SBM BANK (MAURITIUS) LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019

SBM BANK (MAURITIUS) LTD

CONTENTS:

-	Statement of Directors' responsibility	1
-	Statement of management's responsibility for financial reporting	2
-	Report from the Company Secretary	3
-	Independent auditor's report to the member of SBM Bank (Mauritius) Ltd	4-10
-	Statement of financial position	11
-	Statement of profit or loss	12
-	Statement of other comprehensive income	13
-	Statement of changes in equity	14
-	Statement of cashflows	15

Notes to the financial statements

1	General information	16
2	Application of new and revised Standards and Interpretations (IFRS)	16-18
3	Significant accounting estimates and judgements	18-19
4	Summary of significant accounting policies	19-21
5	Event after the reporting date	21-23
6	Cash and cash equivalents	24
7	Loans to and placements with banks	24-25
8	Derivative financial instruments	26-27
9	Loans and advances to non-bank customers	28-37
10	Investment securities	38-41
11	Property, equipment and right-of-use assets	42-45
12	Intangible assets	46-47
13	Other assets	47
14	Pension liability	48-51
15	Deposits from banks	52
16	Deposits from non-bank customers	52
17	Other borrowed funds	53
18	Taxation	53-55
19	Other liabilities	55-56
20	Stated capital	56
21	Dividend	56-57
22	Memorandum items	57-59
23	Assets pledged	60
24	Capital commitments	60
25	Operating lease	60
26	Net interest income	60-61
27	Net fee and commission income	61
28	Net gain from financial instruments	61
29	Net gain from sale of securities	62
30	Personnel expenses	62
31	Other expenses	62
32	Credit loss allowance on financial assets & memorandum items	63-65
33	Net cash from / (used in) operating activities	65
34	Capital management	66
35	Immediate and ultimate holding company	66
36	Related party disclosures	67-68
37	Risk management	69-88
38	Other reserves	89
39	Discontinued operations	90
40	Supplementary information as required by Bank of Mauritius	91-103

The Board of Directors of SBM Bank (Mauritius) Ltd is appointed to act on behalf of its sole shareholder, SBM (Bank) Holdings Ltd. A professional management team is appointed to run the business of SBM Bank (Mauritius) Ltd (the 'Bank') under the oversight of the Board of Directors. The Board is directly accountable to the shareholder and each year the Bank holds an Annual Meeting at which the directors report to the shareholder on the performance of the Bank and its future plans and strategies. They also submit themselves for re-election as directors at the Annual Meeting, as laid out in the Constitution and the Code of Corporate Governance for Mauritius.

The Board of Directors' key purpose is to ensure the Bank's prosperity by collectively directing its affairs via delegated authority, whilst meeting the appropriate interests of its stakeholders. In addition to business and financial issues, the Board of Directors is also called upon to deal with the challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. The Board must ensure that appropriate internal controls and risk management processes are set in place for the proper running of the business.

The Risk Management Committee has the responsibility to set the risk strategy, advise the Board on risk issues and monitor the risk management processes. Amongst others, it sets and reviews policies for the management of risks particularly in the areas of credit, market, interest, liquidity, operational and technological risks including legal, reputational and strategic risks, ensuring that adequate procedures and limits as well as appropriate methodologies and systems are in place.

The Audit Committee critically reviews the financial and interim reports, prospectus and other financial circulars/ documents and is responsible, amongst others, for reviewing the systems of internal controls to ascertain their adequacy and effectiveness. It reviews and discusses any material weaknesses identified in controls and deficiencies in system, and if necessary, recommends additional procedures to enhance the system of internal controls.

An internal audit function, whose Head also reports directly to the Audit Committee, is in place to ensure that the Bank's operations are conducted according to the established practices by providing an independent and objective assurance, and by advising on best practices. The Audit Committee reviews reports from internal and external auditors and monitors relevant actions taken by management.

The Risk Management section contained in the Annual Report provides further details on the processes for risk management and internal controls.

The directors confirm, to the best of their knowledge and belief, that:

(i) an effective system of internal controls and robust risk management practices, including compliance, has been put in place to safeguard the assets and for the prevention and detection of fraud and other irregularities;

(ii) the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations in the foreseeable future;

(iii) the Financial Statements give a true and fair view of the state of affairs of the Bank for the year ended 31 December 2019 and have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Banking Act 2004, Companies Act 2001 and the Financial Reporting Act 2004 and applicable Bank of Mauritius (BOM) guidelines and those of other Central Banks, where the Bank has operations, and appropriate accounting policies. These were supported by reasonable and prudent judgments, and estimates have been used consistently;

(iv) they continuously review the implications of corporate governance best practices and are of the opinion that the Bank complies with the requirement of the Code of Corporate Governance for Mauritius in all material aspects or has explained non-compliance; and

(v) proper accounting records have been kept, in accordance with the requirements of the Companies Act 2001 and are free from misstatements.

The year 2020 will be marked by the impact of COVID-19, more information is provided in note 5 of the financial statements.

The external auditors, Ernst & Young have independently given their opinion in their audit report as set out on pages 4 to 10.

Parvataneni Venkateswara Rao	Imarambaal Kichenin	Mohit Dhoorundhur
Chief Executive	Chairperson, Audit Committee	Chairman

23 April 2020

The financial statements of the Bank have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards, as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder, have been applied and management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank's Board of Directors, acting in part through the Audit Committee, Corporate Governance and Conduct Review Committee and Risk Management Committee, which are comprised mostly of independent directors, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Bank's internal auditor, who has full and free access to the Audit Committee, conducts a well-designed program of internal audits. In addition, the Bank's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

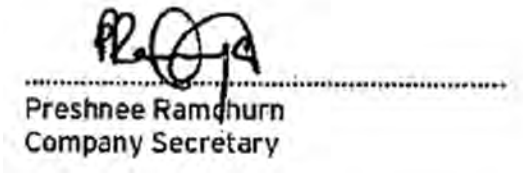
Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Bank as it deems necessary.

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

Parvataneni Venkateswara Rao Chief Executive	Imralambaal Kichenin Chairperson, Audit Committee	Mohit Dhoorundhur Chairman

23 April 2020

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



Preshnee Ramdhurn
Company Secretary

23 April 2020

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SBM BANK (MAURITIUS) LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SBM Bank (Mauritius) Ltd (the "Bank") set out on pages 11 to 90 which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement 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 SBM Bank (Mauritius) Ltd as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, Banking Act 2004 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 Bank in accordance with the International Ethics Standards Board for Accountants' 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.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SBM BANK (MAURITIUS) 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 Bank has net loans and advances portfolio of MUR 99.30 billion at 31 December 2019. As explained in the accounting policies, these loans and advances are carried at amortised cost, less allowance for credit impairment MUR 5.45 billion for impaired facilities and MUR 2.31 billion for non-impaired facilities. 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 (i.e. those classified in Stage 3) 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 Bank expects to receive from the obligors. This includes an estimate of what the Bank can realise from the collaterals it holds as security on the impaired facilities. Refer to Note 9 for accounting policy on loans and advances and allowance for credit losses (stage 3). Given the nature of the business and size of the loans and advances of the Bank (46.83 % of total assets), we identified the determination of the allowance for expected credit losses on loans and advances as a key audit matter.	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. 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 tested the list of all credit impaired loans identified by management by performing the following procedures: • Reviewed the minutes of the impaired asset review forum, Management Credit forum, Board Credit Committee; • Obtained and tested loan arrears report and for inclusion of all arrears exceeding 90 days in the stage 3 impairment list of the ECL model; • Identified loan facilities meeting certain criteria such as financial difficulties of the borrower, restructured loans, insufficient collaterals and exposures to sectors in decline and for are inclusion in the list of credit impaired facilities. For loans that are credit impaired, we independently assessed the appropriateness of provisioning methodologies and policies and performed an independent view on the levels of provisions booked based on the detailed loan and counterparty information in the credit files.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SBM BANK (MAURITIUS) LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter	How the matter was addressed in the audit
	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 agreed these to objective and unbiassed evidence. We evaluated the underlying assumptions used in arriving at the indicative value for the collaterals by agreeing the value obtained to independent sources. Where deemed necessary, we involved our transaction advisory team to review the underlying assumptions.
Expected credit losses (ECL) – facilities which are not credit impaired IFRS 9 requires the Bank to recognise expected credit losses on financial instruments. 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: • 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; • 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). • Use of forward-looking information to determine the likelihood of future losses being incurred. • Qualitative adjustments made to model driven ECL results raised to address model limitations, emerging risks and trends in underlying portfolios which are inherently judgemental.	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: • Reviewed 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 included an assessment of the design of the models used for determination of PD, LGD and EAD for different types of loans including inter-alia term loans, overdraft facilities, credit cards, guarantees and other off-balance sheet exposures; • Assessed the adequacy and quality of the data used for the calculation of PD, LGD and EAD; • Assessed the key assumptions used in PD, LGD and EAD models by comparing such assumptions to the actual behaviours of the credit facilities; • Reviewed 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;

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SBM BANK (MAURITIUS) LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter	How the matter was addressed in the audit
• Accuracy and adequacy of the financial statement disclosures The carrying value of financial instruments within the scope of IFRS 9 may be materially misstated if judgements or estimates made by the Bank are inappropriate. Refer to Note 9(c) for disclosure of ECL on loans and advances.	• Reviewed the minutes of Watchlist Review Committee and ensure proper classification to Stage 2 is made for all clients on watchlist; • Assessed the accuracy of critical data elements input into the system used for credit grading and the approval of credit facilities; • Reviewed the PD and LGD calculations including the incorporation of forecast macro-economic information by our data modelling specialists; • Tested the accuracy and completeness of the ECL model by reperformance. • Assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.

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, Banking Act 2004 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 Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

Other Information

The directors are responsible for the other information. The other information comprises the Statement of Directors' responsibility, Report from the Company Secretary as required by the Companies Act 2001, Statement of Management's responsibility for financial reporting, Management Discussion and Analysis, Supplementary information as required by Bank of Mauritius and Corporate Governance Report but does not include the financial statements and our auditor's report thereon.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SBM BANK (MAURITIUS) LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information (Continued)

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) when it becomes available 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 (the "Code") 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 Bank has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

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.

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 Bank's internal control.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SBM BANK (MAURITIUS) LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- 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 Bank'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 Bank 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.

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.

Use of our report

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

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SBM BANK (MAURITIUS) LTD (CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

We have no relationship with or interests in the Bank 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 Bank as far as it appears from our examination of those records.

Banking Act 2004

In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

ERNST & YOUNG
Ebène, Mauritius

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

Date: 23 April 2020

	Notes	31 December 2019	31 December 2018	31 December 2017
		MUR' 000	MUR' 000	MUR' 000
ASSETS				
Cash and cash equivalents	6	15,386,899	11,211,712	15,620,778
Mandatory balances with central banks		9,326,006	8,767,767	8,712,062
Loans to and placements with banks	7	7,471,474	11,764,358	8,895,860
Derivative financial instruments	8	783,603	762,855	1,356,774
Loans and advances to non-bank customers	9	99,302,829	94,296,051	100,839,231
Investment securities	10	73,456,719	50,934,309	37,150,731
Equity investments	10	3,411	3,411	370
Property, equipment and right-of-use assets	11	2,846,736	2,458,814	2,631,782
Intangible assets	12	2,526,156	2,962,920	3,457,061
Deferred tax assets	18b	219,302	-	95,461
Other assets	13	714,259	823,653	923,892
Total assets		212,037,394	183,985,850	179,684,002
LIABILITIES				
Deposits from banks	15	929,357	796,117	739,926
Deposits from non-bank customers	16	173,258,702	147,530,840	141,695,769
Other borrowed funds	17	12,438,151	11,773,938	13,116,593
Derivative financial instruments	8	794,275	758,642	1,334,584
Current tax liabilities	18c	311,351	474,487	105,869
Deferred tax liabilities	18b	-	163,996	170,905
Other liabilities	19	6,236,562	5,020,635	4,163,207
Total liabilities		193,968,398	166,518,655	161,326,853
SHAREHOLDER'S EQUITY				
Stated capital	20	400,000	310,000	310,000
Capital contribution	20	11,854,011	11,044,011	9,063,106
Retained earnings		3,804,163	4,817,518	7,855,520
Other reserves	38	2,010,822	1,295,666	1,128,523
Total equity		18,068,996	17,467,195	18,357,149
Total liabilities and equity		212,037,394	183,985,850	179,684,002

Approved by the Board of Directors and authorised for issue on 23 April 2020.

Parvataneni Venkateswara Rao
Chief Executive

Imalambal Kichenin
Chairperson, Audit Committee

Mohit Dhoorundhur
Chairman

The notes on pages 16 to 103 form an integral part of these financial statements.

SBM BANK (MAURITIUS) LTD
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019	31 December 2018	31 December 2017
		MUR' 000	MUR' 000	MUR' 000
Interest income		7,688,851	7,156,372	6,074,890
Interest expense		(2,023,529)	(1,665,006)	(1,569,129)
Net interest income	26	5,665,322	5,491,366	4,505,761
Fee and commission income		1,206,321	1,061,666	1,005,274
Fee and commission expense		(31,716)	(23,015)	(22,396)
Net fee and commission income	27	1,174,605	1,038,651	982,878
Other income				
Profit arising from dealing in foreign currencies		534,430	679,738	431,483
Net gain from financial instruments	28	118,175	500,133	519,821
Net gain on sale of securities	29	626,674	173,554	430,897
Other operating income		884	-	61
		1,280,163	1,353,425	1,382,262
Non-interest income		2,454,768	2,392,076	2,365,140
Operating income		8,120,090	7,883,442	6,870,901
Personnel expenses	30	(1,719,592)	(1,271,165)	(1,281,152)
Depreciation of property, equipment and right-of-use assets		(193,062)	(145,188)	(149,163)
Amortisation of intangible assets		(474,547)	(549,948)	(493,091)
Other expenses	31	(1,072,553)	(768,432)	(922,184)
Bank levy		(171,368)	-	-
Non-interest expense		(3,631,122)	(2,734,733)	(2,845,590)
Profit before credit loss expense		4,488,968	5,148,709	4,025,311
Credit loss expense on financial assets & memorandum items	32	(3,606,666)	(3,010,356)	(228,024)
Profit before income tax		882,302	2,138,353	3,797,287
Tax expense	18a	(331,810)	(676,988)	(494,135)
Profit for the year from continuing operations		550,492	1,461,365	3,303,152
Discontinued operations				
Loss after tax for the period/year from discontinued operations	39	-	(221,374)	(691,859)
Loss on distribution of dividend in specie	39	-	(685,838)	-
		-	(907,212)	(691,859)
Profit for the year		550,492	554,153	2,611,293

The notes on pages 16 to 103 form an integral part of these financial statements.

		31 December 2019	31 December 2018	31 December 2017
		MUR' 000	MUR' 000	MUR' 000
Profit for the year		**550,492**	554,153	2,611,293
Other comprehensive income :				
Items that will not be reclassified subsequently to profit or loss:				
Increase in revaluation of property		**204,398**	-	-
Deferred tax on revaluation of property	18b	**(9,950)**	-	-
Change in deferred tax rate on revaluation of property		**118,392**	-	-
Change in deferred tax rate on defined benefit pension plan		**(7,923)**		
Remeasurement of defined benefit pension plan	14	**(203,865)**	(33,496)	(39,616)
Deferred tax on remeasurement of defined benefit pension plan	18b	**14,272**	5,694	6,735
		115,324	(27,802)	(32,881)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations*		**-**	564,044	(28,403)
Available-for-sale investments				
Movement in fair value of available-for-sale investments		**-**	-	182,180
Fair value re-cycled on disposal of available-for-sale investments		**-**	-	(175,477)
Investment securities measured at FVTOCI (Debt instruments)				
Movement in fair value during the year		**585,735**	(138,912)	-
Fair value re-cycled on disposal		**(224,380)**	1,491	-
Loss allowance relating to debt instruments held at FVTOCI		**(6,370)**	26,415	-
		354,985	453,038	(21,700)
Total other comprehensive income / (loss)		**470,309**	425,236	(54,581)
Total comprehensive income for the year		**1,020,801**	979,389	2,556,712

* Out of the balance of FY 2018, MUR 124.10 million arose as exchange differences on translation of the Indian Operations for the period ended 30 November 2018 and cummulative translation reserve arising on the discontinued Indian Operations have been recycled to the Statement of Profit or Loss (Refer to Note 39).

The notes on pages 16 to 103 form an integral part of these financial statements.

