	2,353,511	**-**	-	-
Proceeds from subordinated liabilities debts raised		**5,672,085**	2,025	3,233	**5,672,085**	2,025	(3,753)
Dividend paid on ordinary shares		**(903,632)**	(1,032,722)	(1,058,540)	**(903,632)**	(1,032,722)	(1,058,540)
Net cash from / (used in) financing activities		**3,542,808**	6,740,105	1,298,204	**4,768,453**	(1,030,697)	(1,062,293)
Cash flows (used in) / from investing activities							
Investment in non-voting redeemable participating shares		**-**	(120,754)	(359,585)	**-**	(120,754)	(360,151)
Acquisition of property and equipment		**(235,022)**	(87,653)	(144,419)	**(4,620)**	-	-
Acquisition of intangible assets		**(286,759)**	(173,992)	(1,596,979)	**(50)**	-	-
Disposal of property and equipment		**145,868**	7,489	824	**-**	-	-
Investment in preference shares		**-**	-	(350,000)	**-**	-	-
Acquisition of business	42c.	**162,157**	12,398	-	**-**	-	-
Investment in subsidiaries		**-**	-	-	**(3,819,974)**	(2,592,215)	(855,590)
Acquisition of other equity investments		**32,750**	(459,211)	(512,364)	**-**	-	-
Disposal of other equity investments		**-**	-	118	**-**	-	-
Net cash used in investing activities		**(181,006)**	(821,723)	(2,962,405)	**(3,824,644)**	(2,712,969)	(1,215,741)
Net change in cash and cash equivalents		**(482,586)**	7,153,103	286,282	**(40,332)**	57,902	(162,739)
Net foreign exchange differences		**(195,437)**	(311,773)	29,791	**-**	-	-
Cash and cash equivalents at start of year		**16,331,538**	9,490,208	9,174,135	**73,223**	15,321	178,060
Cash and cash equivalents at end of year	6	**15,653,515**	16,331,538	9,490,208	**32,890**	73,223	15,321

The notes on page 17 to 121 form an integral part of these financial statements.

1. GENERAL INFORMATION

SBM Holdings Ltd (the "Company") is a public company incorporated on 10 November 2010 and domiciled in Mauritius. The Company 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.

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

2. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS

New and amended standards and interpretations

In the current year, the Group has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 January 2018.

The nature and the impact of each new standard or amendment are described below:

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	01 January 2018
IFRS 15 Revenue from Contracts with Customers	01 January 2018
IFRS 7 Financial Instruments Disclosures (Revised)	01 January 2018
IFRIC 22 Foreign Currency transactions and advance consideration	01 January 2018

The Group applied IFRS 9, IFRS 7 (Revised) and IFRS 15 for the first time. The Nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 9 Financial Instruments

The Group has retrospectively adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 01 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments; Recognition and Measurement. The new standard brings about fundamental changes to the accounting and measurement for financial assets, certain aspects of accounting for financial liabilities and changes in the method of impairment loss calculation for financial assets. As permitted by IFRS 9, the Group has elected to continue applying IAS 39 for hedge accounting requirements.

The Group has not restated comparative information for the financial years 2017 and 2016 for financial instruments in the scope of IFRS 9. Therefore, the comparative information is reported under IAS 39 and is not comparable to the information presented for the financial year 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 01 January 2018 and are disclosed in Note 4.

The key changes to the accounting policies of the Group on account of introduction of IFRS 9 have been summarised below:

2. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONT'D)

New and amended standards and interpretations (Cont'd)

IFRS 9 Financial Instruments (Cont'd)

Changes to classification and measurement

To determine the classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available-for-sale (AFS), held-to-maturity (at amortised cost) have been replaced by:
> Debt instruments at amortised cost;
> Debt instruments at fair value through other comprehensive income (FVTOCI), with gains or losses recycled to profit or loss on derecognition;
> Equity instruments at FVTOCI, with no recycling of gains or losses to profit or loss on derecognition; and
> Financial assets at FVTPL.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed. The Group's accounting policies for embedded derivatives are set out in Note 8.

The Group's classification of its financial assets and liabilities is explained in Note 4. The quantitative impact of applying IFRS 9 as at 01 January 2018 is disclosed in Note 4.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Details of the Group's impairment method are disclosed in Note 9 c. The quantitative impact of applying IFRS 9 as at 01 January 2018 is disclosed in Note 4.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Details of revenue from contracts with customers are disclosed in note 28.a

2. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONT'D)

New and amended standards and interpretations (Cont'd)

IFRS 7 Financial Instruments (Revised)

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated, and the Group has adopted it, together with IFRS 9, for the year beginning 01 January 2018. Changes include transition disclosures as shown in Note 4, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 10 and Note 33.

Reconciliations from opening to closing ECL allowances are presented in Notes 7, 9, 10 and 23. IFRS 7R also requires additional and more detailed disclosures for hedge accounting even for entities opting to continue to apply the hedge accounting requirements of IAS 39.

IFRIC 22 Foreign currency transactions and advance consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the Group must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's financial statements.

Standards issued but not yet effective applicable to the Group

	Effective for accounting period beginning on or after
IFRS 16 Leases	01-Jan-19
IFRIC 23 Uncertainty over Income Tax Treatments	01-Jan-19
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	01-Jan-19
Amendments to References to the Conceptual Framework in IFRS Standards	01-Jan-20
Definition of Material (Amendments to IAS 1 and IAS 8)	01-Jan-20

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRS 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.

IFRS 16 sets out the principles for the recognition measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of 'low-value' assets and short term leases (i.e. leases with lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e. the right-of-use of the asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use of the asset.
Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (i.e. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use of the asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases under the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosure than under IAS 17.

2. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONT'D)

New and amended standards and interpretations (Cont'd)

IFRS 16 Leases (Cont'd)

Transition to IFRS 16

IFRS 16 is effective for annual periods beginning on or after 01 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard either a full retrospective or a modified retrospective approach. The standard's transition provision permits certain reliefs.

The Group plans to adopt IFRS 16 using the modified retrospective approach, which means it will apply the standard from 01 January 2019, the cumulative impact of adoption will be recognized as at 01 January 2019 and comparatives will not be restated.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the underlying assets is of low-value. The Group has leases of certain office equipment that are considered as low-value. No practical expedient will be used.

In 2018, the Group continued to progress its detailed impact assessment and implementation of IFRS 16. Much of the early part of 2018 was spent focusing on reviewing contracts, aggregating data to support the evaluation of the accounting impacts and identifying where key policy decisions were required.

The Group for the moment is not expecting to invest on software given the low volume of assets under lease.

Impact on the statement of financial position as at 01 January 2019:

	MUR '000
Assets	
Property, plant and equipment (right-of-use)	**518,840**
Liabilities	
Lease liabilities	
	518,840

<u>Net impact on equity</u>

Work completed by the Group to date indicates the new leases standard is expected to have a material effect on the Group's financial statements as it will significantly increase the Group's assets and liabilities (as described above). In addition, compared with the existing accounting for operating leases, the classification and timing of expenses will be impacted which may lead to some improvement in the Group's operating profit, while its interest expense and depreciation of these assets will increase. This is due to the change in accounting for expenses of leases that were classified as operating leases under IAS 17. In addition, the classification between cash flow from operating activities and cash flow from financing activities will also change. Many commonly used financial ratios and performance metrics for the Group, using existing definitions, will also be impacted including net debt, EBITDA, operating cash flows. The impact of deferred tax is still being assessed by the Group. The amount disclosed in gross of deferred tax.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

It specifically considers:
- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

2. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONT'D)

New and amended standards and interpretations (Cont'd)

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:
• If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
• In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The Group is still assessing the impact of these new standards and interpretations on its financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

3.1 Expected credit losses on financial assets

The measurement of impairment loss sunder IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a long term ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs; Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

(i) Assessment of useful lives - Note 11
(ii) Pension benefits - Note 14
(iii) Fair value of equity investments - Note 10
(iv) Fair value of other financial assets and liabilities - Note 41 (a)

4 TRANSITION DISCLOSURES

The table below sets out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

Summary of impact on classification and measurement of financial assets and liabilities as on 01 January 2018.

Particulars	Note	IAS 39 measurement category	New measurement category under IFRS 9	As on 01 January 2018 Original carrying amount under IAS 39 (MUR' 000)	As on 01 January 2018 New carrying amount under IFRS 9 (MUR' 000)	Movement booked in Retained earnings (MUR' 000)	Movement booked in Other Reserves (MUR' 000)
Cash and cash equivalents		Loans and receivables	Amortised cost	16,331,538	16,315,340	16,198	-
Mandatory balances with central banks		Loans and receivables	Amortised cost	8,966,717	8,966,717	-	-
Loans to and placements with banks		Loans and receivables	Amortised cost	8,897,399	8,881,309	16,091	-
Derivative financial instruments		Fair value through P&L	Fair value through P&L	1,356,774	1,356,774	-	-
Loans and advances to non-bank customers		Loans and receivables	Amortised cost	103,128,838	102,876,592	252,247	-
Investments - AFS (Equity and/or Debt Instruments)	(a)	Available for sale	Fair value through OCI	13,079,833	13,079,833	34,993	(34,993)
Investments - HFT		Fair value through P&L	Fair value through P&L	7,512,462	7,512,462	-	-
Investments - HTM		Held to maturity	Amortised cost	19,408,126	19,384,977	23,149	-
Deposits from banks		Amortised cost	Amortised cost	689,265	689,265	-	-
Deposits from non-bank customers		Amortised cost	Amortised cost	144,850,676	144,850,676	-	-
Derivative financial instruments		Fair value through P&L	Fair value through P&L	1,334,641	1,334,641	-	-
Other liabilities		Amortised cost	Amortised cost	4,299,258	4,299,258	-	-
Other borrowed funds		Amortised cost	Amortised cost	13,686,203	13,686,203	-	-
Off balance sheet items		Off balance sheet	Off balance sheet	12,617,998	12,502,037	115,961	-
Other credit commitments		Off balance sheet	Off balance sheet	14,238,833	14,181,930	56,902	-
Total adjustments made to retained earnings						**515,541**	**(34,993)**

(a) Debt instruments that were previously classified at available for sale were assessed to have a business model whose objective is achieved both by collecting contractual cash flows and selling the financial assets, and are accordingly classified at FVTOCI under IFRS 9.

Reconciliation of carrying amount of financial instruments in the statement of financial position from IAS 39 to IFRS 9 as on 01 January 2018 is shown under note 4 (b) Transition.

Reconciliation of impairment allowance balance between IAS 39 and IFRS 9: This table reconciles the prior period's closing impairment allowance measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected credit loss model as on 01 January 2018.

Measurement category	Loan loss allowance under IAS 39 (MUR' 000)	Reclassification (MUR' 000)	Remeasurement (MUR' 000)	Loan loss allowance under IFRS 9 (MUR' 000)
Loans and receivables (IAS39) / Financial assets at amortised cost (IFRS 9)				
(i) Cash and cash equivalents	-	-	16,198	16,198
(ii) Loans and advances to banks	-	-	16,091	16,091
(iii) Loans and advances to non-bank customers	4,069,003	-	252,247	4,321,250
(iv) Investment securities	-	-	58,142	58,142
(v) Memorandum Items	-		172,863	172,863
Total	**4,069,003**	**-**	**515,541**	**4,584,544**

The impact of transition to IFRS 9 on reserves and retained earnings is, as follows:

	Retained earnings (MUR' 000)
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	2,410,007
Reclassification adjustments in relation to adopting IFRS 9:	
Recognition of IFRS 9 ECLs including those measured at FVTOCI	(510,281)
EIR adjustments made in foreign operations	(5,260)
Deferred tax in relation to the above	24,981
Opening balance under IFRS 9 (01 January 2018)	1,919,447
Total change in equity due to adopting IFRS 9	490,560

	Reserves (MUR' 000)
Reserves	
Closing balance under IAS 39 (31 December 2017)	(5,584,790)
Reclassification adjustments in relation to adopting IFRS 9:	
Recognition of IFRS 9 ECLs including those measured at FVTOCI	34,993
Deferred tax in relation to the above	-
Opening balance under IFRS 9 (01 January 2018)	(5,549,797)
Total change in equity due to adopting IFRS 9	(34,993)

4 TRANSITION DISCLOSURES (CONT'D)

The following table reconciles the aggregate opening loan loss provision allowances under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 Provisions Contingent Liabilities and Contingent Assets to the ECL allowances under IFRS 9. Further details are disclosed in Notes 23.

	Loan loss provision under IAS 39/37 at 31 December 2017	Re-measurement	ECLs under IFRS 9 at 01 January 2018
	MUR' 000	MUR' 000	MUR' 000
Impairment allowance for:			
Loans and receivables per IAS 39 / financial assets at amortised cost under IFRS 9	4,069,003	252,247	4,321,249
	4,069,003	252,247	4,321,249
Financial guarantees	-	48,898	48,898
Letter of credit for customers	-	8,575	8,575
Bills	-	58,487	58,487
Other commitments*	-	56,904	56,904
	-	172,864	172,864
	4,069,003	425,111	4,494,113

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 01 January 2018 is, as follows:

MUR' 000	IAS 39 Measurement		Re- Classification	Remeasurement		IFRS 9	
Financial Assets	Category	Amount	Amount	ECL	Other	Amount	Category
Cash and balances with central banks	Loans and receivables	25,298,254	-	(16,198)	-	25,282,056	Amortised cost
Loans and advances to banks	Loans and receivables	8,897,399	-	(16,091)	-	8,881,308	Amortised cost
Loans and advances to customers	Loans and receivables	103,128,838	-	(252,247)	-	102,876,591	Amortised cost
Financial investments-HTM	HTM	19,408,126	-	(23,149)		19,384,977	Amortised cost
		156,732,617	-	(307,685)	-	156,424,932	
Financial investments- AFS	AFS	13,079,833	-	-		13,079,833	FVTOCI
		13,079,833	-	-	-	13,079,833	
Financial investments-HFT	HFT	7,512,462	-	-	-	7,512,462	FVTPL
		7,512,462	-	-	-	7,512,462	
Derivative financial instrument	FVTPL	1,356,774	-	-	-	1,356,774	FVTPL
		1,356,774	-	-	-	1,356,774	
Non Financial assets							
Deferred tax assets		95,461	-	24,981	-	120,442	
Total assets		178,777,147	-	(282,704)	-	178,494,443	

* Other commitments relate to undrawn credit facilities provided to customers

4 TRANSITION DISCLOSURES (CONT'D)

MUR' 000	IAS 39 Measurement		Re-Classification	Remeasurement		IFRS 9	
Financial Liabilities	**Category**	**Amount**	**Amount**	**ECL**	**Other**	**Amount**	**Category**
Deposits from banks	Amortised cost	689,265	-	-	-	689,265	Amortised cost
Deposit from customers	Amortised cost	144,850,676	-	-	-	144,850,676	Amortised cost
Other borrowed funds	Amortised cost	13,686,203	-	-	-	13,686,203	Amortised cost
Other Liabilities	Amortised cost	4,299,258	-	-	-	4,299,258	Amortised cost
	Amortised cost	163,525,402	-	-	-	163,525,402	Amortised cost
Derivative financial instruments	FVTPL	1,334,641	-	-	-	1,334,641	FVTPL
	FVTPL	1,334,641	-	-	-	1,334,641	FVTPL
Total Liabilities		164,860,043	-	-	-	164,860,043	

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group and the Company are as follows:

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain property, plant and equipment and financial instruments that are measured at revalued amounts or fair value as explained in the accounting policies below. The financial statements are presented in Mauritian Rupee, which is the Group's and the Company's functional and presentation currency. All value is rounded to the nearest thousands (MUR'000), except where otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid for to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. In estimating the fair value of an asset or liability the Group and the Company takes into account the characteristics of the asset or liability if market participants would take into account those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

(b) Statement of compliance

The financial statements have been prepared on the basis of preparation as explained in 4(a) above and in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and in compliance with the Companies Act 2001.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of SBM Holdings Ltd and its subsidiaries as at 31 December 2018 and with comparatives of 2017 and 2016.

Control is achieved when the Group 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 Group 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 Group has less than a majority of the voting or similar rights of an investee, the Group 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 Group's voting rights and potential voting rights.

The Group re-assesses whether or not 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date the Group ceases to control the subsidiary.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Basis of consolidation (Cont'd)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in statement of profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(d) Foreign currency translation

Assets, liabilities, income and expense items denominated in other currencies are translated into Mauritian Rupees, the currency of the primary economic environment in which the entity operates ('functional currency') in accordance with IAS 21.

(i) Transactions denominated in foreign currency are converted at the rate prevailing at the date of the transactions.

(ii) Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into Mauritian Rupees at the rates of exchange prevailing at that date.

(iii) Non-monetary assets and liabilities denominated in foreign currency are reported using the exchange rates at the date of the transactions, if carried at cost, or the exchange rates that existed when the fair values were determined, if carried at fair value.

(iv) Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the statement of profit or loss for the period. 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 statement of profit or loss and other comprehensive income, any exchange component of that gain or loss shall be recognised in the statement of 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 the average rate for the period unless the average is not a reasonable approximation of the cumulative effects of the rates prevailing at the transaction dates; in which case income and expenses are translated at the rates prevailing on the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (OCI). 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Foreign currency translation (Cont'd)

(vii) The assets and liabilities of the overseas branches and subsidiaries denominated in foreign currencies are translated into Mauritian Rupees at the rates of exchange ruling at the reporting date, as follows:

	31 December 2018	31 December 2017	31 December 2016
USD / MUR	**34.27**	33.41	35.90
INR / MUR	**0.491**	0.523	0.529
100 MGA / MUR	**0.988**	1.036	1.082
KES/MUR	**0.337**	0.324	-

The average rates for the following years are:

	31 December 2018	31 December 2017	31 December 2016
USD / MUR	**33.98**	35.54	35.54
INR / MUR	**0.497**	0.529	0.529
100 MGA / MUR	**1.0181**	1.116	1.116
KES/MUR	**0.3393**	0.328	0.328

(e) Other financial assets

Other financial assets, including placements and other receivables, that have fixed or determinable payments and that are not quoted in an active market are classified as loan and receivables. They are measured at amortised cost, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Interest accrued on placements is accounted for in the statement of profit or loss as interest income.

(f) Financial instruments

Financial instruments - initial recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, that is, the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 10. Financial instruments are initially measured at their fair value (as defined in Note 10), except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

"As from 01 January 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:
• Amortised cost, as explained in Note 10;
• FVTOCI, as explained in Note 10; and
• FVTPL."

"The Group classifies and measures its derivative and trading portfolio at FVTPL as explained in Notes 8 and 10. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 10.

Before 01 January 2018, the Group classified its financial assets as loans and receivables (amortised cost), FVTPL, available-for-sale or held-to-maturity (amortised cost), as explained in Note 10.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 10."

Business model assessment

"The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
> How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
> The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
> How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
> The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward."

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

The solely payments of principal and interest (SPPI) test

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cashflows from the asset expire or the asset and the risks and rewards of ownership of the assets are transferred to another entity. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

(g) Sale and repurchase agreements

Gilt-edged securities sold subject to linked repurchase agreements ("repos") are retained in the statement of financial position and the counterparty liability is included in other borrowed funds. Gilt-edged securities purchased under agreements to resell ("reverse repos") are recorded as balances due from other banks. The differences between the sale and repurchase price is treated as interest and accrued over the life of the repo agreements using the effective interest method.

(j) Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments issued by the Company and/or the Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial liabilities and equity instruments (cont'd)

(iii) Financial liabilities

Financial liabilities include deposits from banks and non-bank customers, other borrowed funds, subordinated liabilities and other liabilities. Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the Group's and/or the Company's obligations are discharged, cancelled or they expire.

Liabilities under financial guarantees are recorded initially at their fair value and subsequently measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate of the expenditure required to settle the obligations.

(iv)Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(k) Impairment of non-financial assets

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's net selling price and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised as an expense immediately, unless the asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(l) Leasing

(i) *The Group as lessor*

Amounts due from lessees under finance leases are recorded as loans and advances in the statement of financial position 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.

(m) Borrowing costs

All borrowing costs are charged to the statement of profit or loss in the period in which they are incurred.

(n) Provisions

Provisions are recognised when the Group and/or the Company have a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Provisions are determine by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Comparative figures

Where necessary, comparative figures are restated or reclassified to conform to the current year's presentation and to the changes in accounting policies.

(p) 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.

(q) Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

6. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and balances with banks and central banks excluding mandatory balances with central banks, loans to and placements with banks having an original maturity of up to 3 months. Cash and cash equivalents are measured at amortised cost.Accounting policy for calculating allowance for impaired losses is outlined under note 9 (c).

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Cash in hand	**3,211,813**	1,842,521	1,706,637	**-**	-	-
Foreign currency notes and coins	**293,161**	327,026	320,434	**-**	-	-
Unrestricted balances with central banks [1]	**1,830,100**	1,494,175	12,216	**-**	-	-
Loans to and placements with banks[2]	**3,563,925**	5,819,471	3,487,058	**-**	-	-
Balances with banks	**6,797,814**	6,848,345	3,963,863	**32,890**	73,223	15,321
	15,696,813	16,331,538	9,490,208	**32,890**	73,223	15,321
Less: allowance for impairment losses[3]	**(43,298)**	-	-	**-**	-	-
	15,653,515	16,331,538	9,490,208	**32,890**	73,223	15,321

[1] Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement.

[2] The balances include loans to and placements with banks having an original maturity of up to three months.

[3]Allowance for impairment losses relates only to stage 1.

7. LOANS TO AND PLACEMENTS WITH BANKS

Accounting policy

Prior to 01 January 2018

Loans to and placements with banks are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost using the effective interest method, less any impairment.

From 01 January 2018

From 01 January 2018, the Group only measures due from banks, loans and advances to non-bank customers and other financial investments at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined in note 5.

Accounting policy for calculating allowance for impaired losses is outlined under note 9(c).