SBM BANK (MAURITIUS) LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Stated capital	Capital contribution	Retained earnings	Statutory reserve	Fair value reserve on financial instruments recognised in OCI	Property revaluation reserve	Foreign currency translation reserve	Total equity
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2017		310,000	8,063,106	6,193,747	530,390	(25,415)	1,218,250	(535,641)	15,754,437
Profit for the year		-	-	2,611,293	-	-	-	-	2,611,293
Other comprehensive (loss)/income for the year		-	-	(32,881)	-	6,703	-	(28,403)	(54,581)
Total comprehensive (loss)/income for the year		-	-	2,578,412	-	6,703	-	(28,403)	2,556,712
Capital contribution received during the year	20	-	1,000,000	-	-	-	-	-	1,000,000
Transfer to retained earnings		-	-	37,361	-	-	(37,361)	-	-
Dividend	21	-	-	(954,000)	-	-	-	-	(954,000)
At 31 December 2017		310,000	9,063,106	7,855,520	530,390	(18,712)	1,180,889	(564,044)	18,357,149
At 01 January 2018		310,000	9,063,106	7,855,520	530,390	(18,712)	1,180,889	(564,044)	18,357,149
Impact of adopting IFRS 9	4	-	-	(250,070)	-	34,993	-	-	(215,077)
Restated opening balance under IFRS 9		310,000	9,063,106	7,605,450	530,390	16,281	1,180,889	(564,044)	18,142,072
Profit for the year		-	-	554,153	-	-	-	-	554,153
Loss allowance relating to debt instruments held at FVOCI		-	-	-	-	26,415	-	-	26,415
Other comprehensive (loss)/income for the year		-	-	(27,802)	-	(137,421)	-	564,044	398,821
Total comprehensive income for the year		-	-	526,351	-	(111,006)	-	564,044	979,389
Capital contribution received during the year	20	-	1,980,905	-	-	-	-	-	1,980,905
Transfer to retained earnings		-	-	37,690	-	-	(37,690)	-	-
Cash dividend	21	-	-	(1,100,500)	-	-	-	-	(1,100,500)
Distribution in specie leading to derecognition of foreign operations	39			(2,251,473)	(220,390)	-	(62,808)	-	(2,534,671)
At 31 December 2018		310,000	11,044,011	4,817,518	310,000	(94,725)	1,080,391	-	17,467,195
At 01 January 2019		310,000	11,044,011	4,817,518	310,000	(94,725)	1,080,391	-	17,467,195
Profit for the year		-	-	550,492	-	-	-	-	550,492
Loss allowance relating to debt instruments held at FVTOCI		-	-	-	-	(6,370)	-	-	(6,370)
Other comprehensive income for the year		-	-	(197,517)	-	361,355	312,841	-	476,679
Total comprehensive income for the year		-	-	352,975	-	354,985	312,841	-	1,020,801
Capital contribution received during the year	20	-	900,000	-	-	-	-	-	900,000
Conversion of capital contribution		90,000	(90,000)						-
Transfer to retained earnings		-	-	42,670	-	-	(42,670)	-	-
Transfer to statutory reserve		-	-	(90,000)	90,000	-	-	-	-
Cash dividend	21	-	-	(1,319,000)	-	-	-	-	(1,319,000)
At 31 December 2019		400,000	11,854,011	3,804,163	400,000	260,260	1,350,562	-	18,068,996

The notes on pages 16 to 103 form an integral part of these financial statements.

	Notes	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
		MUR' 000	MUR' 000	MUR' 000
Net cash from / (used in) operating activities	33	4,142,618	(3,486,978)	(1,891,999)
Financing activities				
Repayment of principal portion of lease liabilities		(71,993)	-	-
Increase in other borrowed funds		664,213	367,610	8,576,084
Capital contribution received during the year	20	900,000	1,980,905	1,000,000
Dividend paid on ordinary shares	21	(1,319,000)	(1,100,500)	(954,000)
Net cash from financing activities		173,220	1,248,015	8,622,084
Investing activities				
Acquisition of property and equipment	11	(91,145)	(139,653)	(37,521)
Acquisition of intangible assets	12	(52,095)	(228,308)	(183,952)
Disposal of property and equipment		2,589	-	-
Acquisition of equity investments		-	(3,041)	-
Net cash used in Investing activities		(140,651)	(371,002)	(221,473)
Net change in cash and cash equivalents		4,175,187	(2,609,965)	6,508,612
Net foreign exchange difference		-	(71,792)	(311,775)
Cash transfer upon distribution in specie of the Indian Operations		-	(1,727,309)	-
Cash and cash equivalents at start of year	6	11,211,712	15,620,778	9,423,941
Cash and cash equivalents at end of year	6	15,386,899	11,211,712	15,620,778

1 GENERAL INFORMATION

SBM Bank (Mauritius) Ltd (formerly known as State Bank of Mauritius Ltd) ("the Bank") is a public company incorporated and domiciled in Mauritius. The address of its registered office is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius. The Bank operates in the financial services sector, principally commercial banking.

2 APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATION (IFRS)

New and amended standards and interpretations

In these financial statements, the Bank has applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Bank's financial statements. The new and amended standards and interpretations are effective for annual periods beginning on or after 01 January 2019, unless otherwise stated. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 - Leases

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

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

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 01 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 01 January 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Bank has lease contracts for various branches and IT equipment. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to note 11 Property, equipment and right-to-use assets for the accounting policy prior to 01 January 2019.

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 11 Property, equipment and right-to-use assets for the accounting policy beginning 01 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

Leases previously accounted for as operating leases

The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Based on the above, as at 01 January 2019:
- Right-of-use assets of MUR 261.99 million were recognised and presented in the statement of financial position within "Property, plant and right-of-use assets".
- Additional lease liabilities of MUR 261.99 million (included in "Other liabilities") were recognised.
- The adoption of IFRS 16 had no impact on the Bank's retained earnings and no material impact on its CET1 ratio.

2 APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATION (CONT'D)

IFRS 16 - Leases (cont'd)

The lease liabilities as at 01 January 2019 can be reconciled to the operating lease commitments as of 31 December 2019, as follows:

Assets	**MUR'000**
Operating lease commitments as at 31 December 2018	167,017
Weighted average incremental borrowing rate as at 01 January 2019	5.19%
Discounted operating lease commitments as at 01 January 2019	158,775
Less:	
Commitments relating to short-term leases	-
Commitments relating to leases of low-value asset	-
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	103,213
Lease liabilities as at 01 January 2019	261,988

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.

The application of this IFRIC does not have any significant impact on the Bank.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instruments, the Bank assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion. These amendments had no impact on the financial statements of the Bank.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark based cash flows of the hedged item or the hedging instrument.

As indicated in the accounting policies, the Bank elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. IAS 39 requires that for cash flow hedges, a forecast transaction must be highly probable. IAS 39 also requires that a hedging relationship only qualifies for hedge accounting if the hedging relationship is highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk. The assessment of hedge effectiveness is made prospectively and retrospectively.

As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

2 APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATION (CONT'D)

New and amended standards and interpretations (cont'd)

Standards issued but not yet effective applicable to the Bank

		Effective for accounting period beginning on or after
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

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Bank'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:

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.1 *Expected credit losses on financial assets (cont'd)*

> The Bank's internal credit grading model, which assigns PDs to the individual grades;

> The Bank'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 Bank'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 12
(ii) Pension benefits - Note 14
(iii) Fair value of equity investments - Note 10
(iv) Fair value of other financial assets and liabilities - Note 37 (a)
(v) Internal borrowing rate used to determine the value of right-of-use assets - Note 11

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of preparation

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

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

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

b Statement of compliance

The financial statements have been prepared on the basis of preparation as explained 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 and the Banking Act 2004.

c Financial instruments - initial recognition

Date of 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 Bank 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 Bank recognises balances due to customers when funds are transferred to the Bank.

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 8,9 and 10. Financial instruments are initially measured at their fair value (as defined in Note 8,9 and 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 Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank 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

The Bank 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 9 and 10;
- FVTOCI, as explained in Note 10; and

The Bank classifies and measures its derivative and trading portfolio at FVTPL as explained in Notes 8 and 10. The Bank 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 Bank 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c Financial instruments - initial recognition (cont'd)

Measurement categories of financial assets and liabilities (cont'd)

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 8.

Business model assessment

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

The Bank'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.

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 assets to identify whether they meet the SPPI test.

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

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 Bank 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.

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 ruling 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 and other comprehensive income ('OCI') 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 profit or loss and other comprehensive income.
(v) Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.
(vi) The assets and liabilities of the overseas branches denominated in foreign currencies are translated into Mauritian Rupees at the rates of exchange ruling at the reporting date, as follows:

	30 November 2018	31 December 2017
USD/MUR	34.275	33.413
INR/MUR	0.492	0.5231

The average rates for the following years are:

	30 November 2018	31 December 2017
USD/MUR	34.275	34.46
INR/MUR	0.492	0.529

The statement of profit or loss is translated into Mauritian Rupees at weighted average rates. Any differences arising on retranslation of the foreign operation are recognised in other comprehensive income and accumulated in equity. On disposal/ derecognition of a foreign entity, such translation differences are recognised in the statement of profit or loss in the period in which the foreign entity is disposed of/ derecognised.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d Foreign currency translation (Cont'd)

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

	31 December 2019	31 December 2018	31 December 2017
USD/MUR	36.607	34.266	33.413
GBP/MUR	48.344	43.683	45.166
EUR/MUR	41.125	39.228	40.071

The average rates for the following years are:

	31 December 2019	31 December 2018	31 December 2017
USD/MUR	35.503	33.977	34.46
GBP/MUR	45.307	45.309	44.371
EUR/MUR	39.738	40.079	38.905

e Provisions

Provisions are recognised when the Bank has 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.

f 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.

g 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.

The accounting policies of each relevant line item is included in the respective notes.

5 EVENT AFTER THE REPORTING DATE

COVID-19 Outbreak

The global economy has come to a standstill with the spread of the Corona Virus 2019 disease (Covid-19). Given that Mauritius is heavily dependent on the tourism sector and the exportation industry, the contingent negative impact on the Mauritian economy is inevitable.

In order to limit the impact on the economy the Government of Mauritius has taken a series of accompanying measures. Some of these key measures are described below:

(i) Wage assistance scheme: partially funding salary of employees earning MUR 50,000 per month or less during the lockdown period;
(ii) Assistance scheme for self-employed; financial support of MUR 5,100 for the period 16 March 2020 to 15 April 2020;
(iii) Setting up of a solidarity fund to assist persons affected by the pandemic;
(iv) For MSMEs with turnover of up to MUR 50 million, a moratorium of six months on capital and interest payments with respect to their existing loans with commercial banks;
(v) Under the Special Relief Amount of MUR 5 billion earmarked by the Bank of Mauritius through its Support Programme, MSMEs are eligible for a moratorium of six months on both capital and interest payments in respect of new loans with commercial banks;
(vi) Special line of credit of USD 300 million targeting operators having foreign currency earnings; and
(vii) Support to households: moratorium of six months on capital and interest repayments on all loans from commercial banks to households with combined basic salary not exceeding MUR 50,000 for the period 01 April to 30 June 2020.

Management has considered the impact of COVID-19 as well as the Government's accompanying measures described above on its business. These are explained below.

Impact on ECL

Due to the abnormal circumstances brought about by the COVID-19 pandemic, management have considered the impact on its book within different segments (corporates and SMEs, retail, bank and sovereigns) by considering baseline, mild case and worst-case scenarios in its stress testing exercise.

Due to the abnormal circumstances brought about by the COVID-19 pandemic, management have considered the impact on its book within different segments (corporates and SMEs, retail, bank and sovereigns) by considering baseline, mild case and worst-case scenarios in its stress testing exercise.

The Bank of Mauritius has announced supervisory and prudential policy measures to address the challenges of COVID-19. These measures aim to provide flexibility to help companies maintain their financial soundness. Some of the measures are listed below:

- Special Relief Amount of MUR 5 billion made available to commercial banks to meet cash flow and working capital requirements of economic operators which are being directly impacted by COVID-19. The interest rate is capped at the fixed rate of 2.5 per cent per annum for these advances and there is a moratorium of six months on capital and interest repayments, with the loan repayment period being two years.
- The Bank will provide a moratorium of six months on capital repayment for existing loans for economic operators that are being affected by COVID-19.

5 EVENT AFTER THE REPORTING DATE (CONT'D)

Impact on ECL (con'd)

- Bank of Mauritius has come up with a support scheme to Mauritian households impacted by COVID-19 by allowing a moratorium of three months on capital and interest repayment where the three months interest will be refunded to commercial banks on household facilities excluding overdrafts, credit cards and leasing.
- The Bank is providing a maximum of six months voluntary moratorium on capital repayment on existing household facilities.

Management have considered the impact of those measures on its portfolios by considering different scenarios reflecting both the temporary and long-term nature of the shock and the global slowdown.

The Bank is also assessing the impact of the introduction of the payment holidays on its ECL and Significant Increase in Credit Risk Criteria (SICR) on a case-by-case basis. The deferral of the repayment may not necessarily indicate per se a change in significant increase in credit risk and an assessment of the borrower's individual circumstances will need to be undertaken to determine whether there has been SICR. At the time the customer applies for the payment holiday an assessment will need to be undertaken to determine whether the relief measures under these exceptional circumstances will constitute SICR. In combination with other reasonable and supportable information the Bank will be reassessing the watchlist and SICR criteria. Forbearance measures with a loss in principle or interest might also result into a classification into stage 3.

Although, the Bank considered macroeconomic variables in the computation of the ECL, the COVID-19 is an exceptional event which has not been considered at the year end of 2019. In absence of reliable macroeconomic forecast in this time of turbulence, the bank has in its stress testing scenarios considered management overlays in increasing the probability of default and has as well used a downturn loss given default. The Bank is actively monitoring developments closely and the impact of the relief measures announced by the Government and Regulator on its ECL estimates and Capital Base. The Bank continues to consider the potential interaction of COVID-19 with IFRS9 through discussion with relevant regulatory bodies domestically and with the concerned counterparties.

Given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty and it is not possible at this time to predict the extent and nature of the overall future impact on the ECL. However, the Bank analysed the impact on its ECL and its Capital Base through the scenario analysis and Stress-Testing.

Other Estimation Uncertainties

The Bank makes use of models which are dependent on market variables, notably interest rates and the term structure of the rates. In computing the fair values of instruments, the term structure of the curves used was at reporting date. The impact of the pandemic was not reflected in the valuation since this is a non-adjusting post balance sheet event. The possible impact of COVID-19 on these estimates and hence on the various balance items of the Bank are outlined below.

Cash and cash equivalents, mandatory balances with central banks and loans to and placements with banks:

Management does not expect a significant impact on the carrying value of these items as they are considered to carry low credit risks and less susceptible to changes in value in the event of an economic downturn.

Derivative Financial Instruments:

The value of the Bank's derivatives will be subject to increased volatility given the fluctuations in market prices including foreign currency exchange rates and interest rates brought about by the COVID-19 pandemic. However given that most of Bank's derivatives are taken as hedging instruments against non-derivative hedged items or are entered into as back to back transactions with counterparties, the net impact on the Bank's financial position or profits are expected to be minimal.

Loans to non-bank customers:

The impact of the pandemic on the Bank's loans to non-bank customers will arise mostly on the corresponding ECL. This is discussed above under the heading "impact on ECL" and below under the heading "credit risk".

Investment Securities:

For investment securities (fixed income instruments) carried at fair value, the main impact of COVID-19 will be due to changes in market rates including interest rates and foreign currency exchange rates as well as any changes in the credit quality of the instruments. As there is an observed tendency for lowering of interest rates and for a depreciating Mauritian rupee against major currencies, Management expects there to be an increase in the fair value of both local and foreign bonds & bills (most of which are High Quality Liquid Assets).

Property, Equipment, Right of Use Assets and Intangible Assets:

These assets are carried at cost less accumulated depreciation and impairment. The assessment of impairment of the above-mentioned assets will be done in 2020, the impact of COVID-19 will be taken into account.

Deposits from non-bank customers and other borrowed funds:

These liabilities are accounted for at amortised cost and therefore their carrying values are not expected to be affected by COVID-19, except for any impact that the latter may have on the exchange rate of the rupee vis-à-vis major currencies. In this respect, the depreciation of the rupee observed lately is likely to result in an increase in the carrying value of foreign currency denominated deposits.

Pension liabilities included in other liabilities:

As noted in note 19, the net retirement benefit liability of the Bank is highly sensitive to interest rate (which affects the discount rate used in the actuarial valuation). Given the tendency for lower interest rates and the significant decline in equity prices experienced in most markets, Management expects the net benefit liability to widen.

Going concern

In the light of the anticipated economic impact of COVID-19, Management has made an assessment of the Bank's ability to continue as a going concern on the following elements:

5 EVENT AFTER THE REPORTING DATE (CONT'D)

Going concern (con'd)

Liquidity risk

The Bank's liquidity position has remained strong and as at 31 December 2019, Liquidity Coverage Ratio (LCR) stood at 149%. This is well above the LCR ratio of 100% imposed by BOM. The LCR exists to cater for this type of stress situation under which banks have to potentially face. High Quality Liquid Assets currently held by the Bank included some MUR 70 billion, mostly in local government securities and highly rated USD sovereign securities.

The Bank has been monitoring its liquidity level on a daily basis to ensure that with the impact of COVID-19, there is no significant outflow other than the business as usual. So far, the deposit base is more or less stable.

Management has carried out a stress test based on several scenarios including (deposit flight, additional impairment and provision of moratorium on capital repayment) and is satisfied that the Bank's LCR will remain within the regulatory limits in all the stress scenarios.

Interest rate risk

The Bank has also stress-tested the impact that COVID-19 could have on its net interest income. Albeit the reduction of interest rate would directly reduce the interest income of the Bank, the impact of a 2% (worst case shock) is well within the Basel target of 10% of the budgeted net interest income. As part of its interest rate risk management framework, the Bank uses Interest Rate Swaps to mitigate the risk, and it shall do so to keep the exposure within its risk appetite.

Capital risks

The Bank's current Capital Adequacy Ratio at 31 December 2019 stands at 14.65% (Capital Base MUR 15,741 million) compared to the regulatory requirement of 13.375%.

Management has carried some stress testing to evaluate impact of COVID-19 on the capital requirement of the Bank. Several scenarios, including a longer-term impact of COVID-19 until the end of the year have been assessed. The Bank remains within the regulatory CAR ratio under both mild and worst case scenario.

Credit risk

The COVID-19 outbreak has brought the world to a standstill with unparalleled impact on the lives of all people on this planet, our economies, our societies and our livelihoods and there are growing risks of a global recession – if this is not already the case. Any assessment of the impact of this unparalleled crisis is quickly surpassed by the fast-changing reality.

Regardless on how effective both the Government and the Bank sponsored credit modification and forbearance programs prove to be, the overall credit quality of different segments mainly corporates, SMEs and retail is expected to be impacted.

It is not possible at this time to predict the extent and nature of the overall future impact on the macro-economic factors given the nature of the outbreak, on-going developments and uncertainty regarding the shape of the recovery. The Bank has developed scenarios aimed to factor in future macroeconomic conditions through management overlays to assess the impact on ECL.

In its mild case scenario, where the Bank has factored in moratorium on repayment, increase in the probability of default of corporates, SMEs and retail customers coupled with a worsening of credit ratings of clients likely to be impacted by COVID-19, an increase in Loss Given Default and Credit conversion factor, the Bank ended with a net increase in ECL of MUR 472.9 million for the year after taking into consideration clients that are probable to be classified as stage 3 for which specific provision is made. Under this scenario the Bank has also identified clients that are most probable to move to stage 3 during the year and a specific provision of MUR 1.85 billion was considered.

In its worse case scenario where in addition to above, the Bank has considered further downgrade of the credit quality of clients in sectors most likely to be impacted by the pandemic, the Bank had a net increase of MUR 1.2 billion in the ECL figures over the year. Under this scenario, the Bank made even higher specific provision for clients likely to move to stage 3 at an amount of MUR 2.4 billion.

The Bank believes that throughout this situation the main and most complex measure would be on credit management. Depending on the duration of the pandemic and the extent of sanitary measures to contain the spread, businesses and households may see a significant reduction in their cashflows. For some workers like self-employed, the impact will be immediate while for regular salaried employment, the short-term impact might be limited. Beyond the macro stimulus measures that the Government implemented to mitigate the credit impact of this pandemic like reduction in the repo rate, salary support programs and direct monetary transfers, the Bank has put in place an additional scheme to help businesses and customers impacted by the COVID-19. In addition to considering repayment holidays, the Bank is also reassessing the working capital needs of customers on a case to case basis.

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, balances with banks and central banks excluding mandatory balances. Cash and cash equivalents are measured at amortised cost. Accounting policy for calculating allowance for credit losses is outlined under note 9(c).

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Cash in hand	2,078,284	2,398,191	1,804,128
Foreign currency notes and coins	337,946	277,740	294,863
Unrestricted balances with central banks [1]	4,167,009	1,527,560	1,286,638
Loans and placements with banks[2]	1,035,373	1,162,364	5,895,943
Balances with banks	7,771,985	5,887,615	6,339,206
	15,390,597	11,253,470	15,620,778
Less: allowance for credit losses	(3,698)	(41,758)	-
	15,386,899	11,211,712	15,620,778

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

[2] The balance above relates to loans and placements with banks having an original maturity of up to three months. As such only stage 1 allowance for credit losses have been recorded for cash and cash equivalents.

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 Bank only measures loans to and placements with banks at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined in note 5 (c).

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

	31 December 2019	31 December 2018	31 December 2017
Loans to and placements with banks:	MUR' 000	MUR' 000	MUR' 000
- in Mauritius	3,257,096	5,588,012	1,104,288
- outside Mauritius	4,239,347	6,210,627	7,791,572
	7,496,443	11,798,639	8,895,860
Less: allowance for credit losses	(24,969)	(34,281)	-
	7,471,474	11,764,358	8,895,860
Remaining term to maturity			
Up to 3 months	522,761	3,812,003	1,438,472
Over 3 months and up to 6 months	2,504,267	3,341,796	403,974
Over 6 months and up to 12 months	1,119,602	1,839,650	1,910,982
Over 1 year and up to 2 years	1,052,427	1,926,723	3,150,402
Over 2 years and up to 5 years	549,111	878,467	1,992,030
Over 5 years	1,748,275	-	-
	7,496,443	11,798,639	8,895,860

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

Credit loss allowance for loans to and placements with banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of credit loss allowances. Details of the Bank's internal grading system are explained in Note 37(b)(i) and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 9.

	31 December 2019				31 December 2018	31 December 2017
	Stage 1	Stage 2	Stage 3	Total	Stage 1 Total	Stage 1 Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing						
High grade	367,371	-	-	367,371	797,769	685,427
Standard grade	5,242,219	-	-	5,242,219	9,376,414	6,189,261
Sub-standard grade	1,886,853	-	-	1,886,853	1,624,456	2,021,172
Past due but not impaired	-	-	-	-	-	-
Non-performing						
Individually impaired	-	-	-	-	-	-
Total	7,496,443	-	-	7,496,443	11,798,639	8,895,860

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

	31 December 2019				31 December 2018
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000	Stage 1 Total MUR'000
Gross carrying amount as at 01 January	11,798,639	-	-	11,798,639	8,895,860
New assets originated or purchased	5,063,945	-	-	5,063,945	5,338,207
Assets repaid (excluding write offs)	(9,521,980)	-	-	(9,521,980)	(2,435,428)
Foreign exchange adjustments	155,839	-	-	155,839	-
At 31 December	7,496,443	-	-	7,496,443	11,798,639

	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000	Stage 1 Total MUR'000
ECL allowance as at 01 January	34,281	-	-	34,281	16,057
Increase in impairment	5,299	-	-	5,299	21,132
Assets repaid (excluding write offs)	(14,611)	-	-	(14,611)	(2,908)
At 31 December	24,969	-	-	24,969	34,281

8. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

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 Bank 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 Bank 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.

Fair value hedges

In accordance with its wider risk management, as set out in Note 37(d)(i), it is the Bank's strategy to apply fair value hedge accounting to keep interest rate sensitivities within its established limits. Applying fair value hedge accounting enables the Bank 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 bank 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 Bank 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 Bank 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 Bank matches the principal of the hedging instruments to the principal of the hedged items, including prepayment expectations. The Bank 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 bank 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.

8. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Accounting policy (cont'd)

Micro fair value hedges

A fair value hedge relationship is a 'Micro fair value hedge' when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a fair value hedge relationship include fixed rate corporate and small business loans. These hedge relationships are assessed for prospective hedge effectiveness on a monthly basis.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Bank 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 statement of profit or loss.
For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at FVTOCI, changes in fair value that were recorded in the statement of profit or loss whilst hedge accounting was in place are amortised in a similar way to amortised cost instruments using the EIR method. However, as these instruments are measured at their fair values in the statement of financial position, the fair value hedge adjustments are transferred from the statement of profit or loss to OCI. There were no such instances in either the current year or in the comparative year.

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Assets			
Derivative assets	783,603	762,855	1,356,774
Liabilities			
Derivative liabilities	794,275	758,642	1,334,584

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

	Notional Principal Amount	----------Fair Values---------- Assets	Liabilities	Net
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019				
Derivatives held for trading				
Foreign exchange contracts*	35,276,628	541,300	(281,879)	259,421
Cross currency swaps	2,292,007	42,253	(51,152)	(8,899)
Other derivative contracts	18,842,040	136,286	(135,264)	1,022
Derivatives used as Micro fair value hedges				
Interest rate swap contracts	18,786,898	63,764	(325,980)	(262,216)
	75,197,573	783,603	(794,275)	(10,672)
31 December 2018				
Derivatives held for trading				
Foreign exchange contracts*	25,636,819	256,947	(126,964)	129,983
Cross currency swaps	1,159,362	378,697	(371,679)	7,018
Other derivative contracts	23,896,447	112,966	(111,123)	1,843
Derivatives used as Micro fair value hedges				
Interest rate swap contracts	14,395,001	14,245	(148,876)	(134,631)
	65,087,629	762,855	(758,642)	4,213
31 December 2017				
Foreign exchange contracts*	33,999,244	268,858	(249,698)	19,160
Cross currency swaps	1,747,584	1,220	(1,220)	-
Other derivative contracts	67,643,651	1,081,130	(1,078,240)	2,890
Derivatives used as Micro fair value hedges				
Interest rate swap contracts	8,348,656	5,566	(5,426)	140
	111,739,135	1,356,774	(1,334,584)	22,190

* Foreign exchange contracts include forward and spot contracts.

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 loans and receivables and are measured at amortised cost, less allowance for credit impairment. In cases where, as part of the Bank's asset and liability management activity, fair value hedge accounting is applied to loans and advances measured at amortised cost – refer to note 8 (Derivative financial instruments) for further details on hedge accounting. Allowance for credit impairment consists of specific and portfolio allowances.

From 01 January 2018

From 01 January 2018, the Bank only measures loans and advances to non-bank customers at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined in note 4(c).

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
1. Governments	8,515	9,315	2,458,655
2. Retail customers	39,586,964	32,121,253	31,990,963
2.1. Credit cards	584,532	606,447	559,351
2.2. Mortgages	25,507,821	22,478,894	19,834,763
2.3. Other retail loans	13,494,611	9,035,912	11,596,849
3. Corporate customers	47,563,734	44,758,253	38,364,068
4. Entities outside Mauritius	19,910,288	22,909,421	31,446,393
	107,069,501	99,798,242	104,260,079
Less credit loss allowance	(7,766,672)	(5,502,191)	(3,420,848)
	99,302,829	94,296,051	100,839,231
a Remaining term to maturity			
Up to 3 months	9,600,185	11,726,983	13,716,387
Over 3 months and up to 6 months	2,939,477	3,256,357	5,618,303
Over 6 months and up to 12 months	6,086,884	8,875,377	11,677,239
Over 1 year and up to 2 years	6,894,834	8,529,760	6,525,561
Over 2 years and up to 5 years	19,432,992	17,565,447	22,653,075
Over 5 years	62,115,129	49,844,318	44,069,514
	107,069,501	99,798,242	104,260,079

Out of the MUR 99.30 billion, there is an amount of MUR 8.18 billion (2018: MUR 4.67 billion) relating to loans where fair value hedge accounting has been applied. Refer to note 37(d)(ii) for more details.

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

b Net investment in finance leases

Accounting policy

Amounts due from lessees under finance leases are recorded as loans and advances at the amount of the Bank'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.

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

The Bank acts as lessor of several items like car and equipment. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Bank during the year is MUR 87.32 million (2018: MUR 79.62 million and 2017: MUR 73.88 million).

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

	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 2019				
Gross investment in finance leases	435,140	1,081,017	97,472	1,613,629
Less: Unearned finance income	(78,465)	(124,708)	(4,386)	(207,559)
Present value of minimum lease payments	356,675	956,309	93,086	1,406,070
Credit loss expense				(45,769)
Net investment in finance lease				1,360,301
31 December 2018				
Gross investment in finance leases	432,719	948,760	100,295	1,481,774
Less: Unearned finance income	(72,313)	(114,792)	(4,769)	(191,874)
Present value of minimum lease payments	360,406	833,968	95,526	1,289,900
Credit loss expense				(45,055)
Net investment in finance lease				1,244,845
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)
Net investment in finance lease				1,124,382

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.

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

c Credit loss allowance 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

The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 01 January 2018, the Bank 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 Bank's policies for determining if there has been a significant increase in credit risk are set out in note 37. 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 Bank 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 Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Bank calculates ECLs based on one scenario 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 37.
- 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 37.
- 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 37.

When estimating the macro-economic variables used in ECL calculation, with the exception of sovereign and bank exposures, where the Bank considers three scenarios (a base case, an upside and a downside), the Bank considers one base (or central) economic scenario. This base economic scenario is the Bank's best estimate and is produced internally by the bank through econometrics methods. In some cases, relatively simple modelling is considered to be sufficient, without the need to consider the outcome under different scenarios.

PD Estimates: Retail, Corporate and SME PD models all use the logistic regression framework to model quarterly default rates. For the different segments, different features including macro-economic variables have been chosen for inclusion in the logit models based on their statistical significance in explaining defaults as well as intuitiveness of the coefficients. Those quarterly point-in-time PDs are converted into annual point-in-time PDs using a binomial survival model approach.

For banks and sovereigns exposures, external default data from Moody's and Standard & Poor's (S&P) is used. The PD models convert the through-the-cycle transition matrices (and TTC Default rates) from Moody's and Standard & Poor's into point-in-time estimates that reflect economic conditions observed at reporting date. This is done by representing the transitions through a standard normal variable and subsequently shifting the transition matrix by the credit cycle index (CCI) chosen to be represented by the cyclical component of Global GDP growth.

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

The calculation of ECLs (cont'd)

LGD estimates: Retail, Corporate and SME LGD model use the work-out LGD framework. In this methodology, LGD estimates are based on the historical data after discounting the cash flows (of the contracts in default) that are recorded through the recovery & workout stage at the reference time. A logit model is fitted to the work-out LGD and the different features for inclusion in the model are chosen based on their statistical significance as well as the intuitiveness of the coefficients.

For banks and sovereign exposures, in the absence of internal data, Basel F-IRB unsecured recovery rates for senior claims is used for the LGD parameter.

EAD estimates: Revolving products use segment specific (Retail, SME, Corporate) credit conversion factors (CCF) to project EAD values. Amortising products use an amortising schedule, where the expected cash flows from the bank's IT system is used to project EAD values at each point-in-time.

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

Credit loss allowances 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 explained under this note and disclosed in note 22. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained in note 22.

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 Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank 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 Bank 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%.
Loan commitments and letters of credit:	When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cashflows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within other liabilities.
Financial guarantee contracts:	The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within other liabilities.

Debt instruments measured at fair value through OCI

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

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. In the case of credit cards, the most significant judgement is to reflect the operational practice of card reissuance and the associated credit assessment as enabling a formal re-origination trigger. As a consequence, a capped lifetime approach of 12 months is used on credit card and overdraft balances.

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

The 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 Bank relies on a broad range of forward looking information as economic inputs, such as:
- GDP growth;
- Wage rate index;
- Labour costs;
- Consumer sepnding; 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. Those adjustments are described below.

Governance and post model adjustments

The IFRS 9 PD, EAD and LGD models are subject to SBM's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. Post model adjustments (PMAs) are applied where necessary to incorporate the most recent data available and are made on a temporary basis ahead of the underlying model parameter changes being implemented.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank 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 Bank'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 Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.
To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

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

In its normal course of business, the Bank 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.

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Write-offs

The Bank'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 Bank 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank also reassesses whether there has been a significant increase in credit risk.The Bank also considers whether the assets should be classified as stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6-9 months probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

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

If modifications are substantial, the loan is derecognised, and a new loan is recognised.

Where possible, the Bank 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.

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 Bank 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 of up to 1% on exposures to certain sectors of the economy.

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

Significant accounting estimates and judgements

Prior to 01 January 2018

The calculation of specific allowance for credit impairment required significant management judgement 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.

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Significant accounting estimates and judgements (cont'd)

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

In relation to credit impaired facilities, the 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.

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Prior to 01 January 2018

	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total
At 01 January 2017	3,025,160	1,026,769	4,051,929
Exchange difference	(10,212)	(1,148)	(11,360)
Loans written off	(1,749,383)	-	(1,749,383)
Allowance for credit impairment for the year	892,335	237,327	1,129,662
At 31 December 2017	2,157,900	1,262,948	3,420,848

From 01 January 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are set out in note 37(b)(i) and policies on whether ECL allowances are calculated on an individual or collective basis are set out in this same note above.