	The Group		
	31 December 2018	31 December 2017	31 December 2016
Loans to and placements with banks	**MUR' 000**	MUR' 000	MUR' 000
- In Mauritius	**5,588,012**	1,104,288	451,829
- Outside Mauritius	**5,539,316**	7,793,111	4,194,082
	11,127,328	8,897,399	4,645,911
Less: allowance for impairment losses	**(36,967)**	-	-
	11,090,361	8,897,399	4,645,911
Remaining term to maturity			
Up to 3 months	**3,136,476**	1,438,472	179,715
Over 3 months and up to 6 months	**3,333,618**	405,513	1,903,777
Over 6 months and up to 12 months	**1,834,098**	1,910,982	71,457
Over 1 year and up to 2 years	**1,914,018**	3,150,402	1,078,904
Over 2 years and up to 5 years	**872,151**	1,992,030	1,052,470
Over 5 years	**-**	-	359,588
	11,090,361	8,897,399	4,645,911

7. LOANS TO AND PLACEMENTS WITH BANKS (CONT'D)

Impairment allowance for due from 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 41 and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 9.

	31 December 2018				31 December 2017
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**	Total
Internal rating grade					
Performing					
High grade	**797,769**	-	-	**797,769**	685,427
Standard grade	**8,618,008**	-	-	**8,618,008**	6,190,800
Sub-standard grade	**1,711,551**	-	-	**1,711,551**	2,021,172
Past due but not impaired	-	-	-	-	-
Non-performing	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	**11,127,328**	-	-	**11,127,328**	8,897,399

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	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 1 January2018	**8,895,860**	-	-	**8,895,860**
New assets originated or purchased	**5,338,207**	-	-	**5,338,207**
Assets derecognised or repaid (excluding write offs)	**(3,119,041)**	-	-	**(3,119,041)**
Foreign exchange adjustments	**2**	-	-	**2**
At 31 December 2018	**11,115,028**	-	-	**11,115,028**

	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2018	**16,091**	-	-	**16,091**
New assets originated or purchased	**54,984**	-	-	**54,984**
Assets derecognised or repaid (excluding write offs)	**(34,108)**	-	-	**(34,108)**
At 31 December 2018	**36,967**	-	-	**36,967**

8. DERIVATIVE FINANCIAL INTRUMENTS

Accounting policy

Derivative financial instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

• Its value changes in response to the change in a specified interest rate, financial instrument price,commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.
• It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
• It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed below.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses interest rate swaps, to hedge its interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:
• Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment

At the inception of a hedge relationship, the Bank 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.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Bank 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.

8. DERIVATIVE FINANCIAL INTRUMENTS (CONT'D)

Accounting policy (Cont'd)

Fair value hedges

In accordance with its wider risk management, as set out in Note 41(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 income statement in Net gain/loss from financial instruments. In addition, the cumulative change in the fair value of the hedged item attributable to the hedged risk is recognised in the income statement in Net gain/loss from financial instruments, and also recorded as part of the carrying value of the hedged item in the statement of financial position.

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 Bank 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 income statement.

For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at FVOCI, changes in fair value that were recorded in the income statement 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 income statement to OCI. There were no such instances in either the current year or in the comparative year.

8. DERIVATIVE FINANCIAL INTRUMENTS (CONT'D)

	The Group		
	31 December 2018	31 December 2017	31-Dec 2016
	MUR' 000	MUR' 000	MUR' 000
Trading Assets			
Derivative assets	**764,077**	1,356,774	165,998
Trading Liabilities			
Derivative liabilities	**799,441**	1,334,641	182,413

The fair values of derivative financial instruments are further analysed as follows:

The Group	Notional Principal Amount	Fair Values Assets	Fair Values Liabilities	Fair Values Net
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
31 December 2018				
Foreign exchange contracts*	**32,522,758**	**258,171**	**(167,762)**	**90,409**
Interest rate swap contracts	**16,623,585**	**14,245**	**(148,876)**	**(134,631)**
Cross currency swaps	**1,159,362**	**378,697**	**(371,679)**	**7,018**
Other derivative contracts	**23,896,447**	**112,964**	**(111,124)**	**1,840**
	74,202,152	**764,077**	**(799,441)**	**(35,364)**
31 December 2017				
Foreign exchange contracts*	35,771,192	268,858	(249,755)	19,103
Interest rate swap contracts	8,348,656	5,566	(5,426)	140
Cross currency swaps	-	1,220	(1,220)	-
Other derivative contracts	67,643,651	1,081,130	(1,078,240)	2,890
	111,763,499	1,356,774	(1,334,641)	22,133
31 December 2016				
Foreign exchange contracts*	15,591,473	98,282	(85,395)	12,887
Interest rate swap contracts	2,184,507	7,460	(27,742)	(20,282)
Cross currency swaps	729,218	33,163	(44,218)	(11,055)
Other derivative contracts	1,906,937	27,093	(25,058)	2,035
	20,412,135	165,998	(182,413)	(16,415)

* Foreign exchange contracts include forward and spot contracts and swaps

9. LOANS AND ADVANCES TO NON-BANK CUSTOMERS

Accounting policy

Prior to 01 January 2018

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Loans and advances to non-bank customers are classified under loan and receivables and are measured at amortised cost, less allowance for credit impairment. In cases where, as part of the Group's and the Company's asset and liability management activity, fair value hedge accounting is applied to loans and advances measured at amortised cost, their carrying amount is adjusted for changes in fair value related to the hedged exposure refer to note 8 (Derivative financial instruments) for further details on hedge accounting. Allowance for credit impairment consists of specific and portfolio allowances.

From 01 January 2018

From 01 January 2018, the Group only measures due from banks, loans and advances to non-bank customers and other financial investments at amortised cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined in note 5.

9. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

	The Group		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
1. Governments	**9,315**	2,458,655	-
2. Retail customers	**32,121,254**	31,990,963	28,099,055
2.1 Credit cards	**606,448**	559,351	539,910
2.2 Mortgages	**22,478,894**	19,834,763	17,315,922
2.3 Other retail loans	**9,035,912**	11,596,849	10,243,223
3. Corporate customers	**44,638,968**	38,364,068	37,012,499
4. Entities outside Mauritius (including offshore / Global Business Licence Holders)	**35,656,506**	34,384,155	10,664,000
	112,426,043	107,197,841	75,775,554
Less allowance for credit impairment (Note 9 (c))	**(10,317,869)**	(4,069,003)	(4,150,680)
	102,108,174	103,128,838	71,624,874
a. Remaining term to maturity			
Up to 3 months	**15,712,905**	15,438,380	12,173,170
Over 3 months and up to 6 months	**3,662,406**	5,618,540	3,643,474
Over 6 months and up to 12 months	**10,214,335**	11,727,057	5,095,722
Over 1 year and up to 2 years	**9,471,038**	6,571,306	5,090,900
Over 2 years and up to 5 years	**20,731,023**	22,833,824	13,927,875
Over 5 years	**52,634,337**	45,008,734	35,844,413
	112,426,044	107,197,841	75,775,554

Out of the MUR 112.43 billions, there is an amount of MUR 4.67 billion (2017: MUR 2.28 billions, 2016: MUR 137 millions) relating to loans that have been fair value hedged. Refer to note 41(a)(iii) for more details.

9. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

b. Net investment in finance leases

Accounting policy

Amounts due from lessees under finance leases are recorded as loans and advances at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

The amount of net investment in finance leases included in loans and advances to non-bank customers and the associated allowance for impairment are as follows:-

	The Group			
	Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2018				
Gross investment in finance leases	**432,719**	**948,760**	**100,295**	**1,481,774**
Less: Unearned finance income	**(72,313)**	**(114,792)**	**(4,769)**	**(191,874)**
Present value of minimum lease payments	**360,406**	**833,968**	**95,526**	**1,289,900**
Credit loss expense				**(45,055)**
				1,244,845
31 December 2017				
Gross investment in finance leases	419,939	822,981	78,637	1,321,557
Less: Unearned finance income	(63,613)	(91,106)	(4,083)	(158,802)
Present value of minimum lease payments	356,326	731,875	74,554	1,162,755
Credit loss expense				(38,373)
				1,124,382
31 December 2016				
Gross investment in finance leases	451,572	684,966	31,023	1,167,561
Less: Unearned finance income	(62,419)	(72,437)	(1,503)	(136,359)
Present value of minimum lease payments	389,153	612,529	29,520	1,031,202
Credit loss expense				(70,490)
Net investment in finance lease				960,712

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. Impairment losses on loans and advances to non-bank customers

Accounting policy

Prior to 01 January 2018

Specific allowances are made on impaired advances and are calculated as the shortfall between the carrying amounts of the advances and their recoverable amounts. The recoverable amount is the present value of expected future cash flows discounted at the original effective interest rate of the advance.

From 01 January 2018

As described in note 4, the adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 01 January 2018, the Group has been recording allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in note 41. The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

9. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c. Impairment losses on loans and advances to non-bank customers (Cont'd)

Accounting policy (Cont'd)

The calculation of ECLs

The Group calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
• PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in note 41.
• EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in note 41.
• LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 41.

When estimating the ECLs, the Group considers four scenarios (a base case, an upside, a mild downside (‘downside 1’) and a more extreme downside (‘downside 2’)). Each of these is associated with different PDs, EADs and LGDs, as set out in note 41. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out below, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset’s gross carrying value. Provisions for ECLs for undrawn loan commitments are assessed as set out in note 23. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained in note 23.

The mechanics of the ECL method are summarised below:

Stage 1:	The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
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%.
POCI:	POCI assets are financial assets that are credit impaired on initial recognition. The Group only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.
Loan commitments and letters of credit:	When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within provisions.

9. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c. Impairment losses on loans and advances to non-bank customers (Cont'd)

Accounting policy (Cont'd)

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 income statement, 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 calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

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. Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products, is five years for corporate and seven years for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:
• GDP growth;
• Unemployment rates;
• Central Bank base rates; and
• Consumer price indices.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

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 is it was under IAS 39. Collateral, unless repossessed, is not recorded on the consolidated statements of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

9. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c. Impairment losses on loans and advances to non-bank customers (Cont'd)

Accounting policy (cont'd)

Collateral repossessed

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. 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.

Write-offs

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between stage 2 and stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired stage 3 forborne asset until it is collected or written off.

From 01 January 2018, when the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contract that is more than 30 days past due

If modifications are substantial, the loan is derecognised.

Statutory portfolio allowance

A portfolio allowance for credit losses is maintained in accordance with the guidelines of the Bank of Mauritius. These guidelines require that the Group maintains a provision for credit impairment on all unimpaired loans and advances of not less than 1%. In addition, the Bank of Mauritius also imposes additional macro-prudential provisioning up to 1% on exposures to certain sectors of the economy.

Allowance for credit impairment in respect of on-balance sheet items is deducted from the applicable asset whereas the allowance for credit impairment in respect of off- balance sheet items is included in *Other liabilities* in the *consolidated statements of financial position* . Changes in the carrying amount of the allowance accounts are recognised in the *consolidated statement of profit or loss* . When an advance is uncollectible, it is written off against the specific allowance. Recoveries of amounts previously written off are credited to "*Net impairment loss on financial assets*" **.**

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

9. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Impairment losses on loans and advances to non-bank customers (Cont'd)

Significant accounting estimates and judgements

Prior to 01 January 2018

The calculation of specific allowance for credit impairment requires management to estimate the recoverable amount of each impaired asset, which is the estimated future cash flows discounted at the original effective interest rate of the advance. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers.

From 01 January 2018

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:
• The Group's internal credit grading model, which assigns PDs to the individual grades;
• The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
• The segmentation of financial assets when their ECL is assessed on a collective basis;
• Development of ECL models, including the various formulas and the choice of inputs;
Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
• Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

9. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c. Impairment losses on loans and advances to non-bank customers (Cont'd)

	The Group		
	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total
	MUR' 000	MUR' 000	MUR' 000
At 01 January 2016	2,427,061	1,084,828	3,511,889
Exchange differences	(4,671)	(3,459)	(8,130)
Loans written off	(4,606)	-	(4,606)
Allowance for credit impairment for the year (Note 35)	688,168	(36,641)	651,527
At 31 December 2016	3,105,952	1,044,728	4,150,680
At 01 January 2017	3,105,952	1,044,728	4,150,680
Acquisition of Business	605,704	-	605,704
Exchange differences	(37,033)	(2,400)	(39,433)
Loans written off	(1,749,383)	-	(1,749,383)
Allowance for credit impairment for the year (Note 33)	815,902	285,533	1,101,435
At 31 December 2017	2,741,142	1,327,861	4,069,003

From 01 January 2018

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 42 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in note 9:

	31 December 2018				31 December 2017
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing					
High grade	**28,414,581**	**6,131,756**	**-**	**34,546,337**	24,584,870
Standard grade	**19,787,126**	**10,723,893**	**-**	**30,511,019**	27,058,198
Sub-standard grade	**13,065,150**	**13,377,335**	**247,519**	**26,690,004**	36,009,481
Past due but not impaired	**-**	**2,693,127**	**184,005**	**2,877,132**	15,788,609
Non-performing					
Individually impaired	**-**	**-**	**17,801,551**	**17,801,551**	3,756,683
Total	**61,266,857**	**32,926,111**	**18,233,075**	**112,426,043**	107,197,841

Accounting policy

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. 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 fair value of collateral is generally assessed, at a minimum, at inception. To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

Significant accounting estimates and judgements

In relation to credit impaired facilities, the bank 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.

During the year, a group of connected debtors with an outstanding gross exposure of MUR 9.8 billion (MUR 4.4 billion net of cash and liquid assets held as collaterals) became credit impaired. In estimating the resulting expected credit losses on these facilities, Management estimated future cash flows expected to be realised by the Group by considering the collaterals it held as well as other assets it could reasonably expect to obtain from the borrowers through a number of legal actions, including the exercising of personal guarantees provided by the shareholders /directors of the borrowing companies. Among such assets are shares in a sugar company owned by the shareholders together with loans extended by the shareholders to that company. The expected credit losses were hence determined as the difference between the carrying value of the exposures and the present value of cash flows expected from the realisation of the Group's collaterals and the other assets it would obtain from the shareholders. The recoverable amounts of properties held as collaterals were estimated based on independent valuers' reports discounted to reflect valuation risks and time value of money. The recoverable value of the assets related to the sugar company was determined based on book values of the entity discounted to reflect valuation risks and time value of money.

Subsequent to the year end, the Group restructured these facilities by extending the repayment period and including the shares in the sugar companies as additional collaterals securing the restructured loans.

9. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c. Impairment losses on loans and advances to non-bank customers (Cont'd)

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

	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 1 January 2018	75,445,032	26,480,391	5,272,417	107,197,840
New assets originated or purchased	10,905,285	25,170,193	5,522,575	41,598,053
Assets derecognised or repaid (excludingwrite offs)	(19,223,257)	(13,040,332)	(1,442,658)	(33,706,247)
Transfers to Stage 1	12,724,891	(10,999,679)	(1,725,212)	-
Transfers to Stage 2	(8,476,034)	8,726,829	(250,795)	-
Transfers to Stage 3	(11,626,953)	(157,262)	11,784,215	-
Foreign exchange adjustments	(1,279,597)	(456,540)	(927,466)	(2,663,603)
At 31 December 2018	58,469,367	35,723,599	18,233,076	112,426,043

An analysis of changes in ECL allowances by staging as follows:

	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2018	25,083	1,302,777	2,741,142	4,069,002
New assets originated or purchased	53,432	236,793	6,387,154	6,677,379
Assets derecognised or repaid (excluding write offs)	18,018	31,801	(724,703)	(674,884)
Transfers to Stage 1	6,558	(3,007)	(3,551)	-
Transfers to Stage 2	(1,000)	6,603	(5,603)	-
Transfers to Stage 3	(67,398)	(4,135)	71,533	-
Changes to contractual cash flows due to modifications not resulting in derecognition	19,574	63,386	88,656	171,616
Changes to models and inputs used for ECL calculations	93,346	-	(18,590)	74,756
At 31 December 2018	147,613	1,634,218	8,536,038	10,317,869

d. Impairment losses on loans and advances to non-bank customers by industry sectors

Group	**31 December 2018** Gross amount of loans	Impaired loans	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total allowances for credit impairment	31 December 2017 Total allowances for credit impairment	31 December 2016 Total allowances for credit impairment Restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	5,792,922	81,609	62,882	150,950	213,832	49,165	100,630
Manufacturing	5,908,387	2,101,842	1,471,937	73,119	1,545,056	1,207,803	391,843
of which EPZ	*1,185,948*	*38,136*	*3,628*	*13,490*	*17,118*	*43,543*	*38,542*
Tourism	10,984,654	170,840	116,670	175,579	292,249	215,422	202,253
Transport	4,480,491	1,118,322	833,787	305,520	1,139,307	63,274	497,697
Construction	8,042,894	1,042,224	337,668	280,246	617,914	266,512	235,993
Financial and business services	12,714,623	703,558	286,092	120,322	406,414	160,343	536,235
Traders	17,183,936	10,733,457	3,355,567	126,919	3,482,486	588,747	320,983
Personal	34,785,152	2,050,395	1,492,315	275,848	1,768,163	1,211,856	1,174,411
of which credit cards	*616,509*	*70,674*	*90,079*	*3,405*	*93,484*	*94,278*	*93,622*
Professional	229,479	108,849	98,896	5,159	104,055	106,792	2,086
Global Business Licence holders	4,115,179	15,593	15,593	89,975	105,568	15,918	5,354
Others	8,188,326	106,387	464,631	178,196	642,827	183,171	683,195
	112,426,043	18,233,076	8,536,038	1,781,831	10,317,869	4,069,003	4,150,680

Total impaired loans for 2017 for the Group were MUR 4,786 million (2016: MUR 4,998 million).

10. INVESTMENTS SECURITIES

Accounting policy

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instruments.

Prior to 01 January 2018

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) 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 at fair value through profit or loss are recognized immediately in the statement of profit or loss.

Financial assets are classified into the following specified categories: financial assets at fair-value-through-profit-or-loss ("FVTPL"), loans-and-receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

(i) Financial assets at FVTPL

Financial assets are classified in the FVTPL category when they are either held for trading or are designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the statement of profit or loss. Interest earned on the financial asset is included in Interest income line.

The fair values of the investment securities at FVTPL are determined based on quoted market prices in active markets.

Loans and receivables

Refer to note 9 for accounting policy on loans and receivables.

(iii) Held-to-maturity (HTM) investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

If the Group sells or reclassifies more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category will be tainted and will be reclassified as available-for-sale investments. Furthermore, the Group will not classify any financial asset as held-to-maturity during the following two years.

Available-for-sale (AFS) investments

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The fair values of the AFS investment securities are subsequently remeasured based on quoted market prices in active markets or estimated using the dividend growth model, discounted cash flows or net assets value. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates are recognised in the *Statement of profit or loss*. Other changes in the carrying amount of AFS investment securities are recognised in *Other comprehensive income* and accumulated under the heading of Net unrealised investment fair value reserve.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the *Net unrealised investment fair value reserve* is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's and /or the Company's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

From 01 January 2018

The investment securities included in the statement of financial position include:

- Debt investments measured at amortised cost: these instruments are initially measured at their fair value plus incremental transaction cost, and subsequently at their amortised cost using the effective interest method;
- Debt instruments mandatorily measured at FVTPL or designated at FVTPL; these are fair value with changes recognised immediately *statements of profit or loss;*
- Debt securities measured at FVTOCI; and
- Equity investments designated as FVTOCI.

For debt securities measured at FVTOCI, gains and losses are recognised in OCI except for the following which are recognised in *statement of profit or loss* in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method;
- ECL and reversals; and
- Foreign exchange gains and lossses.

When a debt security measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to *statement of profit or loss*.

Investment in subsidiaries

<u>Financial statements of the Company</u>

Investment in subsidiary companies are carried at cost 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 statements of profit or loss.

<u>Consolidated financial statements</u>

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Business combinations are accounted for using the purchase method of accounting.

10. INVESTMENTS SECURITIES (CONT'D)

Accounting policy (cont'd)

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in the OCI of the investee company is presented as part of the movements in Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in its statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss.