At 31 December 2019: Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	34,889,162	853,796	-	35,742,958
Standard grade	30,766,617	5,712,527	-	36,479,144
Sub-standard grade	8,844,074	8,860,536	-	17,704,610
Past due but not impaired	-	6,823,654	-	6,823,654
Non-performing				
Individually impaired	-	-	10,319,135	10,319,135
Total	74,499,853	22,250,513	10,319,135	107,069,501

At 31 December 2018 & 2017:	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	25,697,144	6,131,756	-	31,828,900	24,137,595
Standard grade	17,541,278	9,799,659	-	27,340,937	26,544,825
Sub-standard grade	12,666,759	12,825,774	-	25,492,533	35,996,210
Past due but not impaired	-	2,693,127	-	2,693,127	14,249,971
Non-performing					
Individually impaired	-	-	12,442,745	12,442,745	3,331,478
Total	55,905,181	31,450,316	12,442,745	99,798,242	104,260,079

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

At 31 December 2019:	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January	55,905,181	31,450,316	12,442,745	99,798,242
New assets originated or purchased	28,578,600	7,286,260	-	35,864,860
Assets impaired during the year	-	-	757,439	757,439
Assets derecognised or repaid (excluding write offs)	(15,994,695)	(11,044,707)	(2,189,653)	(29,229,055)
Transfers to Stage 1	10,902,030	(10,896,971)	(5,059)	-
Transfers to Stage 2	(5,575,685)	5,613,161	(37,476)	-
Transfers to Stage 3	(41,831)	(620,100)	661,931	-
Amounts written off	-	-	(1,423,620)	(1,423,620)
Foreign exchange adjustments	726,253	462,554	112,828	1,301,635
At 31 December	74,499,853	22,250,513	10,319,135	107,069,501

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows: (Cont'd)

At 31 December 2018:	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	74,987,399	25,941,203	3,331,478	104,260,080
New assets originated or purchased	7,795,757	24,866,568	-	32,662,325
Assets impaired during the year	-	-	2,548,243	2,548,243
Assets derecognised or repaid (excludingwrite offs)	(18,136,288)	(13,040,332)	(938,151)	(32,114,771)
Transfers to Stage 1	14,406,970	(14,406,970)	-	-
Transfers to Stage 2	(8,089,847)	8,089,847	-	-
Transfers to Stage 3	(8,436,495)	-	8,436,495	-
Amounts written off	-	-	(7,855)	(7,855)
Derecognition of Indian Operations following distribution in specie	(6,622,315)	-	(927,465)	(7,549,780)
Gross carrying amount as at 31 December 2018	55,905,181	31,450,316	12,442,745	99,798,242

At 31 December 2019:	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 01 January 2019	422,448	857,619	4,222,124	5,502,191
Increase in impairment	369,010	1,381,665	2,801,096	4,551,771
Assets derecognised or repaid (excluding write offs)	(356,516)	(274,078)	(233,076)	(863,670)
Transfers to Stage 1	266,815	(266,815)	-	-
Transfers to Stage 2	(49,642)	49,642	-	-
Transfers to Stage 3	(524)	(85,437)	85,961	-
Amounts written off	-	-	(1,423,620)	(1,423,620)
ECL allowance as at 31 December 2019	651,591	1,662,596	5,452,485	7,766,672

At 31 December 2018:	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 01 January 2018	794,154	487,384	2,157,900	3,439,438
New assets originated or purchased	(9,920)	463,680	2,779,664	3,233,424
Assets derecognised or repaid (excluding write offs)	(19,516)	(132,020)	-	(151,536)
Transfers to Stage 1	11,317	(11,317)	-	-
Transfers to Stage 2	(54,029)	54,029	-	-
Transfers to Stage 3	(117,878)	-	117,878	-
Derecognition of Indian Operations following distribution in specie	(175,706)	(4,137)	(825,562)	(1,005,405)
Amounts written off	-	-	(7,756)	(7,756)
Foreign exchange adjustments	(5,974)	-	-	(5,974)
ECL allowance as at 31 December 2018	422,448	857,619	4,222,124	5,502,191

The total allowance for credit impaired loans (stage 3) amounts to MUR 5.45 billion and allowance for credit losses (stage 1 and stage 2) amounts to MUR 2.31 billion for the year ended 31 December 2019.

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

d Credit loss allowances on loans and advances by industry sectors

	31 December 2019					31 December 2018	31 December 2017
	Gross amount of loans	Impaired loans	Specific allowance for credit impairment	Credit loss allowance	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	3,960,617	1,729	253	115,681	115,934	147,908	42,141
Manufacturing	4,363,837	154,707	124,765	70,220	194,985	514,963	1,151,596
of which EPZ	*1,687,499*	*28,053*	*4,141*	*31,192*	*35,333*	*17,118*	*43,543*
Tourism	11,727,367	3,632	3,213	134,265	137,478	184,419	215,422
Transport	2,225,681	15,933	14,371	136,465	150,836	143,857	22,121
Construction	9,575,157	281,418	193,287	110,729	304,016	364,658	227,777
Financial and business services	9,801,661	628,137	440,446	76,287	516,733	185,209	122,453
Traders	12,631,730	7,803,352	3,662,471	59,283	3,721,754	2,715,514	255,285
Personal	37,569,315	886,066	633,392	465,252	1,098,644	891,573	1,096,093
of which credit cards	*584,532*	*81,055*	*41,997*	*6,258*	*48,255*	*93,483*	*94,278*
Professional	168,119	73,872	73,873	1,720	75,593	103,259	105,957
Global Business Licence holders	6,687,161	286,541	144,822	501,775	646,597	105,568	15,918
Others	8,358,856	183,748	161,592	642,510	804,102	145,263	166,085
	107,069,501	10,319,135	5,452,485	2,314,187	7,766,672	5,502,191	3,420,848

Total impaired loans for 2018 for the Bank were MUR 12,443 million (2017: MUR 3,331 million).

10. INVESTMENT 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, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised 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.

(ii) 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 Bank 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 Bank 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 Bank will not classify any financial asset as held-to-maturity during the following two years.

(iv) Available-for-sale (AFS) investments

AFS financial assets are non-derivatives financial assets 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 dividend growth, 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 fair value reserve.

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

Dividends on AFS equity instruments are recognised in the statement of profit or loss when the Bank'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.

10. INVESTMENT SECURITIES (CONT'D)

Accounting policy (cont'd)

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 measured at fair value with changes recognised immediately in statement of profit or loss;
- Debt securities measured at FVTOCI; and
- Equity investments designated as FVTOCI.

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.

Significant accounting estimates and judgements

The fair value of equity investments that are quoted on active markets are based on the quoted prices for these instruments. Valuation techniques used to estimate the fair value of unquoted equity investments include the dividend growth, discounted cash flows and net assets value. 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 based on information available at the reporting date, which may be different from actual.

10. INVESTMENT SECURITIES (CONT'D)

The table below shows net balances under IFRS 9 as at 31 December 2019:

Remaining term to maturity

	31 December 2019										
	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31 December 2018	31 December 2017
	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	1,061,709	-	202,421	351,568	2,580,143	6,318,093	6,731,108	-	17,245,042	11,738,705	8,664,906
Treasury bills	-	-	-	-	-	-	-	-	-	148,100	4,432,043
Bank of Mauritius bills / notes	1,009,125	53,085	-	100,000	50,257	151,779	-	-	1,364,246	1,232,730	3,544,186
Bank bonds	-	-	-	-	361,602	391,502	-	-	753,104	695,990	-
Corporate bonds	-	-	-	-	-	-	-	-	-	-	2,565,077
	2,070,834	53,085	202,421	451,568	2,992,002	6,861,374	6,731,108	-	19,362,392	13,815,525	19,206,212
(b) Investment securities mandatorily measured at FVTPL											
Government bonds and treasury notes	-	-	-	-	212,779	1,905,066	232,849	-	2,350,694	765,118	970,594
Treasury bills	1,800,754	1,017,626	874,265	327,225	-	-	-	-	4,019,870	5,142,257	943,822
Bank of Mauritius bills / bonds	2,482,402	866,386	123,368	780,168	-	-	-	-	4,252,324	3,107,186	1,947,439
Bank bonds	-	-	-	-	-	493,666	-	-	493,666	697,223	1,650,227
Corporate bonds	-	-	-	-	-	-	-	-	-	-	1,164,407
Other	-	-	-	-	-	-	-	549,306	549,306	-	-
	4,283,156	1,884,012	997,633	1,107,393	212,779	2,398,732	232,849	549,306	11,665,860	9,711,784	6,676,489
(c) Investment securities measured at FVTOCI (both equity and debt instruments)											
Government bonds	7,083	-	303,925	503,108	489,711	6,579,766	3,522,426	-	11,406,019	7,308,976	3,439,029
Treasury bills / notes	7,501,499	1,827,606	35,271	293,373	-	-	-	-	9,657,749	9,277,241	1,590,498
Bank of Mauritius bills / bonds	3,431,679	891,955	3,791	832,769	76,055	435,332	-	-	5,671,581	2,141,448	1,025,409
Equity shares of companies:											
- Equity investments	-	-	-	-	-	-	-	3,411	3,411	3,411	370
Bank bonds	1,511,872	62,265	484,089	-	1,121,357	7,206,266	572,576	-	10,958,425	5,775,598	533,427
Corporate paper and preference shares	-	-	-	-	-	-	-	-	-	2,741,443	451,160
Corporate bonds	-	-	-	-	782,952	2,506,604	1,308,378	-	4,597,934	-	4,228,507
Other	-	-	-	-	-	-	-	159,896	159,896	171,332	-
	12,452,133	2,781,826	827,076	1,629,250	2,470,075	16,727,968	5,403,380	163,307	42,455,015	27,419,450	11,268,400
Total investment securities	18,806,123	4,718,923	2,027,130	3,188,211	5,674,856	25,988,074	12,367,337	712,613	73,483,267	50,946,759	37,151,101
Less: allowance for credit losses									(23,137)	(9,038)	-
									73,460,130	50,937,720	37,151,101

Analysed as follows:

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
- Investment securities	73,456,719	50,934,309	37,150,731
- Equity investments	3,411	3,411	370
	73,460,130	50,937,720	37,151,101

10. INVESTMENT SECURITIES (CONT'D)

	31 December 2019				31 December 2018	31 December 2017
Debt investment securities at amortised cost	Stage 1 12-month ECL MUR' 000	Stage 2 Lifetime ECL MUR' 000	Stage 3 Lifetime ECL MUR' 000	Total MUR '000	Stage 1 Total MUR '000	Stage 1 Total MUR '000
High grade	753,104	-	-	753,104	695,990	1,494,314
Standard grade	18,609,288	-	-	18,609,288	13,119,535	3,724,530
Sub standard grade	-	-	-	-	-	13,987,368
Impaired	-	-	-	-	-	-
Total gross carrying amount	19,362,392	-	-	19,362,392	13,815,525	19,206,212
Credit loss allowance	(23,137)	-	-	(23,137)	(9,038)	-
Carrying amount	19,339,255	-	-	19,339,255	13,806,487	19,206,212

	31 December 2019				31 December 2018
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000	Stage 1 Total MUR'000
ECL allowance as at 01 January	9,038	-	-	9,038	16,347
Increase in impairment	15,605	-	-	15,605	4,631
Assets derecognised or repaid (excluding write offs)	(1,506)	-	-	(1,506)	(11,940)
ECL allowance as at 31 December	23,137	-	-	23,137	9,038

	31 December 2019				31 December 2018	31 December 2017
Debt investment securities at FVTOCI	Stage 1 12-month ECL MUR' 000	Stage 2 Lifetime ECL MUR' 000	Stage 3 Lifetime ECL MUR' 000	Total	Stage 1 Total MUR '000	Stage 1 Total MUR '000
High grade	19,186,436	-	-	19,186,436	11,653,049	4,917,417
Standard grade	22,587,811	-	-	22,587,811	14,152,530	1,969,963
Sub standard grade	677,358	-	-	677,358	1,610,460	4,380,650
Impaired	-	-	-	-	-	-
Carrying amount	42,451,605	-	-	42,451,605	27,416,039	11,268,030

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.

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

Accounting policy

Property and equipment are stated at cost (except for freehold land and buildings and buildings on leasehold land) 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 Bank's policy to revalue its freehold land and buildings and leasehold buildings at least every five years by independent valuers. Any revaluation surplus is credited to the Property revaluation reserve. Any revaluation decrease is first charged directly against any property revaluation reserve held in respect of the respective asset, and then to the statement of profit or loss.

Progress payments on tangible fixed assets are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other tangible fixed assets, commences when the assets are ready for their intended use.

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

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

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

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

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

Bank as a lessee - as from 01 January 2019

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-to-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term and are subject to impairment in line with the Bank's policy as described below. Type of right-to-use assets are land, plant and equipment and IT equipments. Right-of-use assets are presented together with property and equipment in the statement of financial position and presented under this note.

Lease liabilities

Refer to note 19 Other liabilities for accounting policy on lease liabilities.

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.

Significant accounting estimates and judgements

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects the rate the Bank 'would be subject to', which requires either estimation when no observable rates are available or adjustments to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs which has been derived from local Government Treasury Bond yield rates for different maturities and the issued SBM Bond yield rates in order to account for entity-specific adjustments namely the risk premium.

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (CONT'D)

					Right-of-use assets			
	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Land and buildings	Other tangible fixed assets	Total right-of-use assets	Total
Cost or Valuation	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2017	952,094	1,572,882	1,714,698	11,073	-	-	-	4,250,747
Translation adjustment	(1,892)	-	(385)	(14)	-	-	-	(2,291)
Additions	-	-	44,312	901	-	-	-	45,213
Write off	-	-	(58,748)	-	-	-	-	(58,748)
At 31 December 2017	950,202	1,572,882	1,699,877	11,960	-	-	-	4,234,921
Translation adjustment	(9,712)	-	(1,973)	(74)	-	-	-	(11,759)
Additions	553	870	138,230	-	-	-	-	139,653
Disposals	-	-	(35,817)	-	-	-	-	(35,817)
Derecognition of Indian Operations following distribution in specie	(155,235)	-	(54,280)	(1,183)	-	-	-	(210,698)
At 31 December 2018	785,808	1,573,752	1,746,037	10,703	-	-	-	4,116,300
Effect of adoption of IFRS 16 as at 01 January 2019	-	-	-	-	159,926	102,062	261,988	261,988
Revaluation	28,088	(153,210)	-	-	-	-	-	(125,122)
Impairment	(9,962)	-	-	-	-	-	-	(9,962)
Transfer	-	-	-	-	-	-	-	-
Additions	-	507	62,186	3,222	35,121	-	35,121	101,036
Disposals	-	-		(8,840)	-	-	-	(8,840)
At 31 December 2019	803,934	1,421,049	1,808,223	5,085	195,047	102,062	297,109	4,335,400

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (CONT'D)

					Right-of-use assets			
	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Land and buildings	Other tangible fixed assets	Total right-of-use assets	Total
Accumulated Depreciation	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2017	54,483	121,246	1,361,041	5,381	-	-	-	1,542,151
Translation adjustment	(370)	-	(408)	(22)	-	-	-	(800)
Write off	-	-	(58,687)	-	-	-	-	(58,687)
Charge for the year	14,314	51,996	86,082	1,846	-	-	-	154,238
At 31 December 2017	68,427	173,242	1,388,028	7,205	-	-	-	1,636,902
Translation adjustment	(1,899)	-	(1,634)	(73)	-	-	-	(3,606)
Disposal	-	-	(29,754)	-	-	-	-	(29,754)
Charge for the year	13,792	51,998	86,492	1,455	-	-	-	153,737
Derecognition of Indian Operations following distribution in specie	(33,403)	-	(31,613)	(1,176)	-	-	-	(66,192)
At 31 December 2018	46,917	225,240	1,411,519	7,411	-	-	-	1,691,087
Revaluation	(56,589)	(272,931)	-	-	-	-	-	(329,520)
Disposal	-	-	-	(7,135)	-	-	-	(7,135)
Charge for the year	10,851	52,443	78,602	1,225	28,180	21,761	49,941	193,062
At 31 December 2019	1,179	4,752	1,490,121	1,501	28,180	21,761	49,941	1,547,494
Net book value								
At 31 December 2019	802,755	1,416,297	318,102	3,584	166,867	80,301	247,168	2,787,906
Progress payments on tangible fixed assets								58,830
								2,846,736
At 31 December 2018	738,891	1,348,512	334,518	3,292	-	-	-	2,425,213
Progress payments on tangible fixed assets								33,601
								2,458,814
At 31 December 2017	881,775	1,399,640	311,849	4,755	-	-	-	2,598,019
Progress payments on tangible fixed assets								33,763
								2,631,782

Other tangible fixed assets, included within Property and equipment, consist of plant, machinery, furniture, fittings and computer equipment.
Property, plant and equipments are non-current assets whose maturity is more than one year.

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (CONT'D)

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

	31 December 2019	31 December 2018	31 December 2017
Level 2 fair value	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	803,934	785,808	950,202
Buildings on leasehold land	1,421,049	1,573,752	1,572,882
	2,224,983	2,359,560	2,523,084

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:

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	443,289	447,343	508,905
Buildings on leasehold land	347,500	360,873	374,232
	790,789	808,216	883,137

The freehold land and buildings are periodically valued based on market value by independent valuation surveyor. Buildings on leasehold land in Mauritius were revalued in December 2019 by an independent Chartered Valuation Surveyor, on an open market value basis.

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 19) and the movements during the period:

	MUR' 000
As at 01 January 2019 - Effect of adoption of IFRS 16 (Note 2)	261,988
Additions	35,121
Accretion of interest	15,064
Payments	(71,993)
As at 31 December 2019	240,180

The following are the amounts recognised in profit or loss:

	31 December 2019
Depreciation expense on right-of-use assets (Note 11)	49,941
Interest expense on lease liability (Note 26)	15,064
Total amount recognised in profit or loss	65,005

Maturity analysis of lease liability are as follows:

	Up to 1 year	1 to 5 years	5 to 25 years
Lease liability	48,801	150,248	41,131

The Bank had a total cash outflows for leases of MUR 71.99 million. The initial application of IFRS 16 resulted in non-cash additions to right-of-use assets and lease liabilities of MUR 261.99 million at 01 January 2019.

12. INTANGIBLE ASSETS

Accounting policy

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, 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. Management has used historical information relating to the Bank and the industry in which it operates in order to best determine the useful lives of intangible assets.

	Software	WIP Software (Note a)	Intellectual Property (Note b)	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cost				
At 01 January 2017	4,132,483	265,260	322,777	4,720,520
Translation adjustment	(217)	(2,954)	-	(3,171)
Additions	50,532	133,420	-	183,952
Transfers	312,963	(312,963)	-	-
At 31 December 2017	4,495,761	82,763	322,777	4,901,301
Translation adjustment	(1,169)	(1,925)	-	(3,094)
Additions	180,595	47,713	-	228,308
Transfers	23,464	(23,464)	-	-
Disposal	(610,148)	-	-	(610,148)
Write off	-	(1,726)	(37,860)	(39,586)
Derecognition of Indian operations following distribution in specie	(114,374)	(33,919)	-	(148,293)
At 31 December 2018	3,974,129	69,442	284,917	4,328,488
Additions	4,934	47,161	-	52,095
Transfers	32,030	(32,030)	-	-
Disposal	-	-	-	-
Write off	(4,430)	(9,882)	-	(14,312)
At 31 December 2019	4,006,663	74,691	284,917	4,366,271
Accumulated amortisation				
At 01 January 2017	893,618	-	56,983	950,601
Translation adjustment	(148)	-	-	(148)
Charge for the year	436,804	-	56,983	493,787
At 31 December 2017	1,330,274	-	113,966	1,444,240
Translation adjustment	(1,081)	-	-	(1,081)
Disposal	(610,148)	-	-	(610,148)
Charge for the year	511,676	-	56,983	568,659
Derecognition of Indian operations following distribution in specie	(36,102)	-	-	(36,102)
At 31 December 2018	1,194,619	-	170,949	1,365,568
Translation adjustment				-
Disposal	-	-	-	-
Charge for the year	417,564	-	56,983	474,547
At 31 December 2019	1,612,183	-	227,932	1,840,115
Net book value				
At 31 December 2019	2,394,480	74,691	56,985	2,526,156
At 31 December 2018	2,779,510	69,442	113,968	2,962,920
At 31 December 2017	3,165,487	82,763	208,811	3,457,061

12. INTANGIBLE ASSETS (CONT'D)

(a) WIP Software

The Bank is developing few softwares. These costs will be transferred under "Software" as soon as they will be in use at the Bank.

(b) Intellectual property rights

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

All intangibles are non-current assets whose maturity is more than one year.

13. OTHER ASSETS

Accounting policy

Prior to 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 as loans and receivables. They are measured at amortised cost, adjusted for any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables where 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 where the recognition of interest would be immaterial.

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Accounts receivable[1]	542,780	684,985	547,003
Balances due in clearing	4,196	2,860	56,083
Tax paid in advance[2]	-	-	75,708
Others[3]	167,283	135,808	245,098
	714,259	823,653	923,892

[1] Credit risk is managed for each category and is subject to the Bank'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 relates to the Indian Operations. The amount is shown net of current tax payable.

[3] Repossessed assets have been included under 'Others'. The Bank's policy is to dispose of such assets as soon as the market permits.

Prepayments have a maturity of less than one year and are treated as current assets while deposits / advance payments are non-current assets as they have a maturity of more than one year.

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 Bank'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 grades. 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.

Significant accounting estimates and judgements

The Bank operates a defined benefit pension plan for its 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 statement of financial position arising from the Bank's obligation in respect of its defined benefit plans is as follows:

	31 December 2019	31 December 2018	31 December 2017
Reconciliation of net defined benefit liability	MUR' 000	MUR' 000	MUR' 000
Present value of funded defined benefit obligation	1,307,790	1,044,716	1,035,648
Fair value of planned assets	(1,067,644)	(935,095)	(943,867)
Net liability arising from defined benefit obligation (Note 19)	240,146	109,621	91,781
Reconciliation of net defined benefit liability			
Balance at start of the year	109,621	91,781	67,764
Amount recognised in statement of profit or loss	32,684	30,245	26,422
Amount recognised in other comprehensive income	204,365	33,496	39,616
Less employer contributions	(106,524)	(45,901)	(42,021)
Balance at end of the year	240,146	109,621	91,781

14. PENSION LIABILITY (CONT'D)

	31 December 2019	31 December 2018	31 December 2017
Reconciliation of fair value of planned assets	MUR' 000	MUR' 000	MUR' 000
Balance at start of the year	935,095	943,867	844,673
Interest income	59,075	52,493	54,941
Employer contributions	106,524	45,901	42,021
Benefits paid	(38,813)	(28,872)	(40,867)
Exchange differences	(6,590)	2,143	-
Return on planned assets excluding interest income	12,353	(80,437)	43,099
Balance at end of the year	1,067,644	935,095	943,867
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	1,044,716	1,035,648	912,437
Current service cost	30,680	26,473	23,362
Interest expense	62,561	56,294	58,001
Past service cost	(1,482)	(29)	-
Other benefits paid	(38,813)	(28,872)	(40,867)
Transfer from another entity	(6,590)	2,143	-
Liability experience loss	226,181	-	-
Liability (gain) / loss due to change in financial assumptions	(9,463)	(46,941)	82,715
Balance at end of the year	1,307,790	1,044,716	1,035,648
Components of amount recognised in statement of profit or loss			
Service cost	29,198	26,444	23,362
Net interest on net defined benefit liability	3,486	3,801	3,060
Total expense as above *(Note 30)*	32,684	30,245	26,422
Components of amount recognised in other comprehensive income			
Return on planned assets below interest income	(12,353)	80,437	(43,099)
Liability experience loss	226,181	-	-
Liability (gain) / loss due to change in financial assumptions	(9,463)	(46,941)	82,715
Total	204,365	33,496	39,616

	31 December 2019	31 December 2018	31 December 2017
Allocation of planned assets at end of year	%	%	%
Equity - Overseas quoted	23	18	30
Equity - Overseas unquoted	8	10	-
Equity - Local quoted	26	28	30
Equity - Local unquoted	7	7	7
Debt - Overseas quoted	1	1	-
Debt - Overseas unquoted	-	6	6
Debt - Local quoted	6	4	2
Debt - Local unquoted	15	23	21
Cash and other	14	3	4
Total	100	100	100
Reporting entity's own transferable financial instruments	3.0%	4.0%	6.0%
Principal assumptions used at end of year			
Discount rate	5.3%	6.1%	5.5%
Rate of salary increases	3.1%	4.0%	4.0%
Rate of pension increases	0.8%	1.6%	1.0%
Average retirement age (ARA)			
Average life expentancy for:	65	65	65
- Male at ARA	15.9 years	15.9 years	15.9 years
- Female at ARA	20 years	20 years	20 years
Sensitivity Analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	205,990	184,915	187,452
Decrease due to 1% increase in discount rate	167,365	148,350	150,169

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.

IAS 19 requires that the discount rate be set based on the yields of high quality corporate bonds with an appropriate term. Since no deep market in such bonds is available, IAS 19 requires that the yield on government bonds of appropriate term can be applied. The discount rate takes account of the nominal yield to redemption of government bonds traded on the secondary market as at 31 December 2019 and the duration of last year's liabilities.

Future cashflows

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

The Bank expects to make a contribution of around MUR 48.36 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 14 years.

Pension amounts and disclosures have been based on the report dated 6 March 2020 submitted by an independent firm of Actuaries and Consultants.

The Bank sponsors a final salary defined benefit pension plan for a category of its employees. The Bank has recognised a net defined benefit liability of MUR 240.15 million as at 31 December 2019 for the plan (2018: MUR 109.62 million and 2017: MUR 91.78 million).

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

Investment risk

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

Interest risk

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

Longevity risk

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

Salary risk

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

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

14. PENSION LIABILITY (CONT'D)

(b) Residual retirement gratuities

The amount included in the statement of financial position arising from the Bank's obligation in respect of its residual retirement gratuities is as follows:

	31 December 2019	31 December 2018
Reconciliation of net defined benefit liability	MUR' 000	MUR' 000
Balance at start of the year	63,434	-
Amount recognised in statement of profit or loss	30,925	63,434
Amount recognised in other comprehensive income	(500)	-
Balance at end of the year (Note 19)	93,859	63,434
Reconciliation of present value of defined benefit obligation		
Balance at start of the year	63,434	-
Current service cost	3,700	-
Interest expense	3,869	-
Past service cost	23,356	63,434
Liability experience loss	2,612	-
Liability gain due to change in financial assumptions	(3,112)	-
Balance at end of the year	93,859	63,434
Components of amount recognised in statement of profit or loss		
Service cost	27,056	63,434
Net interest on net defined benefit liability	3,869	-
Total expense as above	30,925	63,434
Components of amount recognised in other comprehensive income		
Liability experience loss	2,612	-
Liability gain due to change in financial assumptions	(3,112)	-
Total	(500)	-

	31 December 2019	31 December 2018
Principal assumptions used at end of year	%	%
Discount rate	5.3%	6.1%
Rate of salary increases	3.1%	4.0%
Rate of pension increases	0.8%	1.6%
Average retirement age (ARA)	60/65	60/65
Sensitivity Analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	13,458	19,090
Decrease due to 1% increase in discount rate	9,002	8,686

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. The results are particularly sensitive to a change in discount rate due to the nature of the liabilities being the difference between the pure retirement gratuities under the Workers' Rights Act 2019 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the member at retirement from the SBM Group DC Fund with reference to the Bank's share of contributions. The latter amount is MUR 340.57 million as at 31 December 2019.

Future cashflows

The funding policy is to pay benefits from the reporting entity's cashflow as and when due.

The Bank expects to make a contribution of around MUR 14.37 million to the SBM Group DC Fund for the next financial year and the weighted average duration of the defined benefit obligation is 14 years.

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 Bank's obligations are discharged, cancelled or they expire.

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	929,357	796,117	739,926

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 Bank's obligations are discharged, cancelled or they expire.

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
(i) Retail customers			
Current accounts	18,514,354	14,574,635	16,416,802
Savings accounts	54,376,651	51,247,818	50,728,520
Time deposits with remaining term to maturity:			
Up to 3 months	1,904,780	1,565,609	1,667,654
Over 3 months and up to 6 months	1,281,866	2,211,505	2,285,051
Over 6 months and up to 12 months	1,870,138	3,769,381	6,037,766
Over 1 year and up to 5 years	2,343,725	2,227,733	3,223,918
Over 5 years	2,296,622	-	2,826
Total time deposits	9,697,131	9,774,228	13,217,215
Total deposits from retail customers	82,588,136	75,596,681	80,362,537
(ii) Corporate customers			
Current accounts	54,110,610	43,860,789	33,252,693
Savings accounts	3,373,764	3,479,325	4,287,772
Time deposits with remaining term to maturity:			
Up to 3 months	9,349,142	9,516,405	12,053,734
Over 3 months and up to 6 months	3,642,694	1,788,154	1,993,033
Over 6 months and up to 12 months	2,130,624	958,036	1,527,776
Over 1 year and up to 5 years	233,830	396,499	889,135
Total time deposits	15,356,290	12,659,094	16,463,678
Total deposits from corporate customers	72,840,664	59,999,208	54,004,143
(iii) Government			
Current accounts	7,994,530	6,098,267	3,027,269
Savings accounts	2,909,782	3,521,548	2,908,506
Time deposits with remaining term to maturity:			
Up to 3 months	6,918,162	1,620,343	22,397
Over 3 months and up to 6 months	1,600	619,611	1,357,224
Over 6 months and up to 12 months	5,828	69,396	12,961
Over 1 year and up to 5 years	-	5,786	732
Total time deposits	6,925,590	2,315,136	1,393,314
Total deposits from government	17,829,902	11,934,951	7,329,089
Total deposits from non-bank customers	173,258,702	147,530,840	141,695,769

17. OTHER BORROWED FUNDS

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.

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks			
- For refinancing	-	50,998	104,190
Borrowings from other financial institutions			
- For refinancing	5,016,521	3,869,634	4,546,840
Borrowings from banks			
- In Mauritius	2,550,602	2,450,659	4,198,169
- Abroad	4,871,028	5,402,647	4,267,394
	12,438,151	11,773,938	13,116,593
Remaining term to maturity			
Up to 3 months	5,767,984	4,523,419	5,537,753
Over 3 months and up to 6 months	1,162,205	4,432,455	2,515,486
Over 6 months and up to 12 months	36,353	1,505,926	389,290
Over 1 year and up to 5 years	3,058,516	583,341	3,979,498
Over 5 years	2,413,093	728,797	694,566
	12,438,151	11,773,938	13,116,593

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 Bank is required to allocate 2% of its segment A chargeable income of the preceding financial year to government approved CSR NGOs. As from July 2017, following amendments to the Finance Act 2017, the Bank was required as from 01 January 2017 to 31 December 2018 to remit to the Director General of the Mauritius Revenue Authority (MRA) at least 50% of the CSR contribution. After 01 January 2019, the Bank is required to remit to the Director General of the MRA at least 75% of the CSR contribution. This is recorded as part of income tax expense.

Bank levy

The Bank is liable to pay a special levy as a percentage of its leviable income from residents excluding Global Business Licence holders (the special levy was paid as a percentage of its segmental chargeable income for the year 2018 and 2017 and was shown under the income tax line). This is recorded as an operating expense.

The applicable income tax rate in Mauritius is 15% (2018 and 2017: 15%). An additional charge is applicable in respect of Corporate Social Responsibility and Special Levy on Banks as mentioned above in the accounting policy. A deemed tax credit of 80% is applicable for segment B income.

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Profit before tax from continuing operations	882,303	2,138,353	3,797,287
Tax on accounting profit at 15%	132,345	320,753	569,593
Non allowable expenses	237,823	392,476	(3,182)
Exempt income	(47,752)	(28,058)	(39,062)
Underprovision / (overprovision) in prior years	22,166	69,233	(54,837)
Special levy on banks	-	184,345	208,508
Corporate Social Responsibility contribution	39,410	20,845	37,811
	383,992	959,594	718,831
Foreign tax credit	(52,182)	(282,606)	(224,696)
Total tax expense	331,810	676,988	494,135

18. TAXATION (CONT'D)

18a. TAX EXPENSE (CONT'D)

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
The total tax expense can also be analysed as follows:			
Income tax expense	560,908	632,378	226,134
Deferred tax (credit) / charge (*Note 18b*)	(268,508)	23,765	230,190
Corporate Social Responsibility contribution	39,410	20,845	37,811
Total tax expense	331,810	676,988	494,135

18b. DEFERRED TAX (ASSETS)/LIABILITIES

Accounting policy

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

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

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

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

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

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

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

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

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

Current tax 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.

The deferred tax rate applied for segment A and segment B is 7% and 5% respectively (2018 & 2017: 17% & 3%). The change in the rate resulted in a tax credit of MUR 112.59 million in the statement of profit or loss and MUR 110.47 million in other comprehensive income. Deferred tax (assets) / liabilities are treated as non current (assets) / liabilities as they have a maturity of over more than one year.

18. TAXATION (CONT'D)

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

	MUR' 000
At 01 January 2017	(215,320)
Exchange difference	864
Deferred tax charge on Mauritius operation *(Note 18a)*	230,190
Deferred tax charge Overseas operations	66,445
Deferred tax on retirement benefit obligations accounted in OCI	(6,735)
At 31 December 2017	75,444
At 01 January 2018	75,444
Deferred tax charge *(Note 18a)*	23,765
Deferred tax on retirement benefit obligations accounted in OCI	(5,694)
Underprovision of deferred tax liability in prior years	70,481
At 31 December 2018	163,996
At 01 January 2019	163,996
Deferred tax charge *(Note 18a)*	(155,921)
Deferred tax on retirement benefit obligations accounted in OCI	(14,271)
Deferred tax on revaluation of property	9,950
Change in tax rate - recognised in	
- Other comprehensive income	(110,469)
- Statement of profit or loss *(Note 18 (a))*	(112,587)
At 31 December 2019	(219,302)

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Deferred tax assets	(219,302)	-	(95,461)
Deferred tax liabilities	-	163,996	170,905
	(219,302)	163,996	75,444
Analysed as follows:			
Mauritius Operations	(219,302)	163,996	170,905
Indian Operations	-	-	(95,461)
	(219,302)	163,996	75,444
Analysed as resulting from:			
Accelerated capital allowances	169,837	484,897	420,080
Allowances for credit impairment	(448,423)	(503,857)	(438,390)
Carried forward losses	-	-	(137,810)
Revaluation of property	87,431	198,880	253,118
Other provisions	(28,147)	(15,924)	(21,554)
	(219,302)	163,996	75,444

18c. CURRENT TAX LIABILITIES

Current tax liabilities can be analysed as follows:

Statement of financial position	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
At 01 January	474,487	105,869	358,908
Income tax expenses	538,742	560,692	292,579
Corporate Social Responsibility contribution	39,410	20,845	37,812
Underprovision / (overprovision) in prior years	22,166	47,333	(66,445)
Paid during the year	(763,454)	(260,252)	(516,984)
At 31 December	311,351	474,487	105,870

Current tax liabilities will mature within the next one year and are classified as current liabilities.