Significant accounting estimates and judgements

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

10. INVESTMENTS SECURITIES (CONT'D)

Remaining term to maturity

(i) Investment securities

		31 December 2018										
	The Group	**Up to 3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**No specific maturity**	**Total**	31 December 2017	31 December 2016
		MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	MUR' 000	MUR' 000
(a)	**Investment securities measured at amortised cost**											
	Government bonds and treasury notes	**91,368**	**1,192,282**	**46,793**	**1,080,229**	**1,719,642**	**8,606,107**	**7,374,741**	**-**	**20,111,162**	8,664,906	16,434,695
	Treasury bills	**2,739,476**	**393,688**	**6,458,137**	**-**	**-**	**-**	**-**	**-**	**9,591,301**	4,633,957	3,616,677
	Bank of Mauritius bills	**-**	**149,032**	**118,992**	**-**	**762,191**	**201,683**	**-**	**-**	**1,231,898**	3,544,186	5,523,885
	Corporate bonds	**-**	**-**	**-**	**-**	**-**	**695,818**	**-**	**-**	**695,818**	2,565,077	1,394,551
		2,830,844	**1,735,002**	**6,623,922**	**1,080,229**	**2,481,833**	**9,503,608**	**7,374,741**	**-**	**31,630,179**	19,408,126	26,969,808
(b)	**Investment securities mandatorily measured at FVTPL**											
	Government bonds and treasury notes	**-**	**-**	**-**	**1,358**	**-**	**223,934**	**539,826**	**-**	**765,118**	1,744,466	-
	Treasury bills	**597,828**	**2,288,062**	**1,902,344**	**354,022**	**-**	**-**	**-**	**-**	**5,142,256**	1,005,925	-
	Bank of Mauritius bills / notes	**1,253,365**	**1,110,374**	**1,129**	**742,318**	**-**	**-**	**-**	**-**	**3,107,186**	1,947,439	-
	Bank bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	1,650,227	-
	Corporate bonds	**-**	**-**	**33,889**	**-**	**663,334**	**-**	**-**	**-**	**697,223**	1,164,405	-
	Redeemable participating shares	**-**	**-**	**-**	**-**	**351,187**	**-**	**-**	**-**	**351,187**	-	-
		1,851,193	**3,398,436**	**1,937,362**	**1,097,698**	**1,014,521**	**223,934**	**539,826**	**-**	**10,062,970**	7,512,462	-
(c)	**Investment securities measured at FVTOCI (both equity and debt instruments)**											
	Government bonds	**46,567**	**19,904**	**49,095**	**582,814**	**920,825**	**3,456,359**	**2,454,333**	**-**	**7,529,897**	4,424,901	970,160
	Treasury bills / notes	**7,901,452**	**1,923,173**	**-**	**931,647**	**-**	**-**	**-**	**-**	**10,756,272**	1,590,498	178,414
	Bank of Mauritius bills	**322,627**	**-**	**-**	**-**	**1,241,916**	**576,906**	**-**	**-**	**2,141,449**	1,025,410	-
	Securities issued by government bodies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-
	Other investment	**-**	**-**	**-**	**-**	**-**	**-**	**174,753**		**174,753**	-	-
	Bank bonds	**-**	**-**	**-**	**-**	**3,218,567**	**2,262,234**	**294,797**	**-**	**5,775,598**	533,427	8,346,766
	Corporate paper and preference shares	**-**	**-**	**73,915**	**-**	**81,774**	**1,414,952**	**1,344,743**	**-**	**2,915,384**	451,161	2,071,193
	Corporate bonds	**-**	**-**	**-**	**-**	**-**	**109,589**	**-**	**-**	**109,589**	4,228,511	544,488
	Equity shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**498,196**	**498,196**	825,925	350,000
		8,270,646	**1,943,077**	**123,010**	**1,514,461**	**5,463,082**	**7,820,040**	**4,268,626**	**498,196**	**29,901,138**	13,079,833	12,461,021
	Total investment securities	**12,952,683**	**7,076,515**	**8,684,295**	**3,692,388**	**8,959,436**	**17,547,582**	**12,183,193**	**498,196**	**71,594,287**	40,000,421	39,430,829
	The Company											
(a)	**Investment securities measured at amortised cost**											
	Government bonds and treasury notes	**-**	**-**	**-**	**302,581**	**14,965**	**1,222,863**	**455,437**	**-**	**1,995,846**	985,872	2,216,214
	Bank of Mauritius bills / notes	**-**	**38,412**	**390,430**	**-**	**-**	**-**	**-**	**-**	**428,842**	-	181,840
	Treasury bills	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	9,944
(b)	**Investment securities mandatorily measured at FVTPL**											
	Redeemable participating shares	**-**	**-**	**-**	**-**	**351,187**	**-**	**-**	**-**	**351,187**	-	-
(c)	**Investment securities measured at FVTOCI (both equity and debt instruments)**											
	Government bonds and treasury notes	**181,255**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**181,255**	-	-
	Bank bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	1,538,299
	Equity shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**148,196**	**148,196**	475,929	359,585
	Total investment securities	**181,255**	**38,412**	**390,430**	**302,581**	**366,152**	**1,222,863**	**455,437**	**148,196**	**3,105,326**	1,461,801	4,305,882

10. INVESTMENTS SECURITIES (CONT'D)

(ii) Equity investments

	31 December 2018										
The Group	**Up to 3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**No specific maturity**	**Total**	31 December 2017	31 December 2016
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	MUR' 000	MUR' 000
Investment Securities measured at FVTOCI											
Equity shares of companies:											
- Other equity investments	-	-	-	-	-	-	-	5,752,870	5,752,870	6,137,779	5,732,722
	-	-	-	-	-	-	-	5,752,870	5,752,870	6,137,779	5,732,722
The Company											
Investment Securities measured at FVTOCI											
Equity shares of companies - Other equity investments	-	-	-	-	-	-	-	4,227,683	4,227,683	4,292,925	4,261,347
	-	-	-	-	-	-	-	4,227,683	4,227,683	4,292,925	4,261,347

(iii) Investment in subsidiaries

The Company											
- SBM (Bank) Holdings Ltd*	-	-	-	-	-	-	-	26,252,459	26,252,459	22,432,485	20,522,112
- SBM (NBFC) Holdings Ltd	-	-	-	-	-	-	-	1,470,895	1,470,895	1,470,895	62,406
- SBM (NFC) Holdings Ltd	-	-	-	-	-	-	-	761,798	761,798	761,798	1,270,255
	-	-	-	-	-	-	-	28,485,152	28,485,152	24,665,178	21,854,773
Total investments	181,255	38,412	390,430	302,581	366,152	1,222,863	455,437	32,861,032	35,818,162	30,419,904	30,422,002

* The indirect investments held by the Company through SBM (Bank) Holdings Ltd (SPV - Bank Investment Holdings Segment) are as follows:

	31 December 2017	31 December 2016	31 December 2015
Operating companies	**MUR' 000**	MUR' 000	MUR' 000
- SBM Mauritius Ltd - SBM Bank (Mauritius) Ltd	-	-	20,384,912
- SBM Madagascar Ltd - Banque SBM Madagascar SA	136,090	136,090	136,090
- SBM Africa Holdings Ltd - SBM Bank (Kenya) Limited	25	25	-
	136,115	136,115	20,521,002
Special Purpose Vehicles			
- SBM India Ltd *	500	500	500
- SBM Myanmar Ltd*	610	610	610
	1,110	1,110	1,110

* The subsidiaries has been wound up at 31 December 2018

10. INVESTMENT SECURITIES (CONT'D)

The table below shows gross balances under IFRS 9:

Debt investment securities at amortised cost	Year ended 2018 Stage 1 12-month ECL MUR' 000	Stage 2 Lifetime ECL MUR' 000	Stage 3 Lifetime ECL MUR' 000	Total MUR '000	Year ended 2017 Total MUR '000
High Grade	15,744,479	-	-	15,744,479	1,494,314
Standard Grade	15,583,910	-	-	15,583,910	3,724,530
Sub Standard Grade	321,674	-	-	321,674	14,189,282
Total gross carrying amount	31,650,063	-	-	31,650,063	19,408,126
Credit loss expense	(19,884)	-	-	(19,884)	-
Carrying amount	31,630,179	-	-	31,630,179	19,408,126

	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000	Total MUR'000
ECL allowance as at 1 January 2018	23,149	-	-	23,149	-
New assets originated or purchased	8,674	-	-	8,674	-
Assets derecognised or repaid (excluding write offs)	(11,939)	-	-	(11,939)	-
At 31 December 2018	19,884	-	-	19,884	-

Debt investment securities at FVTOCI	Year ended 2018 Stage 1 12-month ECL MUR' 000	Stage 2 Lifetime ECL MUR' 000	Stage 3 Lifetime ECL MUR' 000	Total MUR '000	Year ended 2017 Total MUR '000
High Grade	13,645,594	-	-	13,645,594	4,917,417
Standard Grade	14,649,964	-	-	14,649,964	2,795,888
Sub Standard Grade	1,605,580	-	-	1,605,580	5,366,528
Total gross carrying amount	29,901,138	-	-	29,901,138	13,079,833

No loss allowance is recognised in the statement of financial position for debt instruments measured at FVTPL as the carrying amount is at fair value.

The above investment grades is to conclude that there has been no significant increase in credit risk and hence only a 12 months ECL is recognised.

10. INVESTMENTS SECURITIES (CONT'D)

(iii) Investment in subsidiaries (Cont'd)

Details of subsidiaries and associate are as follows:

(a) SUBSIDIARIES

		Country of Incorporation and Operation	Business Activity	Issued Share Capital	Effective % holding 31 December 2018	31 December 2017	31 December 2016
1.0	*Banking Segmental Subsidiaries*						
1.1	***Special Purpose Vehicle for Bank Investments Holding Company***						
1.1.1	SBM (Bank) Holdings Ltd	Mauritius	Bank Investment Holding Company	MUR 75,000	**100**	100	100
1.1.2	SBM Overseas One Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.3	SBM Overseas Two Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.4	SBM Overseas Three Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.5	SBM Overseas Four Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.6	SBM Overseas Five Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.7	SBM Overseas Six Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.2	*Special Purpose Vehicles for single Bank Investment Holding Subsidiaries*						
1.2.1	SBM Madagascar Ltd	Mauritius	Investment in Banque SBM Madagascar SA	MUR 60,960	**100**	100	100
1.2.2	SBM Africa Holdings Ltd	Mauritius	Investment in SBM Bank (Kenya) Limited	MUR 25,000	**100**	100	-
1.3	*Bank Operating Subsidiaries*						
1.3.1	SBM Bank (Mauritius) Ltd	Mauritius	Commercial Banking	MUR 310 million	**100**	100	100
1.3.2	Banque SBM Madagascar SA	Madagascar	Commercial Banking	MGA 7.4 billion	**100**	100	100
1.3.3	SBM Bank (Kenya) Limited	Kenya	Commercial Banking	USD 1	**100**	100	-
1.3.4	SBM Bank (India) Ltd	India	Commercial Banking	INR 6.6 billion	**100**	100	-
1.3.5	Sbm Bank (Seychelles) Limited	Seychelles	Commercial Banking	SCR 100 Million	**100**	-	-
2.0	*Non-Bank Financial Segment Subsidiaries*						
2.1	***Special Purpose Vehicle for Non-Bank Investments Holding Company***						
2.1.1	SBM (NBFC) Holdings Ltd	Mauritius	Non-Banking Financial Investments Holding Company	MUR 25,000	**100**	100	100

10. INVESTMENTS SECURITIES (CONT'D)

(iii) Investment in subsidiaries (Cont'd)

(a) SUBSIDIARIES

		Country of Incorporation and Operation	Business Activity	Issued Share Capital	Effective % holding 31 December 2018	31 December 2017	31 December 2016
2.3	*Non-Bank Operating Subsidiaries*						
2.3.1	SBM Fund Services Ltd	Mauritius	Fiduciary services / Back Office processing	MUR 0.5 million	**100**	100	100
2.3.2	SBM Mauritius Asset Managers Ltd	Mauritius	Asset Management	MUR 2.2 million	**100**	100	100
2.3.3	SBM Securities Ltd	Mauritius	Stockbroking	MUR 1 million	**100**	100	100
2.3.4	SBM Capital Management Limited	Mauritius	Investments	USD 125,000	**100**	100	100
2.3.5	SBM E-Business Ltd	Mauritius	Card Acquiring & Processing	MUR 625,000	**100**	100	100
2.3.6	SBM Custody Services Ltd	Mauritius	Custody Services	MUR 25,000	**100**	100	100
2.3.7	SBM Factors Ltd	Mauritius	Factoring	MUR 20 million	**100**	100	-
2.3.8	SBM Insurance Agency Limited	Mauritius	Insurance	MUR 1 million	**100**	-	-
2.3.9	SBM Capital Markets Limited	Mauritius	Investments	MUR 50 million	**100**	-	-
3.0	*Non-Financial Segment*						
3.1	SBM (NFC) Holdings Ltd	Mauritius	Non-Financial Holding Company	MUR 25,000	**100**	100	100
4.0	*Indirect Subsidiary*						
4.1	SBM 3S Ltd	Mauritius	Shared Support Services	MUR 25,000	**100**	100	100

SBM Holdings Ltd is the ultimate holding company of all the subsidiaries .

10. INVESTMENTS SECURITIES (CONT'D)

(iv) Investment in Associate

(a) ASSOCIATE

	Country of Incorporation and Operation	Business Activity	% Holding
State Insurance Company of Mauritius Ltd	Mauritius	Long term insurance business and pensions	20

	The Group 31 December 2018	The Group 31 December 2017	The Group 31 December 2016	**The Company 31 December 2018**	The Company 31 December 2017	The Company 31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
At 01 January	**1,336,902**	1,275,880	-	**1,272,977**	1,272,977	-
Reclassified from available for sale investment to investment in associate	**-**	-	1,272,977	**-**	-	1,272,977
Share of profit	**100,240**	92,005	1,627	**-**	-	-
Share of other comprehensive income	**(96,235)**	290	1,276	**-**	-	-
Dividend income from associate (Note 29)	**(32,750)**	(31,273)	-	**-**	-	-
Carrying amount at 31 December	**1,308,157**	1,336,902	1,275,880	**1,272,977**	1,272,977	1,272,977

	The Group 31 December 2018	The Group 31 December 2017	The Group 31 December 2016
Summarised financial information in respect of the Group's associate is set out below:	**MUR' 000**	MUR' 000	MUR' 000
Total assets	**18,575,605**	16,331,403	14,623,277
Total liabilities	**13,055,152**	13,951,389	13,199,320
Total revenue	**1,033,239**	963,960	11,447
Total profit for the period	**501,200**	460,027	8,137
Share of profit	**100,240**	92,005	1,627
Share of other comprehensive income	**(96,235)**	290	1,276
Share of net assets	**1,104,091**	1,102,159	1,038,554
Carrying amount at 31 December 2018	**1,308,157**	1,336,902	1,275,880

Total capital commitment of the investee company stood at MUR 14.299 million as at 30 June 2018 (2017:35.910 million). As at 30 June 2018, the investee did not report any contingent liability. (2017: nil)

11. PROPERTY AND EQUIPMENT

Accounting policy

Property and equipment are stated at cost (except for freehold land and buildings) less accumulated depreciation and any cumulative impairment loss. Land is stated at revalued amounts and buildings are stated at revalued amounts less accumulated depreciation and any impairment loss.

It is the Group's policy to revalue its freehold land and buildings at least every five years by independent valuers. Any revaluation surplus is credited to the net property revaluation reserve. Any revaluation decrease is first charged directly against the net property revaluation reserve held in respect of the respective asset, and then to the *Statement of profit or loss* .

Work in progress is 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 is calculated to write off the cost or revalued amounts of tangible fixed assets over their estimated useful lives on a straight-line basis. Depreciation is calculated from the month the asset is capitalised. No depreciation is provided on freehold land.

The estimated useful lives of property and equipment are as follows:

Buildings	50 years
Plant, machinery, furniture, fittings and computer equipment	3 to 10 years
Motor vehicles	5 years

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset. These are included within *Other operating income* in the *Statement of profit or loss.*

Each year, the difference, net of the impact of deferred tax, between the depreciation based on the revalued carrying amount of the asset (the depreciation charged to the *Statement of profit or loss*) and the depreciation based on the asset's original cost is transferred from the *net property revaluation reserve* to *retained earnings* .

Assets held under finance leases are recognised as assets at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments and are depreciated over their estimated useful lives. The corresponding liability to the lessor is included in *Other borrowed funds* on the *Statement of financial position* . Lease finance charges are charged to the *Statement of profit or loss* over the term of the leases so as to produce a constant periodic rate of interest on the outstanding obligations under finance leases.

Impairment of non-financial assets

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's net selling price and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised as an expense immediately, unless the asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The Group	**Freehold land and buildings**	**Buildings on leasehold land**	**Other tangible fixed assets**	**Motor vehicles**	**Total**
Cost or valuation	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2016	988,918	1,571,647	1,820,592	14,145	4,395,302
Additions	853	1,235	144,561	7,293	153,942
Disposals	-	-	(202,200)	-	(202,200)
Write off	(300)	-	(3,282)	-	(3,582)
Revaluation	-	-	-	-	-
Translation adjustment	(4,383)	-	(2,394)	(117)	(6,894)
At 31 December 2016	985,088	1,572,882	1,757,277	21,321	4,336,568
Additions	-	41,052	53,479	11,290	105,822
Disposals	-	-	(55,774)	(3,601)	(59,375)
Write off	(37,874)	-	-	-	(37,874)
Acquisition of new business	95,189	53,334	131,998	-	280,521
Translation adjustment	(8,777)	(2,062)	(7,190)	(465)	(18,494)
At 31 December 2017	**1,033,626**	**1,665,206**	**1,879,791**	**28,545**	**4,607,168**
Additions	**56,948**	**870**	**167,230**	**9,973**	**235,022**
Disposals	**-**	**-**	**(59,861)**	**-**	**(59,861)**
Write off	**(108,078)**	**-**	**(557)**	**(1,297)**	**(109,932)**
Revaluation Adjustment	**(17,689)**	**-**	**-**	**-**	**(17,689)**
Acquisition of new business (Note 43)	**-**	**-**	**894,842**	**35,590**	**930,432**
Translation adjustment	**(6,388)**	**4,263**	**(8,107)**	**(390)**	**(10,622)**
Transfers	**94,532**	**(96,586)**	**2,055**	**-**	**-**
At 31 December 2018	**1,052,951**	**1,573,753**	**2,875,393**	**72,421**	**5,574,518**

11. 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
Accumulated depreciation					
At 01 January 2016	43,256	69,280	1,510,949	6,743	1,630,228
Charge for the year	13,870	51,976	89,356	2,834	158,036
Write off	-	-	(204,936)	-	(204,936)
Disposals	-	-	-	-	-
Revaluation movement	(1,530)	-	-	-	(1,530)
Translation adjustment	(728)	-	(2,183)	(115)	(3,026)
At 31 December 2016	54,868	121,256	1,393,186	9,462	1,578,772
Charge for the year	14,828	51,996	95,481	4,491	166,796
Write off	-	-	-	-	-
Acquisition of new business	1,909	-	91,894	7,145	100,948
Disposals	-	-	(49,826)	(3,282)	(53,108)
Translation adjustment	(444)	-	(5,811)	(391)	(6,647)
At 31 December 2017	**71,161**	**173,252**	**1,524,924**	**17,425**	**1,786,762**
Charge for the year	**14,736**	**51,998**	**131,340**	**7,171**	**205,246**
Acquisition of new business (Note 41)	**-**	**-**	**559,491**	**14,737**	**574,228**
Disposals	**-**	**-**	**(30,841)**	**-**	**(30,841)**
Translation adjustment	**(1,965)**	**398**	**(2,442)**	**(226)**	**(4,236)**
Transfer	**2,565**	**(2,565)**	**-**	**-**	**-**
At 31 December 2018	**86,497**	**223,083**	**2,182,472**	**39,107**	**2,531,158**
Net book value					
At 31 December 2018	**966,454**	**1,350,670**	**692,921**	**33,315**	**3,043,360**
Progress payments on tangible fixed assets					**33,650**
Acquisition of new business (Note 43)					**76,904**
					3,153,914
At 31 December 2017	962,466	1,491,953	354,867	11,121	2,820,406
Progress payments on tangible fixed assets					33,812
					2,854,218
At 31 December 2016	930,220	1,451,626	364,091	11,859	2,757,796
Progress payments on tangible fixed assets					51,981
					2,809,777

Other tangible fixed assets, included within property and equipment, consist of plant, machinery, furniture, fittings and computer equipment.

The Company

Cost or valuation	Other tangible fixed assets	Motor vehicles	Total
	MUR' 000	MUR' 000	MUR' 000
At 01 January 2016	-	6,013	6,013
Additions	-	-	-
At 31 December 2016	-	6,013	6,013
At 31 December 2017	-	6,013	6,013
Additions	80	4,540	4,620
At 31 December 2018	**80**	**10,553**	**10,633**
Accumulated depreciation			
At 01 January 2016	-	501	501
Charge for the year	-	1,203	1,203
At 31 December 2016	-	1,704	1,704
Charge for the year	-	1,203	1,203
At 31 December 2017	-	2,907	2,907
Charge for the year	9	1,937	1,946
At 31 December 2018	**9**	**4,844**	**4,853**
Net book value			
At 31 December 2018	**71**	**5,709**	**5,780**
At 31 December 2017	-	3,106	3,106
At 31 December 2016	-	4,309	4,309

11. PROPERTY AND EQUIPMENT (CONT'D)

Details of the Group's land and buildings and information about the fair value hierarchy are as follows:

	The Group		
	31 December 2018	31 December 2017	31 December 2016
Level 2 fair value	**MUR' 000**	MUR' 000	MUR' 000
Freehold land and buildings	**1,052,951**	1,033,626	985,088
Buildings on leasehold land	**1,573,753**	1,665,206	1,572,882
	2,626,704	2,698,832	2,557,970

The carrying amounts of land and buildings, that would have been included in the financial statements had the assets been carried at cost, are as follows:

	The Group		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	**499,869**	508,905	515,142
Buildings on leasehold land	**360,873**	374,232	387,557
	860,742	883,137	902,699

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 September 2014 by an independent Chartered Valuation Surveyor, on an open market value basis. The freehold land and building in India were revalued in March 2014 by independent Chartered Valuation Surveyors on an open market value basis.

12. GOODWILL AND OTHER INTANGIBLE ASSETS

Accounting policy

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with that disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

Intangible assets with identifiable useful lives are tested for impairment annually as at 31 December at CGU level, as appropriate, and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight line basis over their estimated useful lives of 3 to 10 years. Costs directly associated with the production of identifiable and software products controlled by the group, that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets.

Significant accounting estimates and judgements

Assessment of useful lives
Determining the carrying amount of intangible assets requires an estimation of the useful lives of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Group and the industry in which it operates in order to best determine the useful lives of intangible assets.

(a) *Assets under construction*

The Group has embarked on a business aligned technology transformation programme since 2012. All costs incurred in respect of this project; namely the "Flamingo Project" were capitalised under "asset under construction". In September 2016, all the assets under construction were transferred to "Software" as the project went live and are now being amortised over their useful lives.

(b) *Intellectual property rights*

The Group entered into an agreement in respect of Business Process Engineering and Business Transformation Initiatives to aligh both its strategies and processes with the Technology Transformation Initiative namely Flamingo Project and also high performance banks. The costs incurred in respect of these initiatives were capitalised as intellectual property rights are now being amortised after the project went live in September 2016.

(c) *WIP Software*
The Group is developing some softwares. These costs will be transferred under "Software" as soon as they will be in use in the Group.

12. GOODWILL AND OTHER INTANGIBLE ASSETS (CONT'D)

The Group	Software	WIP Software	Intellectual Property	Assets under construction	Goodwill (Note 41)	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cost						
At 01 January 2016	888,885	5,098	525,725	1,820,229	-	3,239,937
Translation adjustment	(478)	-	(5,200)	(36)	-	(5,714)
Additions	16,609	2,450	62,609	1,518,570	-	1,600,238
Disposals	(129,829)	-	-	-	-	(129,829)
Transfer	3,341,410	257,712	(260,359)	(3,338,763)	-	-
At 31 December 2016	4,116,597	265,260	322,775	-	-	4,704,632
Translation adjustment	(5,776)	(2,954)	-	-	(16,159)	(24,889)
Additions	52,414	135,269	-	-	-	187,683
Acquisition of new business	61,023	-	-	-	417,715	478,738
Transfer	312,963	(312,963)	-	-	-	-
At 31 December 2017	**4,537,221**	**84,612**	**322,775**	**-**	**401,556**	**5,346,164**
Translation adjustment	**(897)**	**(1,795)**	**-**	**-**	**16,160**	**13,469**
Additions	**215,787**	**70,971**	**-**	**-**	**-**	**286,759**
Write off (Note 44)	**(41,334)**	**(2,653)**	**(37,860)**	**-**	**(417,714)**	**(499,561)**
Acquisition of new business (Note 43)	**528,498**	**-**	**-**	**-**	**-**	**528,498**
Disposal	**(611,464)**	**-**	**-**	**-**	**-**	**(611,465)**
Scrapping of assets	**(1,741)**	**-**	**-**	**-**	**-**	**(1,741)**
Transfer	**51,660**	**(51,660)**	**-**	**-**	**-**	**-**
At 31 December 2018	**4,677,730**	**99,475**	**284,915**	**-**	**-**	**5,062,120**
Accumulated amortisation						
At 01 January 2016	869,308	-	-	-	-	869,308
Translation adjustment	(344)	-	-	-	-	(344)
Charge for the year	134,985	-	56,983	-	-	191,968
Write off	(129,830)	-	-	-	-	(129,830)
Transfer	3,259	-	-	-	-	3,259
At 31 December 2016	877,378	-	56,983	-	-	934,361
Translation adjustment	(14,312)	-	-	-	-	(14,312)
Charge for the year	446,187	-	56,983	-	-	503,170
Acquisition of new business	47,332	-	-	-	-	47,332
At 31 December 2017	1,356,585	-	113,966	-	-	1,470,551
Translation adjustment	**11,992**	**-**	**-**	**-**	**-**	**11,992**
Charge for the year	**564,968**	**-**	**56,983**	**-**	**-**	**621,951**
Reversal of accumulated depreciation	**(1,741)**	**-**	**-**	**-**	**-**	**(1,741)**
Acquisition of new business (Note 43)	**344,320**	**-**	**-**	**-**	**-**	**344,320**
Disposal adj	**(611,366)**	**-**	**-**	**-**	**-**	**(611,366)**
						-
At 31 December 2018	**1,664,759**	**-**	**170,949**	**-**	**-**	**1,835,708**
Net book value						
At 31 December 2018	**3,012,971**	**99,475**	**113,966**	**-**	**-**	**3,226,412**
At 31 December 2017	3,180,636	84,612	208,809	-	401,556	3,875,613
At 31 December 2016	3,239,219	265,260	265,792	-	-	3,770,271

12. GOODWILL AND OTHER INTANGIBLE ASSETS (CONT'D)

The Company

Cost or valuation	Software	Total
	MUR' 000	MUR' 000
At 01 January 2016	-	-
Additions	-	-
At 31 December 2016	-	-
At 31 December 2017	-	-
Additions	50	50
At 31 December 2018	**50**	**50**
Accumulated depreciation		
At 01 January 2016	-	-
Charge for the year	-	-
At 31 December 2016	-	-
Charge for the year	-	-
At 31 December 2017	-	-
Charge for the year	6	6
At 31 December 2018	**6**	**6**
Net book value		
At 31 December 2018	**44**	**44**
At 31 December 2017	-	-
At 31 December 2016	-	-

13. OTHER ASSETS

Accounting policy

Prior to 01 January 2018

Other assets and other receivables are those that have fixed or determinable payments and that are not quoted in an active market and classified as loan and receivables. They are measured at amortised cost, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

From 01 January 2018

Other assets and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified at amortised costs less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Accounts receivable[1]	**1,233,008**	677,651	347,848	**153,108**	70,448	-
Balances due in clearing	**96,629**	59,131	32,679	**-**	-	-
Tax paid in advance[2]	**103,048**	106,916	122,269	**-**	-	-
Dividend receivable	**-**	-	-	**-**	-	1,000
Others	**222,974**	196,023	133,189	**201**		501
	1,655,659	1,039,721	635,984	**153,309**	70,448	1,501

[1] Amounts receivable are generally receivable within three months.Credit risk is managed for each category and is subject to the Group's established policy, procedures and control relating to customers credit risk management. The accounts receivable are mainly transition accounts that will be cleared the following day and therefore is not subject to impairment.

[2] The tax paid in advance is incurred by the Indian Operations and Kenyan Operations . The amount is shown net of current tax payable.

14. PENSION LIABILITY

Accounting policy

(i) Pension benefits for eligible participating employees

Eligible participating employees are entitled to retirement pensions under the SBM Group Pension Fund, a defined benefit scheme. The average retirement age is 65. The assets of the scheme are managed presently by the SBM Mauritius Asset Managers Ltd.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets, is reflected immediately in the *Statement 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 *Statement 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 *statement of financial position* represents the actual deficit or surplus in the Group's defined benefits plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(ii) Pension benefits for employees under term contracts and all employees who joined after 31 December 2004

Employees who joined after 31 December 2004 are entitled to defined contribution retirement benefit pension arrangements. Employer contributions are expensed in the statement 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 *statement of profit or loss* on a straight-line and undiscounted basis over the remaining periods until the benefits are payable.

14. PENSION LIABILITY (CONT'D)

Significant accounting estimates and judgements

Companies within the group which are operating in Mauritius maintain a defined benefit pension plan for their employees. The amount shown in the *Statement of financial position* in respect of retirement benefit obligations is subject to estimates in respect of periodic costs which would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan. The value of the defined benefit pension fund is based on report submitted by an independent actuarial firm on an annual basis.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	The Group		
	31 December 2018	31 December 2017	31 December 2016
Reconciliation of net defined benefit liability	**MUR' 000**	MUR' 000	MUR' 000
Present value of funded defined benefit obligation	**1,044,716**	1,037,762	914,202
Fair value of planned assets	**(935,095)**	(946,010)	(846,495)
Net liability arising from defined benefit obligation (Note 19)	**109,621**	91,752	67,707
Reconciliation of net defined benefit liability			
Balance at start of the year	**91,752**	67,707	89,091
Amount recognised in statement of profit or loss (Note 33)	**30,274**	26,471	30,098
Amount recognised in other comprehensive income	**33,496**	39,703	(2,040)
Less employer contributions	**(45,901)**	(42,129)	(49,442)
Balance at end of the year (Note 19)	**109,621**	91,752	67,707
Reconciliation of fair value of planned assets			
Balance at start of the year	**946,010**	846,495	784,442
Interest income	**52,493**	55,063	55,698
Employer contributions	**45,901**	42,129	49,442
Benefits paid	**(28,872)**	(40,871)	(26,554)
Return on planned assets excluding interest income	**(80,437)**	43,194	(16,533)
Balance at end of the year	**935,095**	946,010	846,495
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	**1,037,762**	914,202	873,533
Current service cost	**26,473**	23,418	25,563
Interest expense	**56,294**	58,116	60,233
Other benefits paid	**(28,872)**	(40,871)	(26,554)
Liability experience loss	**-**	-	84,960
Liability gain due to change in demographic assumptions	**-**	-	(103,596)
Liability (gain) / loss due to change in financial assumptions	**(46,941)**	82,897	63
Balance at end of the year	**1,044,716**	1,037,762	914,202

14. PENSION LIABILITY (CONT'D)

	31 December 2018	31 December 2017	31 December 2016
Components of amount recognised in statement of profit or loss	**MUR' 000**	MUR' 000	MUR' 000
Service cost	**26,473**	23,418	25,563
Net interest on net employee defined benefit liability	**3,801**	3,053	4,535
Total expense (Note 33)	**30,274**	26,471	30,098
Components of amount recognised in other comprehensive income			
Return on planned assets (above)/ below and interest income	**80,437**	(43,194)	16,533
Liability experience loss	**-**	-	84,960
Liability experience gain due to change in demographic assumptions	**-**	-	(103,596)
Liability experience loss/(gain) due to change in financial assumptions	**(46,941)**	82,897	63
Total	**33,496**	39,703	(2,040)

	The Group		
	31 December 2018	31 December 2017	31 December 2016
Allocation of planned assets at end of year	**%**	%	%
Equity - Overseas quoted	**18**	30	30
Equity - Overseas unquoted	**10**	-	-
Equity - Local quoted	**28**	30	32
Equity - Local unquoted	**7**	7	-
Debt - Overseas quoted	**1**	-	3
Debt - Overseas unquoted	**6**	6	-
Debt - Local quoted	**4**	2	-
Debt - Local unquoted	**23**	21	23
Property - Local	**-**	-	1
Cash and other	**3**	4	11
Total	**100**	100	100

	31 December 2018	31 December 2017	31 December 2016
Allocation of planned assets at end of year			
Reporting entity's own transferable financial instruments	**4%**	6%	6%
Principal assumptions used at end of year			
Discount rate	**6.1%**	5.5%	6.5%
Rate of salary increases	**4.0%**	4.0%	4.5%
Rate of pension increases	**1.6%**	1.0%	1.5%
Average retirement age (ARA)	**65**	65	65
Average life expentancy for:			
- Male at ARA	**15.9 years**	15.9 years	15.9 years
- Female at ARA	**20.0 years**	20.0 years	20.0 years

	31 December 2018	31 December 2017	31 December 2016
Sensitivity Analysis on defined benefit obligation at end of year	**MUR' 000**	**MUR' 000**	MUR' 000
Increase due to 1% decrease in discount rate	**184,915**	187,452	158,457
Decrease due to 1% increase in discount rate	**148,350**	(150,169)	(127,506)

14. PENSION LIABILITY (CONT'D)

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

Future cashflows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.

The Group expects to make a contribution of around MUR 98.53 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 16 years.

Pension amounts and disclosures have been based on the report dated 27 February 2018 submitted by an independent firm of Actuaries and Consultants.

The Group sponsors a final salary defined benefit pension plan for a category of its employees. The Group has recognised a net defined benefit liability of MUR 109.62 million as at 31 December 2018 for the plan (31 December 2017: MUR 91.75 million;31 December 2016: MUR 67.71 million).

The plan exposes the Group to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary rise risks.

Investment risk

The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan’s debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk

The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary risk

The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

There has been no plan amendment, curtailment or settlement during the year.

15. DEPOSITS FROM BANKS

Accounting policy

Deposits from banks are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Group’s and /or the Company’s obligations are discharged, cancelled or they expire.

	The Group		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	**716,702**	689,265	2,611,669

16. DEPOSITS FROM NON-BANK CUSTOMERS

Accounting policy

Deposits from non-bank customers are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Group's and /or the Company's obligations are discharged, cancelled or they expire.

	The Group		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
(i) Retail customers			
Current accounts	**15,873,186**	16,530,624	10,488,127
Savings accounts	**52,327,187**	51,100,607	43,166,430
Time deposits with remaining term to maturity:			
- Up to 3 months	**3,805,778**	2,503,486	1,339,913
- Over 3 months and up to 6 months	**2,799,551**	2,370,258	770,196
- Over 6 months and up to 12 months	**6,666,258**	6,093,287	2,452,511
- Over 1 year and up to 5 years	**2,379,746**	1,886,990	3,367,041
- Over 5 years	**81,228**	1,339,754	1,054,397
Total time deposits	**15,732,561**	14,193,775	8,984,058
Total deposits from retail customers	**83,932,934**	81,825,006	62,638,615
(ii) Corporate customers			
Current accounts	**46,012,337**	33,787,373	28,219,696
Savings accounts	**4,655,279**	4,428,696	6,645,085
Time deposits with remaining term to maturity:			
- Up to 3 months	**10,966,221**	12,447,635	2,410,070
- Over 3 months and up to 6 months	**2,138,845**	2,126,411	2,041,533
- Over 6 months and up to 12 months	**7,952,025**	1,698,055	1,935,567
- Over 1 year and up to 5 years	**474,641**	667,511	1,081,791
- Over 5 years	**942**	273,364	359
Total time deposits	**21,532,674**	17,212,976	7,469,320
Total deposit from corporate customers	**72,200,290**	55,429,045	42,334,101
(iii) Government			
Current accounts	**6,167,370**	3,067,666	1,930,362
Savings accounts	**4,090,841**	3,135,643	2,336,691
Time deposits with remaining term to maturity:			
- Up to 3 months	**1,622,363**	22,397	-
- Over 3 months and up to 6 months	**619,611**	1,357,224	400
- Over 6 months and up to 12 months	**745,285**	12,961	925
- Over 1 year and up to 5 years	**5,786**	734	100
Total time deposits	**2,993,045**	1,393,316	1,425
Total deposit from the Government	**13,251,256**	7,596,625	4,268,478
Total deposit from non-bank customers	**169,384,480**	144,850,676	109,241,194

17. OTHER BORROWED FUNDS

	The Group		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks			
- For refinancing	**2,868,023**	673,799	147,921
Other financial institutions			
- For refinancing	**3,869,634**	4,546,841	687,074
Borrowings from banks			
- In Mauritius	**2,132,609**	4,198,169	1,537,781
- Abroad	**5,651,819**	4,267,394	2,113,232
	14,522,085	13,686,203	4,486,008
Remaining term to maturity			
Up to 3 months	**4,454,541**	802,383	2,273,183
Over 3 months and up to 6 months	**4,432,455**	3,195,843	-
Over 6 months and up to 12 months	**1,454,929**	4,055,012	211,169
Over 1 year and up to 5 years	**3,451,364**	3,726,968	530,565
Over 5 years	**728,796**	1,905,997	1,471,091
	14,522,085	13,686,203	4,486,008

18. TAXATION

Accounting policy

Income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Corporate social responsibility (CSR)

Corporate social responsibility (CSR) was legislated by the government of Mauritius in July 2009. In terms of the legislation, the Group is required for all its companies domiciled in Mauritius 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 Bank will be required to remit to the Director General at least 75% of the CSR contribution. This is recorded

Bank levy

SBM Bank (Mauritius) Ltd is liable to pay a special levy of 10% on its chargeable income of segment A operations and 3.4% on book profit plus 1% on operating income of segment B operations. The special levy is included in the income tax expense and current tax liabilities in the consolidated financial statements.

The applicable income tax rate in Mauritius is 15% (2016 and 2015: 15%). An additional charge is applicable in respect of Corporate Social Responsibility and Special Levy on Banks. The applicable tax rate for India is 43.26% (2016: 43.26% and 2015: 43.26%); for Madagascar is 20% (2016: 20% and 2015: 20%) and for Kenya is 30% (2016: 30% and 2015: 30%). Foreign tax credit of 80 % is applicable for Segment B chargeable income thereby reducing the income tax rate for this particular segment to 3%.

18 a. TAX EXPENSE

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit before tax	**1,621,776**	3,160,298	2,989,331	**638,102**	1,251,118	66,185
Tax on accounting profit at 15%	**243,266**	474,045	448,400	**95,715**	187,668	9,928
Effect of tax rates in foreign jurisdiction	**43,077**	-	-	**-**	-	-
Non allowable expenses	**1,202,980**	594,287	2,492	**87,501**	3,092	2,540
Exempt income	**(776,421)**	(413,623)	(37,525)	**(189,110)**	(195,902)	-
Deferred tax assets not recognised	**(2,772)**	4,792	-	**5,894**	5,078	-
Deferred tax on bargain purchase (note 43)	**(355,833)**	-	-	**-**	-	-
Under / (Over) provision in previous periods	**14,686**	(70,008)	(2,595)	**10,188**	(3,835)	2,052
Special levy on banks	**184,345**	142,325	235,544	**-**	-	-
Corporate Social Responsibility contribution	**24,362**	40,412	79,692	**679**	1,004	2,459
Withholding tax	**11,665**	3,292	4,877	**-**	-	-
	589,355	775,522	730,885	**10,867**	(2,895)	16,979
Tax refund	**69,233**	11,608	-	**-**	-	-
Foreign tax credit	**(282,606)**	(201,755)	(50,456)	**-**	-	-
Total tax income / (expense)	**375,982**	585,375	680,429	**10,867**	(2,895)	16,979

The total tax expense can also be analysed as being incurred as follows:

Income tax expense	**186,133**	245,100	564,490	**10,251**	(3,835)	14,475
Deferred income tax (*Note 18b*)	**153,822**	296,571	31,370	**(64)**	(64)	45
Corporate Social Responsibility contribution	**24,362**	40,412	76,692	**679**	1,004	2,459
Withholding tax	**11,665**	3,292	4,877	**-**	-	-
Total tax expense	**375,982**	585,375	680,429	**10,867**	(2,895)	16,979

The total tax expense can also be analysed as being incurred as follows:

In Mauritius	**728,094**	511,366	654,096	**10,867**	(2,895)	16,979
Overseas	**(352,112)**	74,009	26,333	**-**	-	-
Total tax expense	**375,982**	585,375	680,429	**10,867**	(2,895)	16,979

18. TAXATION (CONT'D)

Accounting policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

18 b. DEFERRED TAX (ASSETS) / LIABILITIES

	The Group	The Company
	MUR' 000	MUR' 000
At 01 January 2016	(276,756)	19
Exchange difference	4,869	-
Deferred income tax (Note 18a)	31,370	45
Deferred tax on retirement benefit obligations	441	-
Underprovision of deferred tax liability in prior years	24,816	-
At 31 December 2016	(215,260)	64
At 01 January 2017	(215,260)	64
Exchange difference	962	-
Deferred income tax (Note 18a)	296,569	(64)
Deferred tax on retirement benefit obligations	(6,827)	-
At 31 December 2017	75,444	-
At 01 January 2017	**75,444**	**-**
Exchange difference	**7,711**	**-**
Deferred income tax (Note 18a)	**153,822**	**-**
Deferred tax on retirement benefit obligations	**(5,694)**	**-**
Underprovision of deferred tax liability in prior years	**(161,246)**	**-**
At 31 December 2018	**70,037**	**-**

18. TAXATION (CONT'D)

18b. DEFERRED TAX (ASSETS) / LIABILITIES (CONT'D)

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Deferred tax assets	**(89,440)**	(95,461)	(215,260)	**-**	-	-
Deferred tax liabilities	**159,477**	170,905	-	**-**	-	64
	70,037	75,444	(215,260)	**-**	-	64
Analysed as resulting from:						
Accelerated capital allowances	**543,746**	420,080	134,500	**-**	-	64
Allowances for credit impairment	**(669,169)**	(438,390)	(433,455)	**-**	-	-
Carried forward losses	**(218,218)**	(137,810)	(139,391)	**-**	-	-
Revaluation of property	**248,315**	253,118	241,813	**-**	-	-
Other provisions	**165,363**	(21,554)	(18,727)	**-**	-	-
	70,037	75,444	(215,260)	**-**	-	64

19. OTHER LIABILITIES

Accounting policy

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation, which has arisen as a result of past events and for which a reliable estimate can be made. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Bills payable	**237,305**	183,037	136,655	**-**	-	-
Accruals for expenses	**726,976**	408,555	352,758	**12,307**	601	650
Accounts payable	**4,059,709**	3,047,964	1,229,784	**79,470**	4,900	5,347
Deferred income	**41,505**	43,377	270,130	**-**	-	-
Balance due in clearing	**318,669**	(2,755)	(3,720)	**-**	-	-
Balances in transit	**772,878**	413,459	66	**-**	-	-
Pension liability *(Note 14)*	**109,621**	91,752	67,707	**-**	-	-
ECL on memorandum Items *(Note 22)*	**179,700**	-	-	**-**	-	-
Others	**259,931**	113,869	286,303	**-**	-	-
	6,706,294	4,299,258	2,339,683	**91,777**	5,501	5,997

20. SUBORDINATED DEBTS

Loans and borrowings are recognised initially at fair value, net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the *statement of profit or loss* when the liabilities are derecognised as well as through the EIR amortisation process.

	The Group and the Company		
	31 December 2018	31 December 2017	31 December 2016
Subordinated Bonds:	**MUR' 000**	MUR' 000	MUR' 000
Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024	**1,522,229**	1,522,656	1,524,503
Class B 1 series bond of USD floating interest rate senior unsecured bonds maturing in 2021	**2,237,195**	2,178,810	2,340,868
Class A 2 series bond of MUR fixed interest rate senior unsecured bonds maturing in 2028	**3,060,520**	-	-
Class B 2 series bond of USD fixed interest rate senior unsecured bonds maturing in 2025	**2,592,733**	-	-
	9,412,677	3,701,466	3,865,371

20. SUBORDINATED DEBTS (CONT'D)

The public offer for the issue of subordinated senior unsecured multicurrency floating interest rate bonds for Class A 1 series Bond of MUR 1,000 million opened on 20 December 2013. It was oversubscribed and a maximum amount of MUR 1.5 billion, of MUR 10,000 notes with half yearly floating coupon payment of Repo rate + 1.35% per annum maturing in 2024, was retained including the optional amount. Similarly an amount of USD 65.0 million, of USD 1,000 notes with half yearly payment of floating coupon 6-months LIBOR + 175bps per annum maturing in 2021, was retained for the issue of Class B 1 series bond of USD 50 million on 15 February 2014 including the optional amount. The public offer was issued by the State Bank of Mauritius Ltd (renamed as SBM Bank (Mauritius) Ltd) and the bonds are eligible as Tier II Capital.

As at 02 October 2014, on the appointed day of the Group restructure, all the bondholders of Class A 1 series and Class B 1 series Bonds of MUR 1.5 billion and USD 65.0 million repectively were transferred to the Company (SBM Holdings Ltd) with corresponding matching assets (investments).

The public offer for the issue of subordinated senior unsecured multicurrency fixed interest rate bonds for Class A2 and B2 Series Bonds of MUR 2 Billion and USD 50 Million respectively opened on 29 May 2018. Class A2 Series Bonds were oversubscribed and a maximum amount of MUR 3.06 Billion, of MUR 10,000 bonds with half yearly fixed coupon payment of 5.75% per annum maturing in 2028, was retained including the optional amount. Similarly an amount of USD 75.66 Million, of USD 1,000 bonds with half yearly payment of fixed coupon rate of 4.75% per annum maturing in 2025, were retained including the optional amount. The public offer was issued by the SBM Holdings Ltd (SBMH) and the bonds are eligible as Tier II Capital.