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. Deferred income relates to loan processing fees and commission on letter of guarantee which is amortised over the life of the facility.

19. OTHER LIABILITIES (CONT'D)

Accounting policy (cont'd)

Lease liabilities
At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Balance due in clearing	2,951,306	2,908,532	2,046,251
Bills payable	342,102	214,487	171,969
Lease liability*	240,180	-	-
Bank levy	171,368	-	-
Accruals for expenses	408,143	30,676	352,180
Accounts payable	422,496	484,014	754,693
Deferred income	326,558	291,242	322,876
Balances in transit	899,889	772,867	413,460
Pension liability - Defined benefit *(Note 14)*	240,146	109,621	91,781
Pension liability - Residual gratuity *(Note 14)*	93,859	63,434	-
Others	27,849	30,767	9,997
ECL on memorandum items *(Note 22)*	112,666	114,995	-
	6,236,562	5,020,635	4,163,207

* The maturity profile of lease liability is shown in note 11 Property, equipment and right-of-use assets.
Deferred income and pension liability have a maturity of over more than one year and are treated non-current liabilities.

20. 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.

Authorised, issued and paid up share capital	Number	MUR' 000
At 31 December 2019	40,000,000,000	400,000
At 31 December 2018 & 2017	31,000,000,000	310,000

Capital Contribution	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
At 01 January	11,044,011	9,063,106	8,063,106
Capital contribution received during the year	900,000	1,980,905	1,000,000
Conversion into share capital during the year	(90,000)	-	-
At 31 December	11,854,011	11,044,011	9,063,106

Fully paid ordinary shares carry one vote per share and the right to dividend.

The capital contribution refers to additional capital over and above the actual stated capital. It is fully paid up, unsecured, interest free and is perpetual with no maturity date. The shareholder shall not demand, sue for or receive payment of the whole or any part of the capital contribution or claim any set-off which would result in the principal amount of the capital contribution outstanding to be reduced. The Bank reserves the right to issue ordinary shares against the amount of capital contribution at any time at prevailing market rates.

21. DIVIDEND

Accounting policy

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

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Cash dividend declared during the year:			
2019: 3.60 cents; 2018: 3.55 cents and 2017: 3.08 cents per share	1,319,000	1,100,500	954,000
Less dividend paid: 2019: 3.60 cents; 2018: 3.55 cents and 2017: 3.08 cents per share	(1,319,000)	(1,100,500)	(954,000)
Dividend payable	-	-	-
Dividend declared after the reporting date:			
2019 & 2018: Nil & 2017: 1.13 cents per share	-	-	350,300

21. DIVIDEND (CONT'D)

Loss on distribution of dividend in specie

Non-current assets held for sale and discontinued operations

The Bank classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.
Additional disclosures are provided in Note 39. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Dividend in specie

During the financial year 2018, the Bank made a distribution in specie to its sole shareholder SBM (Bank) Holdings Ltd. The distribution in specie consisted of the Bank transferring the entire of its Indian operations to its shareholder. The distribution was made at an amount which was the equivalent of the fair value of the assets and liabilities of the Indian operations.

As such, on 30 November 2018, following approval from the Bank of Mauritius, the Indian Operations were fully transferred to SBM (Bank) Holdings Ltd. The statement of financial position as of that date was as follows:

Statement of financial position as at 30 November 2018	INR'000	MUR' 000
Assets	16,455,231	8,100,910
Liabilities	11,306,557	5,566,218
Capital and reserves	5,148,674	2,534,692
	16,455,231	8,100,910

The distribution in specie of the Indian operations led to the recognition of a loss in the Statement of Profit or Loss of the Bank. This loss mainly represents the derecognition of the translation reserve of this foreign operation.

For further information on this distribution in specie, refer to Note 39 on Discontinued Operations.

22. MEMORANDUM ITEMS

Accounting policy

Memorandum items are off balance sheet items and comprise of acceptances, contingent liabilities and financial guarantee contracts.

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 the Bank; 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.

22. MEMORANDUM ITEMS (CONT'D)

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

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Acceptances on account of customers	671,824	199,670	768,827
Guarantees on account of customers	7,118,905	7,594,442	7,443,126
Letters of credit and other obligations on account of customers	362,982	513,356	1,975,267
Other contingent items	185,584	-	-
	8,339,295	8,307,468	10,187,220
b Commitments			
Undrawn credit facilities	11,675,375	9,071,296	14,238,833
c Others			
Inward bills held for collection	144,051	248,962	183,979
Outward bills sent for collection	36,135	39,943	1,920,084
	180,186	288,905	2,104,063
Total	20,194,856	17,667,669	26,530,116

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

At 31 December 2019	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	5,932,948	42,486	-	5,975,434
Standard grade	4,846,401	1,171,542	-	6,017,943
Sub-standard grade	7,233,996	966,478	-	8,200,474
Past due but not impaired	-	-	-	-
Non-performing				
Individually impaired	-	-	1,005	1,005
Total	18,013,345	2,180,506	1,005	20,194,856

At 31 December 2018 & 2017:	31 December 2018				31 December 2017
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing					
High grade	3,852,695	70,095	-	3,922,790	8,861,175
Standard grade	5,699,476	5,412,812	-	11,112,288	4,255,665
Sub-standard grade	2,627,610	1,483	-	2,629,093	13,025,352
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	3,498	3,498	387,924
Total	12,179,781	5,484,390	3,498	17,667,669	26,530,116

Details of the Bank's internal grading system are set out in note 37(b)(i).

An analysis of changes in the gross carrying amount is as follows:

At 31 December 2019:	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January 2019	12,179,781	5,484,390	3,498	17,667,669
New assets originated or purchased	10,072,787	1,119,556		11,192,343
Assets derecognised or repaid (excluding write offs)	(6,605,829)	(2,056,794)	(2,533)	(8,665,156)
Transfers to Stage 1	2,424,141	(2,424,141)		-
Transfers to Stage 2	(57,375)	57,495	(120)	-
Transfers to Stage 3	(160)	-	160	-
Gross carrying amount as at 31 December 2019	18,013,345	2,180,506	1,005	20,194,856

22. MEMORANDUM ITEMS (CONT'D)

An analysis of changes in the gross carrying amount is as follows: (Cont'd)

At 31 December 2018:	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 01 January 2018	26,530,116	-	-	26,530,116
New assets originated or purchased	9,324,074	637,436	3,498	9,965,008
Assets derecognised or repaid (excluding write offs)	(15,404,311)	(816,137)	-	(16,220,448)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(5,663,091)	5,663,091	-	-
Transfers to Stage 3	-	-	-	-
Derecognition of Indian Operations following distribution in specie	(2,607,007)	-	-	(2,607,007)
Gross carrying amount as at 31 December 2018	12,179,781	5,484,390	3,498	17,667,669

An analysis of changes in the corresponding ECL allowances is, as follows:

At 31 December 2019:	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 01 January 2019	57,115	53,290	4,590	114,995
New assets originated or purchased	78,274	4,138	-	82,412
Assets derecognised or repaid (excluding write offs)	(61,965)	(21,782)	(994)	(84,741)
Transfers to Stage 1	25,545	(25,545)	-	-
Transfers to Stage 2	(248)	248	-	-
Transfers to Stage 3	-	-	-	-
At 31 December 2019	98,721	10,349	3,596	112,666

At 31 December 2018:	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 01 January 2018	172,864	-	-	172,864
New assets originated or purchased	39,606	23,544	4,590	67,740
Assets derecognised or repaid (excluding write offs)	(115,703)	(9,906)	-	(125,609)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(39,652)	39,652	-	-
Transfers to Stage 3	-	-	-	-
ECL allowance as at 31 December 2018	57,115	53,290	4,590	114,995

The Bank is subject to various legal claims from former employees and customers with claims totallying MUR 584.1 million (2018: MUR 553.3 million and 2017: MUR 455.4 million). The Bank has not made any provisions in these financial statements as at 31 December 2019 on the basis that so far there is no indication that the claims would succeed in court.

23. ASSETS PLEDGED

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

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Treasury bills / Government bonds	70,000	5,427,202	2,077,648
Other	-	-	52,909
	70,000	5,427,202	2,130,557
Analysed as:			
- In Mauritius	70,000	3,542,550	1,694,900
- Overseas	-	1,884,652	435,657
	70,000	5,427,202	2,130,557

24. CAPITAL COMMITMENTS

Approved and contracted for	182,952	85,160	58,934
Approved and not contracted for	402,998	72,333	64,757

25. OPERATING LEASE

Accounting policy

Prior to 01 January 2019

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

From 01 January 2019

Refer to note 11 Property, equipment and right-to-use assets and note 19 other liabilities.

	31 December 2018	31 December 2017
Leasing arrangements - The Bank as lessee	MUR' 000	MUR' 000
Operating lease expense	64,684	50,465

Operating lease payments represent rentals payable for property, equipment and motor vehicles for the entire contract period. Operating lease contracts contain renewal clauses in the event that the Bank exercises its option to renew the contracts. The Bank 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:

	31 December 2018	31 December 2017
	MUR' 000	MUR' 000
Up to 1 year	46,064	36,867
After 1 year and before 5 years	89,193	49,481
After 5 years and up to 25 years	31,760	42,063
	167,017	128,411

26. NET INTEREST INCOME

Accounting policy

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

For all financial instruments measured at amortised cost and interest-earning financial instruments classified as investment securities measured at FVTOCI, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank 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 Bank 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 Bank 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 Bank 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 asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

26. NET INTEREST INCOME (CONT'D)

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Interest Income on financial instruments at amortised cost			
Cash and cash equivalents	125,512	156,248	93,299
Loans to and placements with banks	233,578	312,079	122,264
Loans and advances to non-bank customers	5,562,952	5,552,274	4,806,834
Investment securities	719,612	417,241	562,418
	6,641,654	6,437,842	5,584,815
Interest Income on financial instruments at fair value			
Investment securities	1,129,535	840,367	496,688
Derivative financial instruments	(82,338)	(121,837)	(6,613)
	1,047,197	718,530	490,075
Total interest income	7,688,851	7,156,372	6,074,890
Interest expense			
Deposits from customers	(1,649,120)	(1,376,701)	(1,444,025)
Other borrowed funds	(354,307)	(265,485)	(109,697)
Lease liabilities	(15,064)	-	-
Other	(5,038)	(22,820)	(15,407)
Total interest expense	(2,023,529)	(1,665,006)	(1,569,129)
Net interest income	5,665,322	5,491,366	4,505,761

27. NET FEE AND COMMISSION INCOME

Accounting policy

Fees and commission income and expense are recognised 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 recognised 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 recognised 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.

	31 December 2019	31 December 2018	31 December 2017
Fee and commission income	MUR' 000	MUR' 000	MUR' 000
Retail banking customer fees	330,022	257,206	331,115
Corporate banking customer fees	476,159	453,942	359,084
Card income	400,140	350,518	315,075
Total fee and commission income	1,206,321	1,061,666	1,005,274
Fee and commission expense			
Interbank transaction fees	(16,800)	(14,409)	(12,776)
Other	(14,916)	(8,606)	(9,620)
Total fee and commission expense	(31,716)	(23,015)	(22,396)
Net fee and commission income	1,174,605	1,038,651	982,878

28. NET GAIN FROM FINANCIAL INSTRUMENTS

Accounting policy

Gain or loss on financial instruments comprises of fair value movements on:
- Trading derivatives;
- Trading securities;
- Assets, liabilities and derivatives designated in hedging relationships; and
- Other financial assets and liabilities designated at fair value through profit or loss.

In general, gains or losses on trading derivatives recognise the full change in fair value of the derivatives inclusive of interest income and expense. Gains or losses on trading securities recognise the change in the fair value of these instruments excluding interest income or interest expense which is recognised separately in net interest income.

Gains or losses on assets, liabilities and derivatives designated in hedge relationships recognises fair value movements (excluding interest) on both the hedged item and hedging derivative in a fair value hedge relationship, and hedge ineffectiveness from fair value hedge relationships.
Gains or losses on other financial assets designated at fair value through profit or loss recognises fair value movements (excluding interest) on those items designated as fair value through profit or loss.

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Net gain from trading instruments	74,914	323,467	519,275
Investment securities at fair value through profit or loss	43,370	59,472	919
Other	(109)	117,194	(373)
	118,175	500,133	519,821

29. NET GAIN ON SALE OF SECURITIES

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Net gain on derecognition of financial assets measured at fair value through other comprehensive income	224,380	-	161,386
Net gain on derecognition of financial assets measured at amortised cost	-	4,727	262,721
Net gain on derecognition of financial asets at fair value through profit or loss	402,294	168,827	6,790
	626,674	173,554	430,897

30. PERSONNEL EXPENSES

Accounting policy

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 Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank 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.

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Wages and salaries	1,396,876	1,001,238	1,069,541
Other social security obligations	29,005	-	17,723
Contributions to defined contribution plans	168,540	144,277	91,180
Increase in liability for defined benefit plans (*Note 14)*	32,684	30,245	26,422
Staff welfare cost	54,308	50,220	42,532
Other	38,179	45,185	33,754
	1,719,592	1,271,165	1,281,152

31. OTHER EXPENSES

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	435,659	301,567	417,371
Utilities and telephone charges	66,740	56,322	61,129
Professional charges	130,990	91,415	50,051
Marketing costs	76,653	55,370	69,672
Rent, repairs, maintenance and security charges	131,351	127,195	142,708
Licence and other registration fees	24,509	20,905	22,109
Postage, courier and stationery costs	50,683	45,420	47,708
Insurance costs	43,006	12,466	11,308
Other*	112,962	57,772	100,128
	1,072,553	768,432	922,184

** Includes mainly other operational costs.*

32. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS

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 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 available for sale (AFS) financial asset is considered to be impaired, its carrying amount is reduced by the impairment loss directly for all financial assets with the exception of loans and advances to customers where the carrying amount is reduced through the use of an allowance account.

Cumulative gains or losses previously recognised in other comprehensive income are reclassified to the 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 fair value reserve.

From 01 January 2018

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:
- Loans to and placements with banks;
- Loans and advances to non-bank 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 Bank 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 Bank 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 Bank 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;
(d) it is becoming probable that the borrower will enter bankrupcy 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.

32. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS (CONT'D)

Accounting policy

Credit-impaired financial asset (cont'd)

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 Bank 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 Bank 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 Bank 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 Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank 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 Bank 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 Bank 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 Bank'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 statement of profit or loss under IFRS 9:

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	229,143	804,977	2,653,981	3,688,101
Loans and placements with banks*	(47,372)	-	-	(47,372)
Debt instruments measured at amortised cost**	7,729	-	-	7,729
Loan commitments	42,834	-	-	42,834
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(1,228)	(42,941)	(994)	(45,163)
Total credit loss expense under IFRS 9	231,106	762,036	2,652,987	3,646,129
Bad debts recovered				(39,463)
				3,606,666

At 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	(261,425)	371,890	2,897,543	3,008,008
Loans and placements with banks*	43,782	-		43,782
Debt instruments measured at amortised cost**	22,636	-		22,636
Loan commitments	(19,832)	-		(19,832)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(42,626)	-	4,590	(38,036)
Total credit loss expense under IFRS 9	(257,465)	371,890	2,902,133	3,016,558
Write off				120
Bad debts recovered	-	-	-	(6,322)
	(257,465)	371,890	2,902,133	3,010,356

*ECL movement for cash and cash equivalents are included under loans and placements with banks
**ECL movement for debt instruments measured at FVTOCI are included under debt instruments measured at amortised cost.

32. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS (CONT'D)

The table below shows the impairment charges recorded in the statement of profit or loss under IAS 39 during 2017:

	31 December 2017
	MUR' 000
Portfolio and specific provisions:	
- On-balance sheet advances	344,601
Bad debts written off for which no provisions were made	-
Recoveries of advances written off	(116,577)
Other	-
	228,024
Of which:	
Credit exposure	228,024
Other financial assets	-
	228,024

33. NET CASH FROM / (USED IN) OPERATING ACTIVITIES

	Notes	31 December 2019	31 December 2018	31 December 2017
Operating activities		MUR' 000	MUR' 000	MUR' 000
Profit for the year		550,492	554,153	2,611,293
Adjustments to determine net cash flows:				
Depreciation of property and equipment	11	193,062	153,737	154,238
Amortisation of intangible assets	12	474,547	568,659	493,787
Credit loss expense on cash and cash equivalents		38,059	45,910	-
Pension expense		84,793	30,245	26,422
Credit loss expense on financial assets	32	3,606,666	3,010,356	987,262
Impairment of non financial assets	11	9,962	-	-
Exchange difference		-	-	280,049
Impairment of equity investments		-	-	3,413
Net gain from dealings in trading securities		-	-	(30,726)
Net (gain) / loss on disposal of property and equipment		(884)	45,826	(79)
Tax expense	18 & 18 (a)	331,810	676,988	560,580
Loss in distribution of dividend in specie		-	685,838	-
Operating profit before working capital changes		5,288,507	5,771,712	5,086,239
Change in operating assets and liabilities				
(Increase) / decrease in derivative financial assets		(20,748)	541,042	(1,160,051)
Decrease / (increase) in loans to and placements with banks		4,302,196	(3,261,473)	(4,249,949)
Increase in loans and advances to non-bank customers		(8,655,418)	(410,459)	(30,658,733)
Increase in gilt-edged investment securities		(14,959,447)	(13,185,216)	(5,412,419)
(Increase) / decrease in other investment securities		(7,215,680)	(2,543,882)	2,679,365
Increase in mandatory balances with central banks		(558,239)	(252,613)	(1,766,492)
Decrease / (increase) in other assets		109,394	(144,461)	(365,691)
Increase / (decrease) in deposits from banks		133,240	70,370	(1,971,438)
Increase in deposits from non-bank customers		25,727,862	9,816,305	33,393,382
Increase / (decrease) in derivative financial liabilities		35,633	(521,348)	1,152,178
Increase in other liabilities		718,772	948,310	1,898,594
Income tax paid		(763,454)	(315,265)	(516,984)
Net cash from / (used in) operating activities		4,142,618	(3,486,978)	(1,891,999)

34. CAPITAL MANAGEMENT

The Bank 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 Bank are disclosed in the *statement of changes in equity* .

The Bank has 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.

The Bank has also met its respective minimum capital adequacy ratio requirements. Banks in Mauritius are required to maintain a ratio of eligible capital to risk weighted assets of at least 13.375%.

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Tier 1 capital	13,919,667	13,421,249	11,792,955
Eligible capital base	15,741,185	15,036,270	13,465,687
Risk weighted assets	107,417,400	99,517,948	104,933,398
Capital adequacy ratio (%)	14.65	15.11	12.83

For comparative purposes, the disclosure has been amended and do not include Indian Operations.

35. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors regard SBM Holdings Ltd, a company incorporated in Mauritius as its ultimate holding company and SBM (Bank) Holdings Ltd, a company incorporated in Mauritius as its immediate holding company. SBM Holdings Ltd is a public company, domiciled in Mauritius and listed on the Stock Exchange of Mauritius. The address of the registered office of both SBM Holdings Ltd and SBM (Bank) Holdings is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

36. RELATED PARTY DISCLOSURES

Accounting policy

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

		Key management personnel including directors			Associates and other entities in which the Group has significant influence			Immediate holding company and entities under common control			Entities in which directors, key management personnel and their close family members have significant influence		
		31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2019	31 Dec 2018	31 Dec 2017
		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	160,402	170,942	100,297	2,589,191	2,868,421	-	5,589	3,205	-	1,687,766	5,450,405	1,320,812
	Loans of directors / entities who ceased to be related parties during the	(49,167)	(23,513)	(3,799)	-	(391,377)	-	-	-	-	(256,891)	(3,365,943)	-
	Existing loans of new related parties	17,792	20,937	-	-	-	2,868,421	1,112,281	-	3,205	-	-	4,101,901
	Other net movements	7,282	(7,964)	74,445	239,508	112,147	-	-	2,384	-	(12,974)	(396,696)	27,692
	Balance at end of year	136,309	160,402	170,943	2,828,699	2,589,191	2,868,421	1,117,870	5,589	3,205	1,417,901	1,687,766	5,450,405
(ii)	*Off-balance sheet obligations*												
	Balance at end of year	-	50	100	720,982	678,424	768,315	143,143	12,000	12,000	42,235	34,535	50,600
(b)	Deposits at end of year	217,086	216,359	154,318	2,031,404	1,566,800	2,142,657	456,481	171,484	284,721	696,682	2,765,967	3,948,271
(c)	Interest income	6,562	7,855	8,054	84,331	84,922	54,306	20,495	18,781	83,239	73,085	70,609	260,205
(d)	Interest expense	1,736	1,791	1,251	29,358	19,934	27,239	415	-	2,126	968	5,461	11,345
(e)	Other income	34	32	36	12,548	13,908	13,828	1	2	1	29,876	32,153	44,384
(f)	Dividend income	-	-	-	-	-	-	-	-	-	-	-	-
(g)	Purchase of goods and services	12,549	8,943	9,264	-	-	-	-	-	-	-	-	-
(h)	Emoluments	32,458	38,321	31,749	-	-	-	-	-	-	-	-	-
(i)	Dividends paid	-	-	-	-	-	-	1,319,000	1,100,500	954,000	-	-	-

Short term benefits amounted to MUR 32.46 million at the reporting date (2018: MUR 38.32 million and 2017: MUR 31.75 million) and long term benefits was nil at the reporting date (2018 and 2017: nil).

36. RELATED PARTY DISCLOSURES (CONT'D)

Related party transactions in relation to Post Employment Benefit plans are as follows

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Deposits at end of year	211,640	97,051	63,809
Interest expense	216	32	-
Contributions paid	172,701	112,403	100,591

Transactions of the Bank with the ultimate holding company and the subsidiaries within the Group are disclosed below:

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Non-interest expense	-	225	900

Credit facilities to key management personnel and executive directors are as per their contract of employment. All other transactions with key management personnel and directors, whether credit facilities, deposits or purchase of goods and services, are at market terms and conditions and will be settled in cash.

All credit facilities with entities considered as related parties disclosed above are at market terms and conditions and will be settled in cash. Credit facilities are secured except for credit card advances and some personal loans which are granted under an unsecured loan scheme in the normal course of business.

37. 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 Bank 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 Bank 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 Bank'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 MUR' 000	New Carrying amount under IFRS 9 as at 01 January 2018 MUR' 000	Carrying amount under IFRS 9 as at 31 December 2018 MUR' 000
Cash and cash equivalents	Loans and receivables	Amortised Cost	15,620,778	15,604,580	11,211,712
Mandatory balances with central banks	Loans and receivables	Amortised Cost	8,712,062	8,712,062	8,767,767
Loans to and placements with banks	Loans and receivables	Amortised Cost	8,895,860	8,879,803	11,764,358
Derivative financial instruments	Fair value through P&L	Fair value through P&L	1,356,774	1,356,774	762,855
Loans and advances to non-bank customers	Loans and receivables	Amortised cost	100,839,231	100,820,640	94,296,051
Investments - AFS (Equity and/or Debt Instruments)	Available-for-sale	Fair value through OCI	11,268,400	11,233,407	27,419,450
Investments - HFT	Fair value through P&L	Fair value through P&L	6,676,489	6,676,489	9,711,783
Investments - HTM	Held-to-maturity	Amortised cost	19,206,212	19,189,864	13,806,487
Other assets	Loans and receivables	Amortised Cost	676,317	676,317	567,126
Total financial assets			173,252,123	173,149,936	178,307,589
Financial liabilities					
Deposits from banks	Amortised Cost	Amortised Cost	739,926	739,926	796,117
Deposits from non-bank customers	Amortised Cost	Amortised Cost	141,695,769	141,695,769	147,530,840
Derivative financial instruments	Fair value through P&L	Fair value through P&L	1,334,584	1,334,584	758,642
Other borrowed funds	Amortised Cost	Amortised Cost	13,116,593	13,116,593	11,773,938
Other liabilities	Amortised Cost	Amortised Cost	1,944,907	1,944,907	2,013,081
Total financial liabilities			158,831,779	158,831,779	162,872,618

37. 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 2019		31 December 2018		31 December 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets						
Cash and cash equivalents	15,386,899	15,386,899	11,211,712	11,211,712	15,620,778	15,620,778
Mandatory balances with central banks	9,326,006	9,326,006	8,767,767	8,767,767	8,712,062	8,712,062
Loans to and placements with banks	7,471,474	7,471,474	11,764,358	11,764,358	8,895,860	8,895,860
Derivative financial instruments	783,603	783,603	762,855	762,855	1,356,774	1,356,774
Loans and advances to non-bank customers	99,302,829	99,080,390	94,296,051	95,941,685	100,839,231	100,768,119
Investment securities	73,456,719	73,685,769	50,934,309	54,382,199	37,150,731	39,582,150
Equity investments	3,411	3,411	3,411	3,411	370	370
Other assets	548,941	548,941	567,126	567,126	676,317	676,317
	206,279,882	206,286,493	178,307,589	183,401,113	173,252,123	175,612,430
Financial liabilities						
Deposits from banks	929,357	929,357	796,117	796,117	739,926	739,926
Deposits from non-bank customers	173,258,702	173,257,902	147,530,840	147,843,840	141,695,769	141,700,386
Other borrowed funds	12,438,151	12,438,151	11,773,938	11,773,938	13,116,593	13,116,593
Derivative financial instruments	794,275	794,275	758,642	758,642	1,334,584	1,334,584
Other liabilities	5,327,003	5,327,003	2,013,081	2,013,081	1,944,907	1,944,907
	192,747,488	192,746,688	162,872,618	163,185,618	158,831,779	158,836,396

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 37 (a)(iii), the fair values of the other financial assets and financial liabilities are categorised in level 3.

37. 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.

	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
31 December 2019				
Derivative financial assets	-	783,603	-	783,603
Investment securities mandatorily measured at FVTPL				
Debt securities	11,116,554	-	549,306	11,665,860
Investments at FVTOCI (debt and equity instruments)				
Debt securities	42,291,708	-	159,896	42,451,604
Total assets	53,408,262	783,603	709,202	54,901,067
Derivative financial liabilities	-	794,275	-	794,275
Total liabilities	-	794,275	-	794,275
31 December 2018				
Derivative financial assets	-	762,855	-	762,855
Investment securities mandatorily measured at FVTPL				
Debt securities	8,946,664	765,119	-	9,711,783
Investments at FVTOCI (debt and equity instruments)				
Debt securities	20,107,062	7,308,977	-	27,416,039
Total assets	29,053,726	8,836,951	-	37,890,677
Derivative financial liabilities	-	758,642	-	758,642
Total liabilities	-	758,642	-	758,642

37. RISK MANAGEMENT (CONT'D)

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

	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
31 December 2017				
Derivative financial assets	-	1,356,774	-	1,356,774
Investment securities - available-for-sale	7,035,681	3,439,029	793,320	11,268,030
Investment securities - held-for-trading	5,705,895	970,594	-	6,676,489
	12,741,576	5,766,397	793,320	19,301,293
Derivative financial liabilities	-	1,334,584	-	1,334,584

Reconciliation of level 3 assets:

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Balance at start of year	-	793,320	2,074,882
Additions	709,202	-	-
Disposals	-	(607,868)	(1,277,874)
Derecognition of Indian Operations following distribution in specie	-	(185,452)	-
Impairment	-	-	(3,688)
Balance at end of year	709,202	-	793,320

There was no transfer between Levels during the year.

b Credit risk

The Bank 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 Bank as and when they fall due. The Bank'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 Bank has a tiered credit sanctioning process depending on the credit quality, exposure type and amount. Credit exposures and risk profile are monitored by the Credit Risk Management unit and reported regularly to the Board Risk Management Committee. The Bank has also enhanced its credit risk policy to reinforce its controls on segment B lending.

37. 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:

	31 December 2019	31 December 2018	31 December 2017
Fund-based exposures:	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	12,974,366	8,577,539	13,521,787
Mandatory balances with central banks	9,326,006	8,767,767	8,712,062
Loans to and placements with banks	7,496,443	11,798,639	8,895,860
Derivative financial instruments	783,603	762,855	1,356,774
Loans and advances to non-bank customers	107,069,501	99,798,242	104,260,079
Investment securities (including equity investments)	73,483,267	50,946,759	37,151,101
Other assets	548,941	567,126	676,317
	211,682,127	181,218,926	174,573,980
Non-fund based exposures:			
Acceptances, guarantees, letters of credit, endorsements and other	8,519,481	8,596,373	12,291,283
Credit commitments	11,675,375	9,071,296	14,238,833
	20,194,856	17,667,669	26,530,116

An analysis of the Bank'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, 9 and 10.

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 Bank's credit grading system is given below:

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Grades:			
1 to 3 - High Grade	41,019,256	41,356,537	53,443,458
4 to 6 - Standard	42,947,906	34,886,343	36,472,979
7 to 10 (including unrated) - Sub standard	25,994,326	25,647,564	33,344,743
	109,961,488	101,890,444	123,261,180

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.

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Overview of modified loans

From a risk management point of view, once an asset is modified, the Bank continues to monitor the exposure until it is completely and ultimately derecognised.

The table below shows the gross carrying amount of modified financial assets for which loss allowance has changed during the year.

	31 December 2019		31 December 2018	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Modified loans	12,494,575	326,436	7,634,975	92,172

Internal credit risk ratings

In order to minimise credit risk, the Bank has tasked its credit management committee to develop and maintain the Bank's credit risk grading to categorise exposures according to their degree of risk of default. The Bank'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 Bank'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.

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank 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 Bank's internal credit risk grades to external ratings.

Bank'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 Bank analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time by using macroeconomic forecasts to adjust estimates of PDs.

Irrespective of the outcome of the above assessment, the Bank 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 Bank has reasonable and supportable information that demonstrate otherwise. The Bank 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 Bank 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 Bank 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 Bank 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 Bank compares the risk of a default occuring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank 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 Bank's historical experience and expert credit assessment including forward-looking information.

37. 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 Bank'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 Bank 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 Bank 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 Bank still considers separately some qualitative factors to assess if credit risk has increased significantly, such as, creditworthiness of counterparty which has deteriorated such as unemployment, bankruptcy or death.
As a back-stop when an asset becomes 30 days past due (rebuttable presumption), the Bank 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 Bank 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 Bank's ability to collect interest and principal based on the Bank'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.

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

3. Modified financial asset (cont'd)

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 Bank, 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 Bank 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 Bank's Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Bank 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 Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.
The Bank 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: 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.

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 Bank 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.

37. 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 (cont'd)

EAD represents the expected exposure in the event of a default. The Bank 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 Bank 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 Bank considers a longer period. The maximum contractual period extends to the date at which the Bank 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 Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank'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 Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank 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 bank 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.

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

Type of credit exposure	31 December 2019	31 December 2018	31 December 2017	Principal Type of collateral held
	MUR' 000	MUR' 000	MUR' 000	
Fund-based exposures:				
Cash and cash equivalents	12,974,366	8,577,539	13,521,787	*Unsecured*
Mandatory balances with Central Banks	9,326,006	8,767,767	8,712,062	*Unsecured*
Loans to and placements with banks	7,496,443	11,798,639	8,895,860	*Unsecured*
Derivative financial instruments	783,603	762,855	1,356,774	*Unsecured*
Loans and advances to non-bank customers	107,069,501	94,296,051	104,260,079	*Residential property*
Investment securities	73,483,267	50,934,309	37,151,101	*Unsecured*
Other assets	548,941	567,126	676,317	*Unsecured*
Non-fund based exposures:				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	8,519,481	8,596,373	12,291,283	*Residential property*
Credit commitments	11,675,375	9,071,296	14,238,833	*Unsecured*

In addition to the collateral included in the table above, the Bank holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

The Bank did not hold any financial instrument for which no loss allowance is recognised because of collateral at 31 December 2019. There was no change in the Bank's collateral policy during the year.

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

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Up to 1 month	163,012	118,304	458,128
Over 1 month and up to 3 months	346,884	364,136	96,517
	509,896	482,440	554,645

Under the Bank'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 2019		31 December 2018	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
0-30 days (Stage 1)	74,499,853	651,591	55,905,181	422,448
31-89 days (Stage 2)	22,250,513	1,662,596	31,450,316	857,619
Total	96,750,366	2,314,187	87,355,497	1,280,067

37. 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:

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 9d)	10,319,135	12,442,745	3,331,478
Specific allowance held in respect of impaired advances (Note 9d)	5,452,485	4,222,125	2,157,900
Fair value of collaterals of impaired advances	2,559,042	7,092,474	3,137,676

(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 Bank to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base, classified by industry sectors:

	31 December 2019	31 December 2018	31 December 2017
Portfolio	MUR' 000	MUR' 000	MUR' 000
Agriculture	3,859,712	5,603,930	2,478,382
Building Contractors	-	-	1,339,133
Traders	7,883,416	14,476,212	12,561,536
Real estate	5,150,442	3,168,948	5,396,668
Transport	4,012,762	2,357,501	4,666,734
Tourism	6,758,321	6,812,399	7,937,415
Financial services	6,873,501	-	-
	34,538,154	32,418,990	34,379,868

c Liquidity risk

Liquidity risk is the potential earnings volatility arising from being unable to fund assets at reasonable rates over required maturities. The Bank ensures that sufficient liquidity is maintained to fund its day-to-day operations, meet deposit withdrawals and loan disbursements. Liquidity risk is managed by setting prudential limits on maturity mismatches, liquid assets ratios, concentration of deposits by type and by entity. Liquidity gap analysis is used to measure and monitor the mismatches by time bucket and currency under realistic and stress scenarios.