These bonds are quoted on the Official Market of the Stock Exchange of Mauritius (SEM) pre and post restructure.

21. STATED CAPITAL

Accounting policy

(i) ***Share issue costs***

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(ii) ***Treasury shares***

Where the Group purchases its own equity share capital, the consideration paid is deducted from total shareholders’ equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders’ equity.

	The Group		The Company	
Issued and paid up share capital	Number	MUR' 000	Number	MUR' 000
At 31 December 2018	**3,037,402,230**	**32,500,204**	**3,037,402,230**	**32,500,204**
At 31 December 2017	3,037,402,230	32,500,204	3,037,402,230	32,500,204
At 31 December 2016	30,374,022,300	32,500,204	30,374,022,300	32,500,204
Treasury shares held				
At 31 December 2018	**455,610,330**	**4,875,031**	**455,610,330**	**4,875,031**
At 31 December 2017	455,610,330	4,875,031	455,610,330	4,875,031
At 31 December 2016	4,556,103,300	4,875,031	4,556,103,300	4,875,031

Fully paid ordinary shares carry one vote per share and the right to dividend, except for treasury shares which have no such rights.

As at 31 December 2018, the nominal value of the treasury shares amounted to MUR'000 4,875,031 (2016: MUR'000 4,875,031; 2015: MUR'000 4,875,031).

22. DIVIDEND

Accounting policy

Dividends on ordinary shares are recognised in equity in the period in which they are authorised by the directors. Dividends that are declared after the reporting date are dealt with in the notes to the financial statements.

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
Dividend declared after the reporting date:	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
2018: 5 cents ; 2017: 10 cents (2016: 10 cents) per share of nominal 10 cents	**129,090**	258,179	258,179	**129,090**	258,179	258,179
Dividend declared in preceeding year and paid in current year:						
2017: 10 cents 10 cents; 2016: 10 cents 10 cents; 2015: 11 cents per share of nominal 10 cents;	**258,179**	258,179	283,997	**258,179**	258,179	283,997
Dividend declared paid in current year:						
2018:25 cents ; 2017:30 cents ; 2016: 30 cents per share of nominal 10 cent	**645,453**	774,543	774,543	**645,453**	774,543	774,543
	903,632	1,032,722	1,058,540	**903,632**	1,032,722	1,058,540
Less dividend declared and paid during the year	**(903,632)**	(1,032,722)	(1,058,540)	**(903,632)**	(1,032,722)	(1,058,540)
Dividend payable	**-**	-	-	**-**	-	-

Dividend declared after the reporting date is not recognised as a liability in the financial statements as at 31 December .

23. MEMORANDUM ITEMS

Accounting policy

Acceptances

Acceptances are obligations to pay on due date the bills of exchange drawn on customers. It is expected most of these acceptances will be honoured by the customers on due dates. Acceptances are accounted for as off-balance sheet items and are disclosed under memorandum items.

Contingent liabilities

Contingent liabilities which include certain guarantees and letters of credit pledged are possible obligations that arise from past events whose existence will be confirmed by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of SBM Holdings Ltd; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Financial guarantee contracts

Liabilities under financial guarantee contracts which are not classified as insurance contracts are recorded initially at fair value, which is generally the fee received or present value of the fee receivable. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation and the best estimate of the expenditure required to settle the obligations.

a. Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers

		The Group		
		31 December 2018	31 December 2017	31 December 2016
		MUR' 000	MUR' 000	MUR' 000
	Acceptances on account of customers	**435,096**	804,367	138,697
	Guarantees on account of customers	**8,285,833**	7,565,487	4,631,643
	Letters of credit and other obligations on account of customers	**861,137**	2,129,501	1,198,163
	Other contingent items	**-**	-	-
		9,582,066	10,499,355	5,968,502
b.	Commitments			
	Undrawn credit facilities	**9,071,296**	14,238,833	6,787,125
c.	Other			
	Inward bills held for collection	**303,789**	188,954	175,996
	Outward bills sent for collection	**1,497,623**	1,929,689	2,083,674
		1,801,412	2,118,643	2,259,670
	Total	**20,454,774**	26,856,831	15,015,298

23. MEMORANDUM ITEMS (CONT'D)

The Group is subject to various legal claims from former employees and customers with claims totallying MUR 1,381.75 million (2017: MUR 544.1 million; 2016:MUR 415.05 million). The Group has not made any provision for those claims on the basis that it is not probable that these actions will suceed.

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

	31 December 2018				31 December 17
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing					
High grade	4,738,147	70,095	-	4,808,242	9,187,890
Standard grade	6,775,947	5,413,009	-	12,188,956	4,255,665
Sub-standard grade	3,419,089	34,990	-	3,454,079	13,025,352
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	3,498	3,497	387,924
Total	14,933,183	5,518,094	3,498	20,454,774	26,856,831

23. MEMORANDUM ITEMS (CONT'D)

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	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 1 January 2018	28,381,507	9,126	-	28,390,633
New assets originated or purchased	10,225,358	637,436	3,498	10,866,292
Assets derecognised or repaid (excluding write offs)	(23,649,104)	4,846,953	-	(18,802,150)
At 31 December 2018	14,957,761	5,493,516	3,498	20,454,774

	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2018	172,837	26	-	172,863
New assets originated or purchased	35,015	23,544	4,590	63,149
Assets derecognised or repaid (excluding write offs)	(46,406)	(9,906)	-	(56,312)
At 31 December 2018	161,446	13,664	4,590	179,700

24. ASSETS PLEDGED

The aggregate carrying amount of assets that have been pledged to secure the credit facilities of the Group with Central Banks and of the Group's Indian Operations with Clearing Corporation of India Limited are as follows:

	The Group		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Treasury bills / Government bonds	**7,512,485**	2,077,648	549,811
Other	**-**	52,909	-
	7,512,485	2,130,557	549,811
Analysed as:			
- In Mauritius	**3,542,550**	1,694,900	400,000
- Overseas	**3,969,935**	435,657	149,811
	7,512,485	2,130,557	549,811

25. CAPITAL COMMITMENTS

	The Group		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Approved and contracted for	**116,213**	58,934	39,752
Approved and not contracted for	**72,333**	64,757	138

26. OPERATING LEASE

Accounting policy

Rentals payable under operating leases are charged to the *Statement of profit or loss* on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

	The Group		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Leasing arrangements - The Group as lessee			
Operating lease expense	**155,277**	102,407	78,573

Operating lease payments represent rentals payable for property, equipment and motor vehicles. Operating lease contracts contain renewal clauses in the event that the Group exercises its option to renew the contracts. The Group does not have an option to purchase the assets at the expiry of the lease period.

The future minimum lease payments under non-cancellable operating leases are as follows:

	The Group		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Up to 1 year	**96,724**	92,523	131,102
After 1 year and before 5 years	**219,441**	142,263	243,563
After 5 years and up to 25 years	**121,239**	65,916	54,216
	437,404	300,702	428,881

27. NET INTEREST INCOME / (EXPENSES)

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured.

For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group and the Company revise their estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the Group and the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3’, the Group calculates interest income by applying the effective interest rate to the outstanding amount of the financial asset. For all credit impaired assets, the interest income is reversed and charged against the outstanding amount of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Interest income on financial instruments at amortised cost						
Cash and cash equivalents	**272,443**	136,010	53,666	**-**	-	-
Loans to and placements with banks	**206,188**	54,162	53,496	**-**	-	-
Loans and advances to non-bank customers	**6,457,991**	5,387,346	4,645,051	**-**	-	-
Investment securities	**1,114,845**	778,076	1,137,665	**77,913**	131,045	227,814
	8,051,467	6,355,594	5,889,878	**77,913**	131,045	227,814
Interest income on financial instruments at fair value						
Investment securities	**943,885**	677,615	405,058	**-**	-	-
Derivative financial instruments	**(181,641)**	(31,903)	(46,590)	**-**	-	-
Other	**3,145**	6,040	1,420	**-**	-	-
	765,389	651,752	359,888	**-**	-	-
Total interest income	**8,816,856**	7,007,347	6,249,765	**77,913**	131,045	227,814
Interest expense						
Deposits from non-bank customers	**(2,179,998)**	(1,926,008)	(1,684,227)	**-**	-	-
Other borrowed funds	**(482,496)**	(164,567)	(31,570)	**-**	-	-
Subordinated debts	**(309,019)**	(149,011)	(150,694)	**(309,019)**	(149,011)	(149,307)
Other	**-**	-	-	**-**	-	-
Total interest expense	**(2,971,513)**	(2,239,586)	(1,866,491)	**(309,019)**	(149,011)	(149,307)
Net interest income / (expense)	**5,845,343**	4,767,761	4,383,274	**(231,106)**	(17,966)	78,507

28. NET FEE AND COMMISSION INCOME/(EXPENSE)

Accounting policy

Fees and commission income and expense are recognized on an accrual basis when the service has been provided. Commission and fees arising from negotiation of transactions with third parties, or participating in the negotiation of a transaction for a third party is recognized on completion of the underlying transaction. Fees and commission that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed.

Other fees and commission expense relate mainly to transaction and services fee, which are expensed as the services are received.

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Fee and commission income						
Retail banking customer fees	**267,980**	341,847	311,954	**-**	-	-
Corporate banking customer fees	**484,534**	417,851	272,360	**-**	-	-
Brokerage income (Note 28 a 1)	**42,920**	71,297	35,281	**-**	-	-
Asset management fees (Note 28 a 1)	**64,772**	93,869	31,432	**-**	-	-
Card income	**353,533**	313,941	429,541	**-**	-	-
Other (Note 28 a 1)*	**93,590**	30,088	1,377	**-**	-	-
Total fee and commission income	**1,307,329**	1,268,892	1,081,945	**-**	-	-
Fee and commission expense						
Interbank transaction fees	**(17,002)**	(14,099)	(17,790)	**-**	-	-
Brokerage	**(1,139)**	(2,250)	(3,915)	**-**	-	-
Other	**(12,778)**	(13,036)	(7,641)	**(199)**	(339)	-
Total fee and commission expense	**(30,919)**	(29,385)	(29,346)	**(199)**	(339)	-
Net fee and commission income/(expense)	**1,276,410**	1,239,508	1,052,599	**(199)**	(339)	-

* Out of the other fee and commission income (2018: MUR'000 93,590) and (2017:MUR'000 30,088) an amount of MUR'000 60,688 and MUR'000 12,719 pertain to revenue from contract with customers disclosed in note 28.a 1.

28.a REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting policy

Prior to 01 January 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The specific recognition criteria described below must also be met before revenue is recognised.

Dividend income from equity investments is accounted for in the statement of profit or loss and other comprehensive income when the right to receive payment is established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

As from 01 January 2018

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 Securities Ltd

The Company provides stock broking services. The Company acts as a broker between potential investors and investees. 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.

28.a REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Identify the performance obligations (cont'd)

SBM Securities Ltd (cont'd)

The Company determined that commission from local equity, commission from local bonds, commission from international equity and commission from international bonds are capable of being distinct since they are different services being provided and the contracts are separate.

SBM Fund Services Ltd

The Company acts as registrar and transfer agent for numerous listed companies and mutual funds. It also provides administration services including trade and fees processing, net asset value computation and fund accounting services. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that registry fees, administrative fees, trustee fees and debenture holder representative fees are capable of being distinct since they are different services being provided and the contracts are separate.

SBM Capital Markets Ltd

The Company provides corporate finance advisory 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 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 Securities Ltd

The commission fees represent a fixed rate which is charged to the investor. However, this may vary depending on whether the investor benefits from a discount fee or a minimum fee.

SBM Fund Services Ltd

Registry fees from Funds and administrative fees represent variable consideration which is based on each period’s NAV. Registry fees from Funds and administrative fees are recognised as the service is provided and it is probable that the fee will be received.

Registry fees from other clients, trustee fees and debenture holder representative fees are generated through agreements between the entity and the clients and are charged a fixed contract amount. Invoicing is done on a quarterly / half yearly and yearly basis and the fees are recognised when they are probable to be received.

28.a REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting policy (cont'd)

SBM Capital Markets Ltd

Corporate finance advisory fees are generated through agreements between the entity and the clients and are charged a fixed contract amount. Invoicing is done on a quarterly / half yearly and yearly basis and the fees are recognised when they are probable to be received.

Arranger fees are based on an agreed percentage of the amount raised on behalf of the client. The fees are recognised when they are probable to be received.

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 Securities Ltd

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 Fund Services Ltd

The transaction price which comprises the variable consideration related to the registry and administrative fee is allocated to each individual month as the registry and administrative fee relates specifically to the entity's efforts to provide registry/administrative services during the month.

Trustee fees and debenture holder representative fees are allocated to each client on a monthly basis based on the agreement in place.

SBM Capital Markets Ltd

The corporate finance advisory fees are allocated to each client once the assignment has been completed.
Arranger fees are allocated as per the agreement in place between the Company and the client.

28.a REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting policy (cont'd)

SBM Factors Ltd

Factoring fees are allocated to each batch of invoices being financed.
Signing fee is fixed amount charged to the client.

SBM Insurance Agency Ltd

Commission from life and general insurance is allocated to each client on a monthly basis based on the premium collected by the Insurance Company.

DTA commission is allocated once the service is completed based on the agreement in place.

Satisfaction of performance obligations

SBM Mauritius Asset Managers Ltd

The Company concluded that the management and retrocession fees are recognised over time as the customer simultaneously receives and consumes the benefits provided by the Company when the latter discharges the service or the Company's performance enhances the assets that the fund controls.

On the other hand, entry and exit fees are recognised at a point in time as the benefits are obtained only upon new investment or disinvestment by a customer. Arranger fees and commission from structured products are also recognised at a point in time as they are a one-off fee received upon the completion of the capital raising and at the start of the life of each product respectively.

SBM Securities Ltd

The Company concluded that the commission income is recognised at a point in time. The Company recognises the revenue as the service is provided.

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 corporate finance advisory fees and arranger fees are recognised at a point in time upon completion of assignment.

SBM Factors Ltd

The Company concluded that the factoring fees are recognised at a point in time upon financing of each batch of invoice. 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 Securities 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.

28.a REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting policy (cont'd)

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.

28.a 1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

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	THE GROUP	
	Year ended 31 December 2018	Year ended 31 December 2017
	MUR'000	MUR'000
SBM Mauritius Asset Managers Ltd		
Management fees	**47,432**	34,333
Retrocession fees	**4,978**	3,200
Entry and exit fees	**6,575**	3,712
Arranger fees	**-**	43,034
Commission from structured products	**5,787**	9,590
Asset management fees	**64,772**	93,869
SBM Securities Ltd		
Commission income - Local equity	**11,997**	35,818
Commission income - Foreign equity	**4,542**	5,288
Commission income - Local bonds	**3,179**	9,481
Commission income - Foreign bonds	**23,202**	20,711
Brokerage income	**42,920**	71,297
SBM Fund Services Ltd		
Registry fees from Funds	**3,267**	3,147
Registry fees from other clients	**3,854**	2,116
Trustee fees	**859**	1,372
Debenture holder representative fees	**255**	302
Administrative fees	**6,251**	5,764
SBM Capital Markets Ltd		
Advisory fees	**322**	-
Arranger fees	**-**	-
SBM Factors Ltd		
Factoring fees	**2,327**	9
Signing fees	**190**	10
SBM Insurance Agency Ltd		
Life commission	**19,223**	-
General commission	**2,713**	-
DTA commission	**21,427**	-
Others	**60,688**	12,719
Total revenue from contracts with customers	**168,380**	177,886
Geographical markets		
Mauritius	**137,607**	148,687
Europe	**14,480**	12,657
US	**10,064**	10,364
Asia Pacific	**2,646**	2,653
Africa	**3,583**	3,525
Total revenue from contracts with customers	**168,380**	177,886
Timing of revenue recognition		
Services transferred at a point in time	**134,070**	127,652
Services transferred over time	**34,310**	50,234
Total revenue from contracts with customers	**168,380**	177,886

29. DIVIDEND INCOME

Accounting policy

Dividend is recognised when the Group's and Company right to receive the payment is established, which is generally when the dividend is declared.

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Financial assets measured at FVOCI	**53,782**	20,855	38,268	**49,818**	-	27,563
Investment in subsidiaries	**-**	-	-	**1,150,500**	1,239,262	-
Investment in associate	**-**	-	-	**32,750**	31,273	-
Trading securities	**56,269**	646	596	**-**	-	-
	110,051	21,501	38,864	**1,233,068**	1,270,535	27,563

30. NET GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS

Accounting policy

Results arising from trading activities and includes all gains and losses from changes in fair value for financial assets and financial liabilities held-for-trading.

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Net gain/(loss) from trading instruments	**337,734**	519,417	(25,120)	**-**	-	-
Investment securities at fair value through profit or loss	**54,921**	(2,506)	(5)	**-**	-	-
Other	**117,194**	(373)	17	**-**	-	-
	509,849	516,538	(25,108)	**-**	-	-

31. NET GAIN FROM SALE OF SECURITIES

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
Assets measured at amortised cost	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Net gain on derecognition of financial assets measured at fair value through other comprehensive income	**4,321**	164,864	415,416	**(794)**	(10,529)	9,331
Net gain on derecognition of financial assets measured at amortised cost	**33,179**	284,573	35,762	**28,408**	22,907	-
Net gain on derecognition of financial assets at fair value through profit or loss	**166,958**	14,996	4,322	**-**	387	3,705
	204,458	464,433	455,500	**27,614**	12,765	13,036

32. OTHER OPERATING INCOME

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Bargain purchase gain arising on acquisition	**957,941**	-	-	**-**	-	-
Gain on disposal of plant and equipment	**115,710**	1,221	4,265	**-**	-	-
	1,073,651	1,221	4,265	**-**	-	-

33. PERSONNEL EXPENSES

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:
(a) wages, salaries and social security contributions;
(b) paid annual leave and paid sick leave;
(c) bonuses; and
(d) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
(b) as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

The Group operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under personnel expenses. Unpaid contributions are recorded as a liability. Refer to note 14 for accounting policy on defined benefit plans.

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Wages and salaries	**1,558,686**	1,242,870	1,043,922	**75,782**	6,938	-
Other social security obligations	**1,950**	18,601	16,672	**799**	99	-
Contributions to defined contribution plans	**172,108**	101,808	79,768	**6,176**	603	-
Amount recognised in respect of defined benefit plans (*Notes 14 and 37)*	**30,274**	26,471	30,098	**-**	-	-
Staff welfare cost	**23,774**	18,335	14,625	**42**	-	-
Management and professional charges	**-**	8,828	18,226	**-**	-	-
Security and cleaning services	**66,352**	74,041	71,867	**-**	-	-
Others	**172,941**	128,038	120,717	**21,454**	11,203	3,830
	2,026,085	1,618,992	1,395,895	**104,253**	18,843	3,830

34. OTHER EXPENSES

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Software licensing and other information technology cost	**511,849**	493,556	505,332	**75,151**	19	50
Auditors' remuneration (audit and other services):						
- Principal auditors	**13,025**	9,715	9,913	**518**	468	733
- Other auditors	**743**	5,779	354	**-**	-	-
Utilities	**55,111**	58,256	54,968	**-**	-	-
Professional charges	**147,126**	104,043	84,841	**50,869**	40,932	33,764
Marketing costs	**77,260**	83,970	58,541	**7,669**	1,517	1,134
Rent, repairs and maintenance	**169,972**	116,350	165,863	**-**	-	-
Licence and other registration fees	**38,130**	37,479	26,399	**12,951**	15,414	11,538
Impairment of goodwill	**417,715**	-	-	**-**	-	-
Impairment of subsidiary at cost	**-**	-	-	**45,277**	-	-
Other*	**413,340**	190,126	89,512	**61,295**	3,216	786
	1,844,271	1,099,274	995,723	**253,729**	61,566	48,005

* *Includes mainly printing,stationary,subscription and other operational cost.*

35. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

Accounting policy

Prior to 01 January 2018

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For available-for-sale (AFS) equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, its carrying amount is reduced by the impairment loss for loans and advances to customers where the carrying amount is reduced through the use of an allowance account.

For AFS financial assets the cumulative gains or losses previously recognised in *Other comprehensive income* are reclassified to the *Statement of profit or loss* .

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of AFS equity investments, any increase in fair value subsequent to an impairment loss is recognised in *Other comprehensive income* and accumulated under the *Net unrealised investment fair value reserve* .

From 01 January 2018

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:
- Loans and advances to banks;
- Loans and advances to customers;
- Debt investment securities;
- Loan commitments issued;
- Financial guarantee contracts, bills and letters of credit.

With the exception of POCI assets, ECLs are required to be measured through a loss allowance at an amount equal to:
- 12-month ECL, that is, lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as stage 1); or
- full lifetime ECL, that is, lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as stage 2 and stage 3).

A loss allowance for fulltime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since intial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.
The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood of 'investment grade'.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

The Group measures ECL on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender would not otherwise consider;

35. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS (CONT'D)

Accounting policy

Credit-impaired financial asset (cont'd)

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for the financial asset because of financial difficulties; or
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiatied due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairement. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Definition of default and cure

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different type of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators such as breach of covenants, overdue status, non-payment on another obligation of the same counterparty. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources, for example, BOM guidelines on impairment.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as stage 2 or stage 1 once cured depends on the updated credit grade, at the time of the cure and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The table below shows the impairment charges recorded in the income statement under IFRS 9 during 2018:

The Group	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	(164,345)	358,377	3,517,718	3,711,750
Loans and placements with banks*	47,975	-	-	47,975
Debt instruments measured at amortised cost**	28,445	-	17,565	46,010
Loan commitments	(19,832)	-	-	(19,832)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(26,734)	-	4,590	(22,146)
Total credit loss expense under IFRS 9	(134,491)	358,377	3,539,873	3,763,757
Bad debts recovered	-	-	-	(204,407)
	(134,491)	358,377	3,539,873	3,559,350

The Company	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Debt instruments measured at amortised cost	1,646	-	-	1,646
Total credit loss expense under IFRS 9	1,646	-	-	1,646

* ECL movement for cash and cash equivalents are included under loans and placement with banks

** ECL movement for debt instrument at FVTOCI are included under debt instruments measured at amortised cost.

35. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS (CONT'D)

	The Group	
	Restated 31 December 2017	Restated 31 December 2016
	MUR' 000	MUR' 000
Portfolio and specific provisions:		
- On-balance sheet advances *(Note 8c)*	1,101,435	651,527
Bad debts written off for which no provisions were made	8,720	70,029
Recoveries of advances written off	(142,873)	(3,725)
Other	147,998	(932)
	1,115,280	716,899
Of which:		
Credit exposure	967,282	717,831
Other financial assets	147,998	(932)
	1,115,280	716,899

36. EARNINGS PER SHARE

Earnings per share is calculated by dividing profit attributable to equity holders of the parent by the number of shares outstanding during the year, excluding treasury shares.

	The Group		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Profit attributable to equity holders of the parent	**1,245,794**	2,574,923	2,308,902
Number of shares entitled to dividend (thousands)	**2,581,792**	2,581,792	2,581,792
Earnings per share (cents)	**48.25**	99.73	89.43

37. NET CASH FROM OPERATING ACTIVITIES

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
Cash flows from operating activities	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit for the year	**1,245,794**	2,574,923	2,308,902	**627,235**	1,254,013	49,206
Adjustments to determine net cash flows:						
Depreciation of property and equipment	**205,246**	166,796	158,036	**1,946**	1,203	1,203
Amortisation of intangible assets	**621,951**	503,170	191,968	**6**	-	-
Write off of property plant and equipment	**109,932**	37,874	-	**-**	-	-
Pension expense (Note 31)	**30,274**	26,471	30,098	**-**	-	-
Net impairment loss on financial assets (Note 33)	**3,559,350**	1,115,280	716,899	**-**	-	-
Write off of Intangible assets	**81,847**	-	-	**-**	-	-
Bargain Gain	**(957,939)**	-	-	**-**	-	-
Impairement of Goodwill	**417,714**	-	-	**-**	-	-
Exchange difference	**61,149**	27,852	(122,420)	**52,803**	(163,914)	(814)
Net loss/ (gain) on sale of financial assets at FVOCI investments	**(200,761)**	83	(2,708)	**-**	67,071	2,591
Net (gain) / loss from dealings in trading securities	**(4,321)**	(30,726)	21,781	**-**	-	-
Net (gain) / loss on disposal of property and equipment	**(115,710)**	(1,222)	(508)	**-**	-	-
Net gain on financial assets at amortised cost	**(16,197)**	-	-	**(27,614)**	-	-
Fair Value Movement in FVOCI Investment	**-**	-	-	**-**	-	-
Net loss / (gain) on loans and advances at fair value through profit or loss	**(509,849)**	1,608	(995)	**-**	-	-
Interest income	**-**	-	-	**(77,913)**	(131,045)	(227,814)
Interest expense	**-**	-	-	**309,019**	149,011	149,307
Tax expense	**379,633**	585,375	680,429	**10,867**	(2,895)	16,979
Share of profit of associate	**(100,240)**	(92,296)	(1,627)	**-**	-	-
Dividend income (Note 28)	**(110,051)**	(21,501)	(38,864)	**(1,233,068)**	(1,270,535)	(27,563)
Operating profit / (loss) before working capital changes	**4,697,822**	4,893,687	3,940,991	**(336,719)**	(97,091)	(36,906)
Change in operating assets and liabilities						
(Decrease) / increase in trading assets	**597,017**	(1,160,049)	(43,637)	**-**	-	-
(Increase) / decrease in loans to and placements with banks	**2,505,522**	(4,251,489)	(3,436,965)	**-**	-	-
(Increase) / decrease in loans and advances to non bank customers	**255**	(31,101,876)	(3,549,386)	**-**	-	-
(Increase) / decrease in gilt-edged investment securities	**(28,303,861)**	(3,837,429)	(4,082,685)	**(1,466,430)**	1,422,126	1,254,257
Decrease / (increase) in other investment securities	**352,159**	4,234,496	2,778,203	**(178,348)**	1,439,879	646,076
Increase in mandatory balances with central banks	**10,708,544**	(1,798,338)	(178,086)	**-**	-	-
(Increase) / decrease in other assets	**(241,747)**	(399,544)	216,729	**(82,862)**	(68,947)	(1)
Increase / (decrease) in trading liabilities	**(535,200)**	1,152,228	61,632	**-**	-	-
(Decrease) / increase in deposits from banks	**27,437**	(1,922,404)	1,859,950	**-**	-	-
Increase in deposits from non-bank customers	**4,926,494**	34,335,239	4,960,091	**-**	-	-
Increase / (decrease) in other liabilities	**1,574,513**	1,587,959	(72,468)	**86,275**	(495)	2,504
Interest received	**-**	-	-	**77,804**	202,313	274,053
Interest paid		-	-	**(306,567)**	(151,036)	(145,554)
Other dividend received	**142,801**	52,774	164,200	**1,233,068**	1,052,273	152,834
Income tax paid	**(296,145)**	(550,533)	(668,086)	**(10,363)**	2,546	(31,969)
Net cash from operating activities	**(3,844,388)**	1,234,721	1,950,483	**(984,142)**	3,801,568	2,115,295

38. RELATED PARTY DISCLOSURES

Accounting policy

For the purposes of these financial statements, parties are considered to be related to the Group if they have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or if they and the Group are subject to common control. Related parties may be individuals or other entities.

The Group

		Key management personnel including directors			Associates and other entities in which the Group has significant influence			Entities (including their subsidiaries) in which the Group has significant influence			Entities in which directors, key management personnel and their close family members have significant influence		
		31 Dec 2018	31 Dec 2017	31 Dec 2016	**31 Dec 2018**	31 Dec 2017	31 Dec 2016	**31 Dec 2018**	31 Dec 2017	31 Dec 2016	**31 Dec 2018**	31 Dec 2017	31 Dec 2016
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
(a)	Credit facilities												
(i)	*Loans*												
	Balance at beginning of year	**170,942**	100,296	30,901	**2,868,421**	-	-	**3,205**	-	-	**5,450,405**	1,320,812	194,906
	Loans to directors / entities who ceased to be related parties during the year	**(23,513)**	(3,799)	(7,961)	**(391,377)**	-	-	**-**	-	-	**(3,365,943)**	-	(194,906)
	Existing loans of new related parties	**23,208**	-	9,256	**-**	2,868,421	-	**65**	3,205	-	**-**	4,101,901	63,701
	Other net movements	**39,074**	74,445	68,101	**112,147**	-	-	**3,432**	-	-	**(396,696)**	27,692	1,257,111
	Balance at end of year	**209,711**	170,942	100,297	**2,589,191**	2,868,421	-	**6,702**	3,205	-	**1,687,766**	5,450,405	1,320,812
(ii)	*Off-balance sheet obligations*												
	Balance at end of year	**50**	100	100	**678,424**	768,315	-	**12,000**	12,000	-	**34,535**	50,600	23,414
(b)	Deposits at end of year	**237,401**	154,318	99,057	**1,566,800**	2,142,657	546,792	**171,484**	284,721	250,952	**2,765,967**	3,948,271	59,247
(c)	Interest income	**9,317**	8,054	3,493	**84,922**	54,306	-	**18,781**	83,239	404	**70,609**	260,205	49,020
(d)	Interest expense	**1,791**	1,251	644	**19,934**	27,239	498	**-**	2,126	2,976	**5,461**	11,345	-
(e)	Other income	**32**	36	225	**13,908**	13,828	1,803	**2**	1	2,011	**32,153**	44,384	6,430
(f)	Dividend income	**-**	-	-	**-**	-	-	**-**		11,000	**-**	-	-
(g)	Purchase of goods and services	**8,943**	9,264	6,143	**-**	-	-	**-**	-	-	**-**	-	-
(h)	Emoluments	**91,380**	56,685	47,131	**-**	-	-	**-**	-	-	**-**	-	-

38. RELATED PARTY DISCLOSURES (CONT'D)

	The Group		
	31 Dec 2018	31 Dec 2017	31 Dec 2016
Related party transactions in relation to Post Employment Benefit Plans are as follows:	**MUR' 000**	MUR' 000	MUR' 000
Deposits at end of year	**97,051**	63,809	148,576
Interest expense	**-**	-	250
Other income	**-**	-	213
Contributions paid	**170,970**	104,823	90,151

Credit facilities to key management personnel and executive directors are as per their contract of employment. 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.

39. 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.

Pursuant to the Group restructuring approved by the Bank of Mauritius under Section 32A of the Banking Act, which became effective on 02 October 2014, SBM Holdings Ltd is now the ultimate holding company of the SBM Group. Surplus capital held by SBM Bank (Mauritius) Ltd (formerly known as State Bank of Mauritius Ltd) have been streamed up to SBM Holdings Ltd which in turn invested in SBM (Bank) Holdings Ltd, the holding company for the Banking segment. As per the constitution of SBM Holdings Ltd, not less than 90% of its capital, reserves and borrowings shall be invested in banking activities/operations. SBM Holdings Ltd and also SBM (Bank) Holdings Ltd are supervised by the Bank of Mauritius (BOM) as per the conditions of BOM approval of the SBM Group Restructuring and BOM approval is required whenever capital will be injected in the operating companies in accordance with the order of priority specified under Section 36 of the Banking Act to ensure planned growth and regulatory compliance.

Banks in Mauritius are required to maintain a ratio of eligible capital to risk weighted assets of at least 10%, whereas for India,Kenya and Madagascar, the minimum ratio is set at 9%,10% and 8% respectively.

	The Group		
	31 Dec 2018	31 Dec 2017	31 Dec 2016
	MUR' 000	MUR' 000	MUR' 000
Tier 1 Capital	**19,717,395**	20,010,395	18,598,479
Eligible capital	**30,058,634**	25,109,218	24,027,477
Risk weighted assets	**122,052,041**	125,684,007	93,479,869
Capital adequacy ratio (%)	**24.63**	19.98	25.70

40. OTHER RESERVES

The Group	Net unrealised investment fair value reserve	Net translation reserve	Net other reserve	Earnings reserve	Restructure reserve	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2016	(698,920)	256,060	-	2,935,807	(8,316,147)	(5,823,200)
Other comprehensive income for the year	467,253	(80,866)	1,276	-	-	387,663
At 31 December 2016	(231,667)	175,194	1,276	2,935,807	(8,316,147)	(5,435,537)
At 01 January 2017	(231,667)	175,194	1,276	2,935,807	(8,316,147)	(5,435,537)
Other comprehensive income for the year	(84,196)	(65,347)	290	-	-	(149,253)
At 31 December 2017	(315,863)	109,847	1,566	2,935,807	(8,316,147)	(5,584,790)
At 01 January 2018	**(315,863)**	**109,847**	**1,566**	**2,935,807**	**(8,316,147)**	**(5,584,790)**
Impact of adopting IFRS 9	**34,993**	**-**	**-**	**-**	**-**	**34,993**
Restated opening balance under IFRS 9	**(280,870)**	**109,847**	**1,566**	**2,935,807**	**(8,316,147)**	**(5,549,797)**
Other comprehensive income for the year	**(556,262)**	**(176,373)**	**(96,235)**	**-**	**-**	**(828,870)**
At 31 December 2018	**(837,132)**	**(66,526)**	**(94,669)**	**2,935,807**	**(8,316,147)**	**(6,378,667)**

Net unrealised investment fair value reserve

This reserve comprise of fair value movements recognised on fair value through other comprehensive income.

Net translation reserve

The net translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries and associates.

Statutory reserve

This reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the profit for the year is transferred each year until the balance is equal to the amount paid as stated capital.

Net other reserve

Net other reserve is used to record the share of other comprehensive income of the associate. Out of the MUR' 000 96,235, MUR' 000 45,578 relates to revaluation adjustment, MUR'000 17,884 to translation reserve and retirement benefit obligation of MUR'000 32,773.

Earnings reserve

The earnings reserve represents retained earnings earmarked towards capital contribution upon transfer of the Indian Operations of SBM Bank (Mauritius) Ltd to SBM Holdings Ltd. We have received approval from the Reserve Bank of India (RBI) for the conversion of SBM Bank(Mauritius) Ltd's indian branch into a wholly owned subsidiary. This reserve will be converted into capital upon successful completion of the conversion.

Restructuring reserve

Restructuring reserve includes net unrealized investment fair value reserve of MUR 5,401 million, net translation reserve of MUR 646 million and net property revaluation reserve of MUR 1,063 million and shall be reclassified to the statement of profit or loss upon disposal of the related asset.

41. RISK MANAGEMENT

The Board of Directors oversees the risk management framework and ensures decision making is aligned with the Board-driven strategic risk objectives and risk appetite. Board approve the risk policies and a set of prudential limits and risk tolerance limits, besides regulatory limits, within which the Group operates. The Senior Management monitors risks totally on an ongoing basis at regular intervals as necessary and is accountable to ensure its operations are within approved policies, prudential limits besides regulatory limits and risk appetite approved framework. Any deviation and non-compliance are reported to Board Risk Committee. The principal risks arising from financial instruments to which the Group is exposed include credit risk, liquidity risk, market risk, operational risk, strategic risk and reputational risk.

a (i) Classification of financial assets and financial liabilities

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities:

Financial assets	**Original Classification under IAS 39**	**New classifcation under IFRS 9**	**Original Carrying amount under IAS 39 as at 31 December 2017**	**New Carrying amount under IFRS 9 as at 01 January 2018**	**Carrying amount under IFRS 9 as at 31 December 2018**
			MUR' 000	**MUR' 000**	**MUR' 000**
Cash and cash equivalents	Loans and receivables	Amortised Cost	16,331,538	16,315,340	**15,653,515**
Mandatory balances with central banks	Loans and receivables	Amortised Cost	8,966,717	8,966,717	**9,977,260**
Loans to and placements with banks	Loans and receivables	Amortised Cost	8,897,399	8,881,309	**11,090,361**
Derivative financial instruments	Fair value through P&L	Fair value through P&L	1,356,774	1,356,774	**764,077**
Loans and advances to non-bank customers	Loans and receivables	Amortised cost	103,128,838	102,876,592	**102,108,174**
Investments - AFS (Equity and/or Debt Instruments)	Available-for-sale	Fair value through OCI	13,079,833	13,079,833	**29,901,138**
Investments - HFT	Fair value through P&L	Fair value through P&L	7,512,462	7,512,462	**10,062,970**
Investments - HTM	Held-to-maturity	Amortised cost	19,408,126	19,384,977	**31,630,179**
Other assets	Loans and receivables	Amortised Cost	765,324	765,324	**1,432,707**
Total financial assets			179,447,011	179,139,328	**212,620,381**
Financial liabilities					
Deposits from banks	Amortised Cost	Amortised Cost	689,265	689,265	**716,702**
Deposits from non-bank customers	Amortised Cost	Amortised Cost	144,850,676	144,850,676	**169,384,480**
Derivative financial instruments	Fair value through P&L	Fair value through P&L	1,334,641	1,334,641	**799,441**
Other borrowed funds	Amortised Cost	Amortised Cost	13,686,203	13,686,203	**14,522,085**
Other liabilities	Amortised Cost	Amortised Cost	2,076,706	2,076,706	**3,397,898**
Total financial liabilities			162,637,491	162,637,491	**188,820,606**

41. RISK MANAGEMENT (CONT'D)

a (ii) Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments held at the reporting date.

	31 December 2018		31 December 2017		31 December 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
GROUP	**MUR' 000**	**MUR' 000**	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets						
Cash and cash equivalents	**15,653,515**	**15,653,515**	16,331,538	16,331,538	9,490,208	9,490,208
Mandatory balances with central banks	**9,977,260**	**9,977,260**	8,966,717	8,966,717	7,097,994	7,097,994
Loans to and placements with banks	**11,090,361**	**11,090,361**	8,897,399	8,897,399	4,645,911	4,645,911
Derivative financial instruments	**764,077**	**764,077**	1,356,774	1,356,774	165,998	165,998
Loans and advances to non-bank customers	**102,108,174**	**102,636,234**	103,128,838	103,057,726	71,624,874	72,072,262
Investment securities	**71,594,287**	**75,496,262**	40,000,421	42,525,808	39,430,829	39,344,593
Equity investments	**5,752,870**	**5,752,870**	6,137,779	6,137,779	5,732,722	5,732,722
Other assets	**1,432,707**	**1,432,707**	765,324	765,324	403,538	403,538
	218,373,251	**222,803,287**	185,584,790	188,039,065	138,592,074	138,953,226
Financial liabilities						
Deposits from banks	**716,702**	**716,702**	689,265	689,265	2,611,669	2,611,669
Deposits from non-bank customers	**169,384,480**	**169,505,655**	144,850,676	144,855,080	109,241,194	109,246,841
Other borrowed funds	**14,522,085**	**14,522,085**	13,686,203	13,686,203	4,486,008	4,486,008
Derivative financial instruments	**799,441**	**799,441**	1,334,641	1,334,641	182,413	182,413
Other liabilities	**3,397,898**	**3,397,898**	2,076,706	2,076,706	2,233,164	2,233,164
Subordinated debts	**9,412,677**	**9,412,677**	3,701,466	3,701,466	3,865,371	3,865,371
	198,233,283	**198,354,458**	166,338,957	166,343,361	122,619,819	122,625,466
COMPANY						
Financial assets						
Cash and cash equivalents	**32,890**	**32,890**	73,223	73,223	15,321	15,321
Investment securities	**3,105,326**	**3,327,032**	1,461,801	1,508,806	4,305,882	4,365,967
Equity investments	**4,227,683**	**4,227,683**	4,292,925	4,292,925	4,261,347	4,261,347
Other assets	**153,309**	**153,309**	70,448	70,448	1,501	1,501
	7,519,209	**7,740,916**	5,898,397	5,945,402	8,584,051	8,644,136
Financial liabilities						
Other liabilities	**91,777**	**91,777**	5,423	5,423	5,997	5,997
Subordinated debts	**9,412,677**	**9,412,677**	3,701,466	3,701,466	3,865,371	3,865,371
	9,504,454	**9,504,454**	3,706,889	3,706,889	3,871,368	3,871,368

For loans and advances to non-bank customers, all the fixed loans and advances maturing after one year has been fair valued based on the current prevailing lending rate.
For investment securities, all the government bonds and BOM bonds have been fair valued based on the latest weighted yield rate.

For deposits from non-bank customers, all the term deposits maturing after one year has been fair valued based on the current prevailing savings rate.
Except for the levels in which the financial assets and financial liabilities are shown in table 41 (a)(iii), the fair values of the other financial assets and financial liabilities are categorised in level 3.

41. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy

Significant accounting estimates and judgements

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

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

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

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

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

	The Group				The Company			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2018								
Derivative financial assets	-	764,077	-	764,077	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	8,946,665	1,116,305	-	10,062,970	-	-	-	-
Investments at FVTOCI (debt and equity instruments)								
Debt securities	21,763,457	7,678,094	459,589	29,901,138	-	680,639	-	680,638
Equity securities	111,702	631,655	5,009,513	5,752,870	-	-	4,227,683	4,227,683
Loans and advances at FVTPL*	-	-	4,670,782	4,670,782	-	-	-	-
Total assets	30,821,824	10,190,132	10,139,884	51,151,837	-	680,639	4,227,683	4,908,322
Derivative financial liabilities	-	799,441	-	799,441	-	-	-	-
Total liabilities	-	799,441	-	799,441	-	-	-	-

*** Relate to those loans where fair value hedge accounting is applied. Their carrying amount is adjusted for changed in fair value. The discounted cash flow method is used to value these loans.**

41. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy (cont'd)

	The Group				The Company			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2017								
Derivative financial instruments	-	1,356,774	-	1,356,774	-	-	-	-
Held-for-trading financial assets	5,767,996	1,744,466	-	7,512,462	-	-	-	-
Loans and advances at fair value	-	-	2,278,438	2,278,438	-	-	-	-
Investment securities - available-for-sale	8,024,317	4,424,901	630,615	13,079,833	-	475,929	-	475,929
Equity investments - available-for-sale	150,289	784,139	5,203,530	6,137,959	-	-	4,292,925	4,292,925
	13,942,602	8,310,280	8,112,583	30,365,465	-	475,929	4,292,925	4,768,854
Derivative financial liabilities	-	1,334,641	-	1,334,641	-	-	-	-
31 December 2016								
Derivative financial assets	-	165,998	-	165,998	-	-	-	-
Loans and advances at fair value	-	-	137,026	137,026	-	-	-	-
Investment securities - available-for-sale	11,156,442	970,160	334,420	12,461,022	1,538,299	359,585	-	1,897,884
Equity investments - available-for-sale	-	-	5,732,722	5,732,722	-	-	4,261,347	4,261,347
	11,156,442	1,136,158	6,204,168	18,496,768	1,538,299	359,585	4,261,347	6,159,232
Derivative financial liabilities	-	182,413	-	182,413	-	-	-	-

Loans and advances at fair value relate to the fair value of hedged assets (Note 41(d)(ii)).

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)	3,839,565	3,839,565

41. RISK MANAGEMENT (CONT'D)

Reconciliation for level 3 fair value measurements:

	The Group			The Company		
	31 December 2017	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Balance at start of year	**5,873,346**	6,067,998	6,071,614	**4,292,925**	4,261,347	5,534,324
Additions	**4,557,189**	614,249	1,221,929	**-**	-	-
Impairment	**-**	(3,688)	-	**-**	-	-
Disposals	**(683,731)**	-	(232,589)	**-**	-	-
Transfer to associate	**-**	-	(1,273,430)	**-**	-	(1,273,430)
Transfer to Level 2	**-**	(784,139)	(147,189)	**-**	-	-
Exchange difference	**341,939**	(14)	(10)	**-**	-	-
Movement in fair value	**51,141**	(21,060)	427,673	**(65,242)**	31,578	453
Balance at end of year	**10,139,884**	5,873,346	6,067,998	**4,227,683**	4,292,925	4,261,347

There was no transfer between Level 1 and 2 during the year.

b Credit risk

The Group is exposed to credit risk through its lending, trade finance, treasury, asset management and leasing activities. Credit risk is the risk of loss arising from the failure of a counterparty to fulfil its contractual or financial obligations to the Group as and when they fall due. The Group's credit risk is managed through a portfolio approach with prudential limits set across country, bank, industry, group and individual exposures. The credit risk team, independent of the origination process, ensures the accumulation of assets within acceptable risk norms using internal and external rating systems for the standardisation of credit assessment. The Group has a tiered credit sanctioning process depending on the credit quality, exposure type and amount. Credit exposures and risk profile are monitored by the Credit Risk Management unit and reported regularly to the Board Risk Management Committee.

41. 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		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Fund-based exposures:						
Cash and cash equivalents	**12,191,837**	14,161,991	7,463,137	**32,890**	73,223	15,321
Mandatory balances with Central Banks	**9,977,260**	8,966,717	7,097,994	**-**	-	-
Loans to and placements with banks	**11,127,328**	8,897,399	4,645,911	**-**	-	-
Derivative financial instruments	**764,077**	1,356,774	165,998	**-**	-	-
Loans and advances to non-bank customers	**112,426,043**	107,197,841	75,775,554	**-**	-	-
Investment securities (excluding equity investme	**71,614,171**	40,000,421	39,430,829	**7,333,009**	1,461,801	4,305,882
Other assets	**1,432,707**	765,324	403,538	**153,309**	70,448	1,501
	219,533,423	181,346,467	134,982,960	**7,519,208**	1,605,471	4,322,704
Non-fund based exposures:						
Acceptances, guarantees, letters of credit, endorsements and other obligations on account	**11,383,478**	12,617,998	8,228,172	**-**	-	-
Credit commitments	**9,071,296**	14,238,833	6,787,125	**-**	-	-
	20,454,774	26,856,831	15,015,298	**-**	-	-

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 Notes 7 and 10.

41. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

An analysis of credit exposures, including non-fund based facilities, for advances to non-bank customers that are neither past due nor impaired using the Group's credit grading system is given below:

	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Grades:			
1 to 3 - High Grade	**43,961,314**	53,825,569	30,857,635
4 to 6 - Standard	**35,196,815**	36,694,096	32,741,310
7 to 10 (including unrated) - Sub standard	**34,593,279**	33,776,743	17,888,994
	113,751,408	124,296,408	81,487,939

Grade 1 includes customers with low credit risk factors, strong financial conditions and excellent repayment capacities whereas grade 10 includes unrated customers which have been defaulted to 10 on a prudent basis.

The carrying amounts of loans and advances whose terms have been renegotiated during the year amounted to MUR 7,842.45 million (2017: MUR 4,082.77 million and 2016: MUR 2,952.10 million) for the Group.

All cash and cash equivalents, loans and placements with banks and loans and receivables – investment securities are held with financial institutions having grades 1 to 5.

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 defree 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.

41. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposure analysed by type of products and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Group's internal credit risk grades to external ratings.

Group's credit risk grades	Moody's rating	Description
1	Aaa	High Grade
2	Aa1	High Grade
3	Aa2 to Aa3	High Grade
4	A1 to A3	Standard
5	Baa1 to Ba1	Standard
6	Ba1	Standard
7	Ba2 to Ba3	Sub-standard
8	B1	Sub-standard
9	B2 to B3	Sub-standard
10	Caa1 to NR	Sub-standard

The Group analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time and uses probability-weighted forecasts to adjust estimates of PDs.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since intial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrate otherwise.
The Group has monitoring procedures in place to ensure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due. The Group performs periodic back-testing of its ratings to consider whether the drivers of credit-risk that led to default were accurately reflected in the rating in a timely manner.

1. Inputs, assumptions and techniques used in estimating impairment : Refer to Note 9 (c) Credit Impairment

2. Significant increase in credit risk

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Goup compares the risk of a default occuring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of deafult 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 date. Different economic scenario 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.

41. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

2. Significant increase in credit risk (cont'd)

For corporate lending, forward-looking information includes the future prospects of the industries in which the Group's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly to certain industries, as well as internally generated information of customer payment behaviour. The Group allocated its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for the point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate a significant increase in credit risk are reflected in PD models on a timely basis. However the Group still considers separately some qualitative factors to assess if credit risk has increased significantly, such as, creditworthiness of counterparty which has deteriorated as unemployment, bankruptcy or death.

As a back-stop when an asset becomes 30 days past due (rebuttable presumption), the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

3. Modified financial asset

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modifcation does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

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

The Group renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under this policy, renegotiation is performed on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to renegotiation policy. For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal based on the Group's previous experience on similar renegotiation.

Generally modification of financial assets is a qualitative indicator of a significant increase in credit risk and may constitute evidence that the exposure is credit-impaired/ in default. A customer needs to demonstrate consistently good payment behaviour over a period of time, as prescribed by BOM guidelines on Credit Impaired Measurement (see below) before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

41. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

3. Modified financial asset

Where the restructuring occurs prior to the classification of a loan as impaired, the restructured loan is classified as impaired when, in the aggregate, the period of time the loan is in arrears before and after restructuring is 90 days or more.
Where the restructuring occurs after a loan has been classified as impaired, the restructured loan is continued to be classified as impaired until repayments have been received by the Group, in amount and in such stipulated time, for a continuous period of six months, strictly in accordance with the terms and conditions of the restructured loan.
Where the loan has been restructured more than once, the restructured loan shall continue to be classified as impaired until repayments have been received by the financial institutions in amount and in such stipulated time, for a continuous period of nine months, at a minimum, strictly in accordance with the terms and conditions of the restructured loan.

4. Incorporation of forward-looking information

The Group incorporates forward looking information that is available without undue cost and effort into both its assessment of whether the credit risk of an instrument has increased significantly since its intial 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 informatio, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.
The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.
The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The following key indicators were considered for year ended 31 December 2018: GDP, interest rates.

Measurement of ECL : The key inputs into the measurement of ECL are the following:

(i) probability of default (PD);
(ii) loss given default (LGD);
(iii) exposure at default (EAD).

These parameters are derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

41. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

5. Measurement of ECL

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property. LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment 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.

41. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(iii) Collateral and other credit enhancements

The use of credit risk mitigants is an integral part of the credit risk management process and is documented in the Group Credit Risk policy. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types taken include:

- Fixed / floating charge on assets of borrowers;
- Pledge of deposits / securities / life insurance policy / shares;
- Government guarantee / bank guarantee / corporate guarantee / personal guarantee;
- Lien on vehicle; and
- Letter of comfort.

The Group holds collateral and other credit enhancement against certain of its credit exposure. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Note	31 December 2018	31 December 2017	31 December 2016	Principal Type of collateral held
		MUR' 000	MUR' 000	MUR' 000	
Fund-based exposures:					
Cash and cash equivalents	*(i)*	**12,191,837**	14,161,991	7,463,137	*Unsecured*

41. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(iii) Collateral and other credit enhancements

Type of credit exposure	Note	31 December 2018	31 December 2017	31 December 2016	Principal Type of collateral held
		MUR' 000	MUR' 000	MUR' 000	
Mandatory balances with Central Banks	*(ii)*	**9,977,260**	8,966,717	7,097,994	*Unsecured*
Loans to and placements with banks	*(iii)*	**11,127,328**	8,897,399	4,645,911	*Unsecured*
Derivative financial instruments	*(iv)*	**764,077**	1,356,774	165,998	*Unsecured*
Loans and advances to non-bank customers	*(v)*	**112,426,043**	107,197,841	75,775,554	*Residential property*
Investment securities	*(vi)*	**71,614,171**	40,000,421	39,430,829	*Unsecured*
Other assets	*(vii)*	**1,432,707**	765,324	403,538	*Unsecured*
Non-fund based exposures:					
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	*(viii)*	**11,383,478**	12,617,998	8,228,172	*Residential property*
Credit commitments	*(ix)*	**9,071,296**	14,238,833	6,787,125	*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.

41. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(iii) Collateral and other credit enhancements

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral at 31 December 2018. There was no change in the Group's collateral policy during the year.

(iv) Ageing of receivables that are past due but not impaired:

	THE GROUP		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Up to 1 month	**393,924**	458,267	115,589
Over 1 month and up to 3 months	**600,625**	102,881	121,561
	994,549	561,148	237,150

Under the Group's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due The table below provides an analysis of the gross carrying amount of receivables by past due status:

	31 December 2018	
	Gross Carrying	**Loss Allowance**
	MUR' 000	**MUR' 000**
0-30 days (Stage 1)	61,266,857	147,613
31-89 days (Stage 2)	32,926,111	1,634,218
Total	94,192,968	1,781,831

41. 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		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 9d)	**18,233,076**	4,786,528	4,998,437
Specific allowance held in respect of impaired advances (Note 9d)	**8,536,038**	2,741,141	3,105,952
Fair value of collaterals of impaired advances	**11,018,417**	3,137,676	1,721,767

41. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(vi) Credit concentration of risk by industry sectors

Total outstanding credit facilities, net of deposits where there is a right of set off, including guarantees, acceptances, and other similar commitments extended by the Group to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base, classified by industry sectors:

	THE GROUP		
	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Portfolio			
Agriculture	**5,603,930**	2,478,382	2,509,798
Building Contractors	**-**	-	-
Traders*	**15,920,016**	9,190,737	4,292,431
Real estate	**3,168,948**	5,396,668	2,850,895
Services	**2,357,501**		-
Tourism	**2,850,973**	6,212,128	4,839,141
	29,901,368	23,277,915	14,492,265

* Included in the loan portfolio for trading companies is one specific group of related borrowers with total exposure of MUR 3.4 billion net of cash collaterals. This group of borrowers was considered as credit impaired at year end with an allowance for expected credit losses of MUR 1.5 billion being recorded at 31 December 2018. Following the credit losses incurred for the segment B portfolio of clients, the bank has reviewed its risk appetite and amended its credit policies to reinforce its control on Segment B lending as well as reduce its credit concentration on single counterparties or group of connected counterparties.

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.

41. 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
Group	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
31 December 2018								
Financial assets								
Cash and cash equivalents	14,536,882	1,159,932	-	-	-	-	(43,299)	15,653,515
Mandatory balances with central banks	3,323,940	349,823	187,544	454,851	430,880	5,230,222	-	9,977,260
Loans to and placements with banks	430,879	156,693	5,890,689	1,839,650	2,805,190	-	(32,740)	11,090,361
Derivative financial instruments	-	-	-	-	-	-	764,077	764,077
Loans and advances to non-bank customers	5,668,063	8,194,649	4,400,516	9,768,676	23,517,096	46,027,502	4,531,672	102,108,174
Investment securities	24,062,494	3,281,361	2,625,241	11,085,242	11,727,931	17,838,008	974,010	71,594,287
Equity investments	-	-	-	-	-	-	5,752,870	5,752,870
Other assets	-	-	-	-	-	-	1,432,707	1,432,707
	48,022,258	13,142,458	13,103,990	23,148,419	38,481,097	69,095,732	13,379,297	218,373,251
Financial liabilities								
Deposits from banks	697,414	19,288	-	-	-	-	-	716,702
Deposits from non-bank customers	26,726,407	9,681,266	5,900,702	10,819,633	8,005,193	108,251,280	-	169,384,480
Other borrowed funds	3,809,441	1,423,797	4,589,089	1,601,463	2,766,610	331,684	-	14,522,085
Derivative financial instruments	-	-	-	-	-	-	799,441	799,441
Subordinated debts	-	-	-	-	2,236,443	7,176,234	-	9,412,677
Other liabilities	-	-	-	-	-	-	3,397,898	3,397,898
Total financial liabilities	31,233,262	11,124,351	10,489,791	12,421,096	13,008,246	115,759,198	4,197,339	198,233,283
Liquidity Gap	16,788,996	2,018,107	2,614,199	10,727,323	25,472,851	(46,663,466)	9,181,958	20,139,968
31 December 2017								
Financial assets	34,664,907	17,791,556	13,634,096	13,869,520	35,360,022	62,684,296	7,580,393	185,584,790
Financial liabilities	16,799,540	14,712,492	8,913,010	8,456,008	7,708,039	108,415,227	1,334,641	166,338,957
Liquidity Gap	17,865,367	3,079,064	4,721,086	5,413,512	27,651,983	(45,730,931)	6,245,752	19,245,833

41. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2016								
Financial assets	16,087,022	9,220,286	11,931,110	13,113,864	34,179,128	47,547,494	6,513,170	138,592,074
Financial liabilities	10,726,398	4,310,391	3,642,819	4,907,546	7,227,079	91,623,174	182,412	122,619,819
Liquidity Gap	5,360,624	4,909,895	8,288,291	8,206,318	26,952,049	(44,075,680)	6,330,758	15,972,255

	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
Company								
31 December 2018								
Financial assets								
Cash and cash equivalents	**32,890**	**-**	**-**	**-**	**-**	**-**	**-**	**32,890**
Investment securities	**181,334**	**-**	**52,754**	**698,500**	**1,080,000**	**1,092,738**	**-**	**3,105,326**
Equity investments	**-**	**-**	**-**	**-**	**-**	**-**	**4,227,683**	**4,227,683**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**153,309**	**153,309**
	214,224	**-**	**52,754**	**698,500**	**1,080,000**	**1,092,738**	**4,380,992**	**7,519,209**
Financial liabilities								
Subordinated debts					**2,236,443**	**7,176,234**	**-**	**9,412,677**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**91,777**	**91,777**
	-	**-**	**-**	**-**	**2,236,443**	**7,176,234**	**91,777**	**9,504,454**
Liquidity Gap	**214,224**	**-**	**52,754**	**698,500**	**(1,156,443)**	**(6,083,496)**	**4,289,215**	**(1,985,244)**
31 December 2017								
Financial assets	143,671	-	8,872	-	-	977,000	4,768,854	5,898,396
Financial liabilities	5,423	28,388	-	-	-	3,673,078	-	3,706,889
Liquidity Gap	138,248	(28,388)	8,872	-	-	(2,696,078)	4,768,854	2,191,507

41. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

31 December 2016								
Financial assets	341,267	-	515,382	718,858	1,556,797	3,068,373	2,383,374	8,584,051
Financial liabilities	3,493	21,979	4,681	-	-	3,835,478	5,737	3,871,368
Liquidity Gap	337,774	(21,979)	510,701	718,858	1,556,797	(767,105)	2,377,637	2,335,047

(ii) The table below shows the remaining contractual maturities of financial liabilities:

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
Financial liabilities							
Deposits	**130,325,973**	**16,566,948**	**5,244,485**	**9,460,009**	**8,287,697**	**216,070**	**170,101,182**
Derivative financial instruments	**799,441**	**-**	**-**	**-**	**-**	**-**	**799,441**
Other borrowed funds	**-**	**5,233,238**	**4,589,089**	**1,601,463**	**2,582,886**	**515,408**	**14,522,085**
Other liabilities	**3,397,898**	**-**	**-**	**-**	**-**	**-**	**3,397,898**
31 December 2018	**134,523,311**	**21,800,186**	**9,833,574**	**11,061,472**	**10,870,583**	**731,478**	**188,820,605**
31 December 2017	112,720,129	23,817,220	8,824,536	8,534,226	5,550,216	6,203,364	165,649,692
31 December 2016	92,003,698	9,447,757	2,963,975	4,750,741	4,770,435	2,935,581	116,872,187
Company							
Financial liabilities							
Subordinated debts	**-**	**-**	**-**	**2,236,443**	**7,176,234**	**9,412,677**	
Other liabilities				**-**	**91,777**	**91,777**	
31 December 2018	**-**	**-**	**-**	**2,236,443**	**7,268,011**	**9,504,454**	
31 December 2017	-	5,423	28,388	-	-	3,673,078	3,706,889
31 December 2016	-	5,997	-	-	-	-	5,997

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.

41. RISK MANAGEMENT (CONT'D)

d Market risk

(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.

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 2018	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Assets								
Cash and cash equivalents	3,561,137	-	-	-	-	-	12,092,378	15,653,515
Mandatory balances with central banks	-	40,000	-	-	-	-	9,937,260	9,977,260
Loans to and placements with banks	5,865,955	3,634,285	1,496,667	-	-	-	93,455	11,090,361
Derivative financial instruments	-	-	-	-	-	-	764,077	764,077
Loans and advances to non-bank customers	82,880,313	4,535,007	2,228,944	5,135,766	5,292,272	7,020,775	(4,984,903)	102,108,174
Investment securities	14,798,692	7,398,165	14,099,461	6,701,127	16,006,898	11,575,502	1,014,442	71,594,287
Equity investments	-	-	-	-	-	-	5,752,870	5,752,870
Other assets	-	-	-	-	-	-	1,432,707	1,432,707
Total assets	107,106,097	15,607,457	17,825,072	11,836,893	21,299,170	18,596,277	26,102,286	218,373,251
Liabilities								
Deposits from banks	62,791	-					653,911	716,702
Deposits from non-bank customers	83,108,627	4,913,600	8,626,656	6,335,444	166,850	1,613	66,231,691	169,384,480
Other borrowed funds	4,937,134	5,270,586	1,437,557	2,817,025	-	-	59,783	14,522,085
Derivative financial instruments	-	-	-	-	-	-	799,441	799,441
Subordinated debts	1,522,229	2,236,443				5,623,165	30,840	9,412,677
Other liabilities	-	-	-	-	-	-	3,397,898	3,397,898
Total liabilities	89,630,781	12,420,629	10,064,212	9,152,469	166,850	5,624,778	71,173,564	198,233,283
On balance sheet interest rate sensitivity gap	17,475,316	3,186,829	7,760,859	2,684,424	21,132,320	12,971,499	(45,071,277)	20,139,967
Off balance sheet interest rate sensitivity gap	(11,887,461)	(7,650,544)	(1,122,192)	(7,684,782)	(5,176,968)	(2,900,292)	-	(36,422,240)
	5,587,855	(4,463,715)	6,638,668	(5,000,357)	15,955,352	10,071,207	(45,071,277)	(16,282,273)

41. RISK MANAGEMENT (CONT'D)

d Market risk

(i) Interest rate risk

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2017								
Total assets	85,273,811	20,002,497	10,923,884	7,484,367	17,890,744	15,399,298	28,610,189	185,584,790
Total liabilities	86,374,078	8,578,700	4,865,057	3,657,460	3,074,444	1,506,971	58,282,247	166,338,957
On balance sheet interest rate sensitivity gap	(1,100,267)	11,423,797	6,058,827	3,826,907	14,816,300	13,892,327	(29,672,058)	19,245,833
Off balance sheet interest rate sensitivity gap	(12,670,421)	(1,844,470)	(427,923)	(997,797)	(2,873,514)	(112,278)	-	(18,926,403)
	(13,770,688)	9,579,327	5,630,904	2,829,111	11,942,786	13,780,049	(29,672,058)	319,430
31 December 2016								
Total assets	63,339,961	14,120,687	7,445,162	11,022,639	17,726,434	4,179,907	20,757,283	138,592,073
Total liabilities	72,792,170	5,922,421	3,023,064	501,817	2,752,008	1,923	37,626,417	122,619,820
On balance sheet interest rate sensitivity gap	(9,452,209)	8,198,266	4,422,098	10,520,822	14,974,426	4,177,984	(16,869,134)	15,972,253
Off balance sheet interest rate sensitivity gap	691,753	19,644	47,392	(39,212)	-	-	-	719,577
	(8,760,456)	8,217,910	4,469,490	10,481,610	14,974,426	4,177,984	(16,869,134)	16,691,830

41. 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 2018	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	-	-	-	-	-	-	32,890	32,890
Investment securities	181,611	38,500	698,500	15,000	1,215,000	445,000	511,713	3,105,325
Equity investments	-	-	-	-	-	-	4,227,683	4,227,683
Other assets	-	-	-	-	-	-	153,309	153,309
Total assets	181,611	38,500	698,500	15,000	1,215,000	445,000	4,925,596	7,519,209
Liabilities								
Subordinated debts	1,522,229	2,236,443				5,623,165	30,840	9,412,677
Other liabilities	-	-	-	-	-	-	91,777	91,777
Total liabilities	1,522,229	2,236,442	-	-	-	5,623,165	122,617	9,504,454
On balance sheet interest rate sensitivity gap	(1,340,618)	(2,197,942)	698,499	15,000	1,215,000	(5,178,165)	4,802,980	(1,985,245)
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	(1,340,618)	(2,197,942)	698,499	15,000	1,215,000	(5,178,165)	4,802,980	(1,985,245)

41. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2017								
Total assets	-	-	-	-	-	977,000	4,921,397	5,898,397
Total liabilities	-	-	-	-	2,173,078	1,500,000	28,388	3,701,466
On balance sheet interest rate sensitivity gap	-	-	-	-	(2,173,078)	(523,000)	4,893,009	2,196,931
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	-	-	-	-	(2,173,078)	(523,000)	4,893,009	2,196,931
31 December 2016								
Total assets	9,944	606,514	489,882	855,503	295,419	1,689,035	4,637,755	8,584,052
Total liabilities	1,500,000	2,334,958	-	-	-	-	36,409	3,871,367
On balance sheet interest rate sensitivity gap	(1,490,056)	(1,728,444)	489,882	855,503	295,419	1,689,035	4,601,346	4,712,685
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	(1,490,056)	(1,728,444)	489,882	855,503	295,419	1,689,035	4,601,346	4,712,685

41. 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.

	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Increase/(decrease) in profit	**589,558**	200,235	(29,195)

(ii) Fair value hedges

	Carrying amount of hedged items		**Accumulated amount of fair value adjustments on the hedged items**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Fixed rate corporate loans	4,410,230	-	115,028	-

The corresponding statement of financial position line items, where the hedged item and the cummulative fair value changes are recorded, is under loans and advances to non-bank customers. Information about the hedging instruments included in the derivative financial instruments line items of the Group's statement of financial position is outlined on Note 8. The ineffectiveness recognised in the statement of profit or loss under Net gain/loss from financial instruments amounting to MUR 44.5 millions.

	Carrying amount of hedged items		**Accumulated amount of fair value adjustments on the hedged items**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Fixed rate corporate loans	4,410,230	-	115,028	-

The corresponding statement of financial position line items, where the hedged item and the cummulative fair value changes are recorded, is under loans and advances to non-bank customers. Information about the hedging instruments included in the derivative financial instruments line items of the Bank's statement of financial position is outlined on Note 8. The ineffectiveness recognised in the statement of profit or loss under Net gain/loss from financial instruments amounting to MUR 44.5 millions.

	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**TOTAL**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	-	-	-	2,650,748	2,650,748

41. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk

Foreign exchange risk arises from open and imperfectly offset or hedged positions. Imperfect correlations across currencies and international interest rate markets pose particular challenges to the effectiveness of foreign currency hedging strategies. The Group exercises strict control over its foreign currency exposures. The Group reports on foreign currency positions to the Central Bank and has set up conservative internal limits in order to mitigate foreign exchange risk. To manage their foreign currency exposures, dealers operate within prudential limits approved by the Board including intraday/overnight open exposures, stop loss and authorised currencies. These trading limits are reviewed at least once annually by the Board / Board Risk Management Committee. The Middle Office closely monitors the Front Office and reports any excesses and deviations from approved limits to the Market Risk Forum and to the Board Risk Management Committee.

The tables below show the carrying amounts of the monetary assets and liabilities:

Group	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
31 December 2018	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS							
Cash and cash equivalents	4,095,007	6,416,239	479,846	805,454	820,147	3,036,823	15,653,515
Mandatory balances with Central Banks	7,803,233	823,330	92,565	47,674	180,242	1,030,216	9,977,260
Loans to and placements with banks	5,348,276	2,326,062	-	3,331,613	-	84,409	11,090,361
Derivative financial instruments	218,601	506,668	4,630	-	7,805	26,373	764,077
Loans and advances to non-bank customers	59,261,154	24,050,589	828,678	9,975,722	3,207,614	4,784,418	102,108,174
Investment securities	49,204,105	17,569,518	-	394,775	2,599,960	1,825,929	71,594,287
Equity investments	5,249,308	499,384	-	3,411	-	767	5,752,870
Other assets	932,946	63,155	469	37,048	173,517	225,572	1,432,707
Total monetary financial assets	132,112,630	52,254,945	1,406,188	14,595,697	6,989,285	11,014,506	218,373,251
LIABILITIES							
Deposits from banks	700,289	-	-	-	14,574	1,839	716,702
Deposits from non-bank customers	89,027,387	46,587,864	2,842,161	8,911,815	3,244,643	18,770,610	169,384,480
Other borrowed funds	160,885	8,555,684	284,044	1,637,762	249,571	3,634,138	14,522,085
Derivative financial instruments	263,087	19,487	8	-	505,387	11,472	799,441
Subordinated debts	4,582,749	4,829,928	-	-	-	-	9,412,677
Other liabilities	480,563	403,513	56,483	714,820	513,911	1,228,609	3,397,898
Total monetary financial liabilities	95,214,960	60,396,476	3,182,696	11,264,397	4,528,086	23,646,668	198,233,283
On balance sheet position	36,897,670	(8,141,531)	(1,776,508)	3,331,299	2,461,199	(12,632,162)	20,139,967
Off balance sheet position	(2,542,005)	2,868,951	122,001	150,181	(56,201)	(542,926)	-
Net currency position	34,355,665	(5,272,580)	(1,654,506)	3,481,480	2,404,998	(13,175,088)	20,139,967

41. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk

The tables below show the carrying amounts of the monetary assets and liabilities, denominated in currencies other than the functional currency of each entity.

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2017							
Total monetary financial assets	98,848,058	52,198,821	1,785,306	18,238,362	11,716,247	2,797,996	185,584,790
Total monetary financial liabilities	88,762,872	52,396,460	1,798,348	14,943,975	6,473,190	1,964,109	166,338,954
On balance sheet position	10,085,186	(197,639)	(13,042)	3,294,387	5,243,057	833,887	19,245,836
Off balance sheet position	669,316	3,600,673	11,227	(439,675)	(3,746,111)	(95,430)	-
Net currency position	10,754,502	3,403,034	(1,815)	2,854,712	1,496,946	738,457	19,245,836
31 December 2016							
Total monetary financial assets	95,295,412	30,241,557	2,254,493	9,774,463	400,185	625,964	138,592,074
Total monetary financial liabilities	80,730,769	30,262,990	2,155,211	8,878,763	34,507	557,579	122,619,819
On balance sheet position	14,564,643	(21,433)	99,283	895,699	365,678	68,385	15,972,255
Off balance sheet position	685,112	3,247	134,314	(334,535)	(404,234)	(83,905)	-
Net currency position	15,249,756	(18,186)	233,597	561,165	(38,556)	(15,520)	15,972,255

The Company is exposed to currency risk only in USD in relation to investment securities (financial assets) amounting to MUR 181.26 million (2017: MUR NIL and 2016: MUR 2,438 million) and subordinated debts (financial liabilities) amounting to MUR 4,829.93 million (2017: MUR 2,213 million and 2016: MUR 2,373 million).

41. 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:

	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	**1,095**	651	170
Maximum for the year	**22,309**	7,579	5,170
Year end	**6,186**	1,282	756

(iv) Equity price sentivity analysis

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than for trading purposes and the Group does not actively trade in these investments. Changes in prices / valuation of these investments are reflected in the statement of comprehensive income, except for impairment losses which are reported in the *statement of profit or loss*. Changes in prices of held-for-trading investments are reflected in the *statement of profit or loss*.

A 5% increase in the price of equities held at the reporting date would have resulted in an unrealised gain to the statement of comprehensive income or statement of profit or loss as reflected below. A 5% decrease would have resulted in an equivalent loss being booked.

	The Group			**The Company**		
	31 December 2018	31 December 2017	31 December 2016	**31 December 2018**	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Statement of comprehensive income	**287,643**	306,889	286,636	**211,384**	214,646	213,067
Statement of profit or loss	**-**	-	-	**-**	-	-
	287,643	306,889	286,636	**211,384**	214,646	213,067

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 5* to the financial statements (summary of accounting policies).

42. 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 in order to allocate resources to the segments and to assess their performance.

The Group has only one reportable operating segment based on its business activities, which is the Banking segment. Its revenues mainly arise from advances to customers and banks, investment in gilt-edged securities and equity instruments, bank placements, services provided on deposit products, provision of card and other electronic channel services, trade finance facilities, trading activities and foreign currency operations.

The accounting policies of the operating segment are the same as those described in the notes to these financial statements.

(a) Information about the reportable segment profit, assets and liabilities

Information about the reportable segment and the reconciliation of the reportable segment information to Group total is shown below:

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2018						
Interest income from external customers	8,722,459	3,359	13,125	77,913	-	8,816,856
Non-interest income from external customers	3,749,612	208,430	5,788	185	-	3,964,015
Revenue from external customers	12,472,070	211,789	18,913	78,098	-	12,780,871
Interest income from internal customers	-	-	-	-	-	-
Non interest income from internal customers	3,580,010	163,855	225	1,230,973	(4,975,063)	-
Revenue from other segments of the entity	3,580,010	163,855	225	1,230,973	(4,975,063)	-
Total gross revenue	16,052,081	375,644	19,138	1,309,071	(4,975,063)	12,780,871
Interest and fee and commission expense to external customers	(2,692,220)	(1,008)	-	(309,203)	-	(3,002,431)
Interest expense to internal customers	(10,436)	-	-	-	10,436	-
	(2,702,656)	(1,008)	-	(309,203)	10,436	(3,002,431)
Operating income	13,349,424	374,636	19,138	999,868	(4,964,626)	9,778,439
Depreciation and amortisation	(823,311)	(1,326)	(540)	(2,020)	-	(827,197)
Other non-interest expenses	(3,052,132)	(138,700)	(2,125)	(358,276)	(319,122)	(3,870,356)
Net impairment loss on financial assets	(3,557,624)	(80)	-	(1,646)	-	(3,559,350)
Operating profit	5,916,356	234,530	16,473	637,927	(5,283,749)	1,521,536
Share of profit of associate	-	-	-	100,240	-	100,240
Profit before income tax	5,916,356	234,530	16,473	738,166	(5,283,749)	1,621,776
Tax expense	(334,115)	(25,841)	(5,159)	(10,867)	-	(375,982)
Profit for the year	5,582,241	208,689	11,314	727,300	(5,283,749)	1,245,794
Segment assets	244,608,362	1,638,394	704,063	37,283,453	(57,860,146)	226,374,126
Segment liabilities	194,136,466	173,949	1,389	9,505,393	(1,620,076)	202,197,120
Additions to tangible and intangible assets	419,767	2,939	-	-	-	422,705

42. SEGMENT INFORMATION - THE GROUP (CONT'D)

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2017						
Interest income from external customers	6,863,369	24	12,909	131,045	-	7,007,347
Non-interest income from external customers	2,540,088	194,959	17,582	80,800	-	2,833,429
Revenue from external customers	9,403,456	194,983	30,491	211,845	-	9,840,776
Interest income from internal customers	-	-	-	-	-	-
Non interest income from internal customers	961,168	3,150	219,161	1,270,535	(2,454,014)	-
Revenue from other segments of the entity	961,168	3,150	219,161	1,270,535	(2,454,014)	-
Total gross revenue	10,364,624	198,133	249,652	1,482,380	(2,454,014)	9,840,776
Interest and fee and commission expense to external customers	(2,117,353)	(2,269)	-	(149,350)	-	(2,268,971)
Interest expense to internal customers	-	-	-	-	-	-
	(2,117,353)	(2,269)	-	(149,350)	-	(2,268,971)
Operating income	8,247,271	195,865	249,652	1,333,030	(2,454,013)	7,571,805
Depreciation and amortisation	(667,696)	(455)	(604)	(1,211)	-	(669,967)
Other non-interest expenses	(2,536,129)	(105,408)	(2,427)	(80,734)	6,432	(2,718,267)
Net impairment loss on financial assets	(967,287)	(3,210)	(147,998)	-	3,215	(1,115,280)
Operating profit	4,076,159	86,792	98,623	1,251,085	(2,444,367)	3,068,291
Share of profit of associate	-	-	-	92,005	-	92,005
Profit before income tax	4,076,159	86,792	98,623	1,343,089	(2,444,367)	3,160,296
Tax expense	(568,144)	(17,436)	(2,690)	2,895	-	(585,375)
Profit for the year	3,508,014	69,356	95,933	1,345,985	(2,444,367)	2,574,921
Segment assets	187,165,686	1,654,359	737,420	31,839,977	(27,376,061)	194,021,381
Segment liabilities	165,328,706	53,339	353,050	3,708,298	(586,788)	168,856,604
Additions to tangible and intangible assets	290,567	2,939	-	-	-	293,505
31 December 2016						
Interest income from external customers	6,021,927	25	-	227,813	-	6,249,765
Non interest income from external customers	1,962,597	79,184	9,344	41,172	-	2,092,297
Revenue from external customers	7,984,524	79,209	9,344	268,985	-	8,342,062
Interest income from internal customers	285	(313)	-	-	28	-
Non interest income from internal customers	79	(16,287)	(900)	1	17,107	-
Revenue from other segments of the entity	364	(16,600)	(900)	1	17,135	-
Total gross revenue	7,984,888	62,609	8,444	268,986	17,135	8,342,062
Interest and fee and commission expense to external customers	(1,742,606)	(3,924)	-	(149,307)	-	(1,895,837)
Interest expense to internal customers	(313)	-	-	-	313	-
	(1,742,919)	(3,924)	-	(149,307)	313	(1,895,837)
Operating income	6,241,969	58,685	8,444	119,679	17,448	6,446,225
Depreciation and amortisation	(348,077)	(230)	(496)	(1,201)	-	(350,004)
Other non interest expenses	(2,292,698)	(53,648)	-	(51,835)	6,563	(2,391,618)
Net impairment loss on financial assets	(717,896)	997	-	-	-	(716,899)
	(3,358,671)	(52,881)	(496)	(53,036)	6,562	(3,458,521)
Operating profit	2,883,298	5,804	7,948	66,643	24,010	2,987,704
Share of profit of associate	-	-	-	1,627	-	1,627
Profit before income tax	2,883,298	5,804	7,948	68,270	24,010	2,989,332
Tax expense	(658,493)	(4,957)	-	(16,979)	-	(680,429)
Profit for the year	2,224,805	847	7,948	51,291	24,011	2,308,902
Segment assets	135,122,768	186,978	1,737,106	9,848,856	-	146,895,708
Segment liabilities	118,782,870	81,980	353,426	3,872,732	-	123,091,008
Additions to tangible and intangible assets	1,753,673	507	-	-	-	1,754,180

42. SEGMENT INFORMATION - THE GROUP (CONT'D)

(b) **Information about the reportable segment revenue from products and services**

	Banking		
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Revenue from external customers arising from the following products and services:			
Loans and advances to non-bank customers	**278,949**	5,798,567	4,887,031
Loans to and placements with banks	**478,630**	190,172	107,161
Exchange income	**758,677**	560,843	361,723
Card income	**332,573**	381,191	416,821
Trade finance services	**1,001,780**	427,305	206,356
Deposit and other products /services	**177,238**	176,006	123,741
	3,027,847	7,534,084	6,102,832

(c) **Information about revenue of the reportable segment by geographical areas**

	Banking		
	Mauritius	**Other countries**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**
31 December 2018			
Revenue from external customers	**5,087,515**	**3,634,944**	**8,722,459**
Tangible and intangible assets	**5,421,828**	**898,815**	**6,320,643**
31 December 2017			
Revenue from external customers	4,805,309	2,058,059	6,863,369
Tangible and intangible assets	5,916,197	367,492	6,283,689
31 December 2016			
Revenue from external customers	6,731,322	1,253,203	7,984,525
Tangible and intangible assets	6,116,697	423,412	6,540,109

43. BUSINESS COMBINATIONS

Significant accounting policies

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:
> fair values of the assets transferred;
> liabilities incurred to the former owners of the acquired business;
> equity interests issued by the Group if any;
> fair value of any asset or liability resulting from a contingent consideration arrangement; and
> fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the
> consideration transferred,
> amount of any non-controlling interest in the acquired entity, and
> acquisition-date fair value of any previous equity interest in the acquired entity
over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or as financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Significant accounting estimates and judgement

Management has made an assessment in accordance with the criteria set out in IFRS 3 –Business Combinations-of whether the acquisition of the carved out assets and assumption of specific liabilities of Chase Bank (Kenya) Ltd (in receivership) (CBLR). The Group concluded that the acquisition meets the definition of a business combination which consists of inputs and processes applied to those inputs that have the ability to create outputs.

Management determined that the inputs relate to equipment and human resources, processes relate to operational processes associated with Banking services delivery and output relates to revenues from Banking services delivery.

The identification of assets and liabilities is critical and their fair value measurement id inherently judgemental and require the use of assumptions and estimates.

Estimated impairment of goodwill
In determining the carrying amount of goodwill, the Group carries out the test on impairment of goodwill on an annual basis. This exercise requires an estimation of the value in use of the cash generating units (CGU) to which goodwill is allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate present value.

These calculations use cash flow projections based on financial budgets approved by management. Cash flows are extrapolated using the estimated growth rates. Management does not expect that the growth rate to exceed the long term average growth rate in which the CGU operates. During the year, management has assessed the goodwill arising from the acquisition of Fidelity Commercial Bank Limited in Kenya to be fully impaired.

During the year the group acquired carved out assets and liabilities of Chase Bank Kenya in liquidation. The Group identified and estimated the fair value of all assets acquired and liabilities assured and allocated the purchase price to their respective fair values. The estimation of fair values make use of observable and non observable inputs and involves a high level of estimation and uncertainty. This excercise of purchase price allocation resulted in a bargain purchase of MUR 1,313 million.

43. BUSINESS COMBINATIONS (CONT'D)

On 18 August 2018, SBM Bank (Holdings) Ltd, through its subsidiary SBM Bank (Kenya) Limited (SBMK) completed the acquisition of the carved out assets and assumption of specific liabilities of Chase Bank (Kenya) Limited (in receivership) (CBLR).

Taking over the carved out assets and liabilities of CBLR has enabled the Group to consolidate its banking business in the Kenyan market and be a strong top Tier 2 bank in Kenya with increased market share.

This acquisition which qualified as a business combination, has resulted in a bargain purchase gain of MUR 1,314 million. The gain on bargain purchase is subject to deferred tax of MUR 356 million on the basis of preparation of consolidated financial statements in accordance with International Financial Reporting Standards. The net balance of the bargain purchase of MUR 958 million has been included in "Other operating income"

For the period from 18 August 2018 to 31 December 2018, the newly acquired assets of CBLR contributed a net interest income of MUR 428 million and profit before tax of MUR 112 million to the Group's results. Given that we have taken only certain assets and liabilities of CBLR, the performance of the book from 01 January 2018 to 31 December 2018, is not available for these assets and liabilities.

The following tables summarise the consideration paid, the fair value of the assets acquired, liabilities assumed at the acquisition date.

(a) **Subsidiary acquired during the year**

Name of Entity	**Principal activity**	**Date of acquisition**	**Proportion of voting equity interest acquired (%)**	**Consideration transferred**
				MUR
Chase Bank (Kenya) Ltd	Banking	18-Aug-18	100.00%	-

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

The fair values of the identifiable assets and liabilities of Chase Bank as at the date of acquisition were:

	Fair value recognised on acquisition
	MUR'000
Assets:	
Cash and cash equivalents	162,158
Balances due with Central Bank	11,719,087
Loans to and placements with banks	4,741,781
Loans and advances to non-bank customers	3,099,446
Investment securities	3,183,833
Property,plant and equipment (Note 11)	433,108
Intangible assets (Note 12)	184,178
Other assets	417,223
	23,940,814
Liabilities:	
Deposits from non-bank customers	19,607,311
Other borrowed funds (including loan capital)	2,063,978
Other liabilities	637,863
	22,309,152
Fair value of identifiable net assets	**1,631,662**
	1,631,662
Fair value of consideration transferred	-
Fair value of contingent consideration-Islamic loan	**(317,890)**
Less Net fair value of the identifiable net assets acquired	**1,631,662**
Bargain purchase gain arising on acquisition	**1,313,772**

Acquisition related costs

The Group incurred acquisition-related costs of MUR 38.9 million on travel, professional fees and due diligence costs. These costs have been included in 'other expenses'.

43. BUSINESS COMBINATIONS (CONT'D)

Bargain purchase arising gain arising on acquisition	**1,313,773**
Deferred tax	**(355,833)**
Net balance of bargain purchase gain	**957,940**

(ii) **Contingent consideration related to Islamic Loan Portfolio measured at fair value**
(Financial liabilities at fair value through profit or loss)

As at 01 January 2018	**-**
Liability arising on business combination	**317,890**
Remittances of collections	**-**
Unrealised fair value changes recognised in profit or loss	**-**
	317,890

(iii) **Net cash flow on acquisition of CBLR**

Consideration paid in cash	**-**
Less cash and cash equivalent balances acquired	**162,158**
Net cash outflow on acquisition of CBLR	**162,158**

The contingent considerations relate to:

(c) Fully written off loans which was largely unsecured or characterised by inadequate credit/security documentation
There was a fully impaired loan portfolio with a carrying amount of MUR 7.36 billion (KShs 21.453 billion) as at acquisition date, which the Group acquired as part of the business combination. As required by IFRS 3 Business combination, this portfolio was therefore, recognised at nil fair value at the acquisition.

This contingent consideration which relates to all amounts that the Group manages to collect from the portfolio is fair value at nil, which is the same as the fair value of the related loans.

(d) Properties to be transferred to the Group

As at the acquisition date, there were certain properties with a market value of MUR 2.51 billion (KShs 7.31 billion) in which CBLR had an interest, but could not be transferred to the Group by the acquisition date. As a result the properties were recognised at fair value of nil in the carved out balance sheet.

This contingent consideration which relates to all amounts that the Group will eventually realise on that portfolio is fair value at nil, which is the same as the fair value of the properties.

41. BUSINESS COMBINATIONS (CONT'D)

The contingent considerations relate to (cont'd):

(e) Islamic Loan Portfolio

The Islamic portfolio with the carrying value of MUR 1.09 billion (KShs 3.179 billion) was transferred to the Group.The Group is in the process of disposing of this portfolio. Therefore the loans will be reclassified and measured at fair value through profit and loss .

The contingent consideration which relates to all amounts that the Group eventually realised on sale of the portfolio is fair valued at MUR 318 million which is the same as the fair value of the portfolio.

Financial assets at fair value through profit or loss

	MUR'000
As at 01 January 2018	-
Financial assets arising on business combination	**317,890**
Remittances of collections	**-**
Unrealised fair value changes recognised in profit or loss	**-**
As at 31 December 2018	**-**

44 GOODWILL IMPAIRMENT

(b) **Impairment testing of goodwill**

As at 31 December 2018, the carrying amount of the goodwill acquired following the business combination is as follows:

	MUR'000
Carrying value as at 31 December 2018	-
Carrying value as at 31 December 2017	401,556

In May 2017, the goodwill which arose on the acquisition of SBM Bank (Kenya) Limited was MUR 418 million. The Subsidiary is operating at a loss since acquisition. Management determined that there are indicators that the recoverable amount of the cash generating unit (CGU) to which goodwill is assigned might have been less than its carrying amount. Accordingly, management undertook an assessment of goodwill, which was based on a discounted cash flow analysis. Based on the results of the impairment assessment, management determined that the estimated fair value of the CGU is nil at the reporting date. Goodwill of MUR 417 million been written off for the 12 months ended 31 December 2018.

The key assumptions used for the Value-In-Use (VIU) impairment calculation are:

Net interest margin: Net interest margin is based on the average achieved in the preceding years.

Discount rate: Discount rate represents the current market assessment of the risks specific to each cash generating unit (CGU), taking into consideration the time value of money and specific risk of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on specific circumstances of the Kenyan Bank and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity. The cost of equity is derived by using comparable industries data adjusted for country risk and size of the bank. The cost of debt is based on the interest-bearing borrowings.

Growth rate estimates: Rates are based on management's best estimates of the Bank's and industry's growth rate.