37. 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 Bank, 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
31 December 2019	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets								
Cash and cash equivalents	15,386,100	4,497	-	-	-	-	(3,698)	15,386,899
Mandatory balances with central banks	3,398,190	86,271	95,036	101,662	107,949	5,536,898	-	9,326,006
Loans to and placements with banks	196,289	395,111	2,601,064	1,249,520	762,453	2,292,006	(24,969)	7,471,474
Derivative financial instruments	-	-	-	-	-	-	783,603	783,603
Loans and advances to non-bank customers	5,489,867	5,570,486	4,647,548	9,602,131	25,049,629	45,493,252	3,449,916	99,302,829
Investment securities	30,079,628	3,910,955	3,225,528	2,637,400	9,939,827	23,526,622	136,759	73,456,719
Equity investments	-	-	-	-	-	-	3,411	3,411
Other assets	-	-	-	-	-	-	548,941	548,941
	54,550,074	9,967,320	10,569,176	13,590,713	35,859,858	76,848,778	4,893,963	206,279,882
Financial liabilities								
Deposits from banks	893,524	23,747	12,086	-	-	-	-	929,357
Deposits from non-bank customers	25,106,827	6,601,613	5,817,238	5,506,385	1,992,265	128,234,374	-	173,258,702
Other borrowed funds	5,767,984	43,307	1,277,803	146,271	2,398,950	2,803,836	-	12,438,151
Derivative financial instruments	-	-	-	-	-	-	794,275	794,275
Other liabilities	-	-	-	-	-	-	5,327,003	5,327,003
Total financial liabilities	31,768,335	6,668,667	7,107,127	5,652,656	4,391,215	131,038,210	6,121,278	192,747,488
Liquidity Gap	22,781,739	3,298,653	3,462,049	7,938,057	31,468,643	(54,189,432)	(1,227,315)	13,532,394
31 December 2018								
Financial assets	42,193,117	9,218,169	11,118,856	14,084,431	27,581,622	78,193,939	(4,082,545)	178,307,589
Financial liabilities	24,786,114	7,723,107	8,794,467	7,056,951	2,312,588	109,427,668	2,771,723	162,872,618
Liquidity Gap	17,407,003	1,495,062	2,324,389	7,027,480	25,269,034	(31,233,729)	(6,854,268)	15,434,971

Non-maturity bucket includes ECL provisions, investment in shares having no maturity, non-performing loans whose maturity date have been exceeded, derivatives, other assets and liabilities with undetermined maturity dates.

37. 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
31 December 2017	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets	32,636,006	17,548,401	13,347,350	13,443,418	35,107,263	60,431,772	737,912	173,252,123
Financial liabilities	15,510,215	13,074,826	8,476,757	8,048,753	7,644,496	104,742,148	1,334,584	158,831,779
Liquidity Gap	17,125,791	4,473,575	4,870,593	5,394,665	27,462,767	(44,310,376)	(596,672)	14,420,344

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

	On Demand	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial liabilities							
Deposits	142,109,515	18,790,812	4,877,264	3,833,264	1,992,265	2,584,939	174,188,059
Derivative financial instruments	794,275	-	-	-	-	-	794,275
Other borrowed funds	-	5,811,290	1,277,803	146,272	2,398,950	2,803,836	12,438,151
Other liabilities	5,327,003	-	-	-	-	-	5,327,003
31 December 2019	148,230,793	24,602,102	6,155,067	3,979,536	4,391,215	5,388,775	192,747,488
31 December 2018	126,950,724	17,257,470	8,518,542	6,837,232	2,701,816	606,834	162,872,618
31 December 2017	110,515,561	23,057,348	8,453,230	8,048,753	5,486,674	2,530,287	158,091,851

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 Bank'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.

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk

The Bank's interest rate risk arises mostly from mismatches in the repricing of its assets and liabilities. The Bank 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 Bank'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 includes 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.

	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 2019	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	1,029,496	-	-	-	-	-	14,357,403	15,386,899
Mandatory balances with central banks	-	-	-	-	-	-	9,326,006	9,326,006
Loans to and placements with banks	2,939,766	1,520,344	334,335	346,000	549,111	1,742,896	39,022	7,471,474
Derivative financial instruments	-	-	-	-	-	-	783,603	783,603
Loans and advances to non-bank customers	88,834,177	3,018,690	5,290,106	3,870,028	4,162,361	1,923,767	(7,796,300)	99,302,829
Investment securities	19,838,915	4,752,681	5,259,649	5,045,025	25,748,612	11,945,431	866,406	73,456,719
Equity investments	-	-	-	-	-	-	3,411	3,411
Other assets	-	-	-	-	-	-	548,941	548,941
Total assets	112,642,354	9,291,715	10,884,090	9,261,053	30,460,084	15,612,094	18,128,492	206,279,882
Liabilities								
Deposits from banks	59,317	11,830	-	-	-	-	858,210	929,357
Deposits from non-bank customers	96,510,087	4,402,334	2,856,640	141,380	387,739	-	68,960,522	173,258,702
Other borrowed funds	8,461,415	1,650,689	-	-	545,487	1,747,180	33,380	12,438,151
Derivative financial instruments	-	-	-	-	-	-	794,275	794,275
Other liabilities	-	-	-	-	-	-	5,327,003	5,327,003
Total liabilities	105,030,819	6,064,853	2,856,640	141,380	933,226	1,747,180	75,973,390	192,747,488
On balance sheet interest rate sensitivity gap	7,611,535	3,226,862	8,027,450	9,119,673	29,526,858	13,864,914	(57,844,898)	13,532,394
Off balance sheet interest rate sensitivity gap	8,635,578	(2,014,728)	120,607	(1,187,222)	(3,131,242)	(2,169,370)	-	253,623
	16,247,113	1,212,134	8,148,057	7,932,451	26,395,616	11,695,544	(57,844,898)	13,786,017

37. 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 2018								
Total assets	99,071,002	13,922,149	9,075,556	11,113,883	15,868,003	10,486,610	18,770,386	178,307,589
Total liabilities	81,950,689	8,645,496	5,313,313	275,958	77,619	-	66,609,543	162,872,618
On balance sheet interest rate sensitivity gap	17,120,313	5,276,653	3,762,243	10,837,925	15,790,384	10,486,610	(47,839,157)	15,434,971
Off balance sheet interest rate sensitivity gap	7,561,248	(2,309,965)	(45,242)	(1,298,380)	(893,463)	(2,900,292)	-	113,906
	24,681,561	2,966,688	3,717,001	9,539,545	14,896,121	7,586,318	(47,839,157)	15,548,877
31 December 2017								
Total assets	83,860,541	22,658,143	10,600,109	9,025,824	20,319,990	5,958,543	20,828,973	173,252,123
Total liabilities	85,464,547	6,789,872	4,457,802	3,593,917	901,366	6,971	57,617,304	158,831,779
On balance sheet interest rate sensitivity gap	(1,604,006)	15,868,271	6,142,307	5,431,907	19,418,624	5,951,572	(36,788,331)	14,420,344
Off balance sheet interest rate sensitivity gap	2,908,933	(1,822,351)	299,689	(1,654,476)	(1,008,871)	(106,064)	-	(1,383,140)
	1,304,927	14,045,920	6,441,996	3,777,431	18,409,753	5,845,508	(36,788,331)	13,037,204

37. 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 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Increase/(decrease) in profit	340,216	480,354	230,620

(ii) Fair value hedges

At 31 December 2019:	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
Micro fair value hedges	Assets	Liabilities	Assets	Liabilities
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans	8,179,583	-	145,936	-
Fixed rate debt instrument	2,220,898	-	51,242	-
Fixed rate non-bank deposits	-	153,751	-	-

At 31 December 2018:	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
Micro fair value hedges	Assets	Liabilities	Assets	Liabilities
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans	4,670,782	-	117,059	-
Fixed rate debt instrument	3,163,303	-	6,271	-
Fixed rate non-bank deposits	-	143,919	-	-

The following table provides information about the hedging instruments included in the derivative financial instruments line items of the Bank's statement of financial position:

	31 December 2019			31 December 2018		
	Notional Amount	Carrying Amount		Notional Amount	Carrying Amount	
Micro fair value hedges		Assets	Liabilities		Assets	Liabilities
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest rate swaps	12,577,020	367	280,993	2,650,748	2,377	122,874

The below table sets out the outcome of the Bank's hedging strategy, set out in Notes 8 and 9, in particular, to changes in the fair value of the hedged items and hedging

		31 December 2019			31 December 2018		
		Gain / (loss) attributable to the hedged risk			Gain / (loss) attributable to the hedged risk		
Hedged items	Hedging instruments	Hedged items	Hedging instruments	Hedge ineffectiveness	Hedged items	Hedging instruments	Hedge ineffectiveness
Micro fair value hedge relationships hedging assets							
Fixed rate corporate loans	Interest rate swaps	145,936	(263,848)	(117,912)	117,059	(125,251)	(8,192)
Fixed rate debt instrument	Interest rate swaps	51,242	(17,145)	34,097	6,271	-	6,271
Micro fair value hedge relationships hedging liabilities							
Fixed rate non-bank deposits	Interest rate swaps	-	367	367	-	2,377	2,377
Total micro fair value hedge relationship		197,178	(280,626)	(83,448)	123,330	(122,874)	456

The maturity profile of the hedging instruments used in micro fair value hedge relationships is as follows:

At 31 December 2019:	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	549,111	-	9,869,879	2,158,030	12,577,020

At 31 December 2018:	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	-	-	-	2,650,748	2,650,748

37. 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 Bank exercises strict control over its foreign currency exposures. The Bank 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 for Mauritius and Indian Operations 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:

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
31 December 2019	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets							
Cash and cash equivalents	7,203,754	6,052,466	552,276	827,426	131,816	619,161	15,386,899
Mandatory balances with central banks	8,231,853	972,536	94,288	26,276	-	1,053	9,326,006
Loans to and placements with banks	3,206,385	3,027,199	-	1,237,890	-	-	7,471,474
Derivative financial instruments	341,770	406,936	3	24	18,138	16,732	783,603
Loans and advances to non-bank customers	61,167,578	25,098,915	791,613	12,180,236	-	64,487	99,302,829
Investment securities	48,199,827	23,609,294	-	1,037,531	610,067	-	73,456,719
Equity investments	-	-	-	3,411	-	-	3,411
Other assets	551,570	(72,582)	607	45,749	-	23,597	548,941
Total monetary financial assets	128,902,737	59,094,764	1,438,787	15,358,543	760,021	725,030	206,279,882
Liabilities							
Deposits from banks	579,184	294,898	7,176	47,341	-	758	929,357
Deposits from non-bank customers	103,223,986	56,657,902	2,010,554	10,764,606	-	601,654	173,258,702
Other borrowed funds	775,053	6,855,762	3,254	4,258,148	545,486	448	12,438,151
Derivative financial instruments	36,073	671,594	2	61,227	6,352	19,027	794,275
Other liabilities	2,120,949	3,481,233	(561,851)	829,272	(401,374)	(141,226)	5,327,003
Total monetary financial liabilities	106,735,245	67,961,389	1,459,135	15,960,594	150,464	480,661	192,747,488
On balance sheet position	22,167,492	(8,866,625)	(20,348)	(602,051)	609,557	244,369	13,532,394
Off balance sheet position	685,112	(338,235)	134,314	(334,535)	(62,752)	(83,904)	-
Net currency position	22,852,604	(9,204,860)	113,966	(936,586)	546,805	160,465	13,532,394

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
31 December 2018	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Total monetary financial assets	110,451,343	50,877,929	1,392,912	14,543,266	339,671	702,468	178,307,589
Total monetary financial liabilities	90,935,059	56,338,883	3,182,531	11,236,120	615,770	564,165	162,872,528
On balance sheet position	19,516,284	(5,460,954)	(1,789,619)	3,307,146	(276,099)	138,303	15,435,061
Off balance sheet position	(2,542,005)	2,868,951	122,001	150,181	(56,201)	(542,927)	-
Net currency position	16,974,279	(2,592,003)	(1,667,618)	3,457,327	(332,300)	(404,624)	15,435,061

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
31 December 2017	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Total monetary financial assets	91,500,312	51,313,750	1,765,369	18,104,239	9,684,066	884,387	173,252,123
Total monetary financial liabilities	85,571,002	49,542,814	1,780,814	14,812,282	6,426,716	698,151	158,831,779
On balance sheet position	5,929,310	1,770,936	(15,445)	3,291,957	3,257,350	186,236	14,420,344
Off balance sheet position	669,316	3,600,673	11,227	(439,675)	(3,746,111)	(95,430)	-
Net currency position	6,598,626	5,371,609	(4,218)	2,852,282	(488,761)	90,806	14,420,344

The following table demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, and the impact on the Bank's profit and Equity.

	Impact on profit after tax and equity				
Change in currency by:	USD	GBP	EURO	INR	OTHER
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019					
5%	(460,243)	5,698	(46,829)	27,340	8,023
-5%	460,243	(5,698)	46,829	(27,340)	(8,023)
	USD	GBP	EURO	INR	OTHER
31 December 2018	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
5%	(129,600)	(83,381)	172,866	(16,615)	(20,231)
-5%	129,600	83,381	(172,866)	16,615	20,231
	USD	GBP	EURO	INR	OTHER
31 December 2017	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
5%	268,580	(211)	142,614	(24,438)	4,540
-5%	(268,580)	211	(142,614)	24,438	(4,540)

37. RISK MANAGEMENT (CONT'D)

c Market risk (cont'd)

(iii) Currency risk (cont'd)

Value-at-Risk Analysis

The Bank 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 Bank 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 Bank 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 Bank 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 Bank's VAR amounted to:

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	764	389	630
Maximum for the year	11,027	14,398	7,331
Year end	2,933	1,321	1,231

(iv) Equity price sentivity analysis

The Bank is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than for trading purposes and the Bank 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.

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Statement of comprehensive income	171	171	18
Statement of profit or loss	-	-	-
	171	171	18

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 4 to the financial statements (accounting policies).

38. OTHER RESERVES

Fair value through other comprehensive income reserve

This reserve comprises fair value movements recognised on fair value through other comprehensive income financial assets.

Foreign currency translation reserve

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

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.

Property revaluation reserve

The net property revaluation reserve is used to record increases in the fair value of land and buildings (net of deferred tax on the revalued asset) and decreases to the extent that such decreases relates to an increase on the same asset previously recognised in equity.

39. DISCONTINUED OPERATIONS

On 30 November 2018, the Bank declared a distribution in specie and its foreign operations consisting of four branches in India were transferred to SBM Bank (Holdings) Ltd, its sole shareholder. At 31 December 2018, the results of the foreign operations for the period 01 January 2018 to 30 November 2018 were reported as a one line item under "Discontinued Operations" in the Statement of Profit or Loss. The results of the foreign operations for the period ended 30 November 2018 are presented below:

	30 November 2018	31 December 2017
	MUR' 000	MUR' 000
Interest income	520,717	576,440
Interest expense	(353,938)	(361,996)
Net interest income	166,779	214,444
Fee and commission income	5,540	17,787
Fee and commission expense	(3,277)	(2,225)
Net fee and commission income	2,263	15,562
Other operating income	10,328	41,821
Operating income	179,370	271,827
Non-interest expense	(247,596)	(138,003)
Profit before credit loss expense on financial assets and tax	(68,226)	133,824
Credit loss expense on financial assets	(153,148)	(759,238)
Profit before tax	(221,374)	(625,414)
Tax expense	-	(66,445)
Loss for the year from discontinued operations	(221,374)	(691,859)

The statement of financial position as at 30 November 2018:

	MUR'000
Assets	8,100,910
Liabilities	5,566,218
Net assets disposed of	2,534,692
Movement in Other 'Comprehensive income'	
Recycling of translation reserve following derecognition of Indian Operations	685,838

The net cash flows incurred by the India operations are as follows:

	2018 MUR'000	2017 MUR'000
Operating	180,204	(71,732)
Investing	(121,507)	234,197
Financing	885,600	-
	944,297	162,465

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into Segment A and B. Segment B activity which includes Indian operations for the year 2017 only is essentially directed to the provision of international financial services that give rise to 'foreign source income'. Segment A activity relates to all banking business other than Segment B activity. Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner. 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.

a. Statement of financial position

	Notes	Segment A 31-Dec 2019 MUR' 000	Segment B 31-Dec 2019 MUR' 000	Bank 31-Dec 2019 MUR' 000	Segment A 31-Dec 2018 MUR' 000	Segment B 31-Dec 2018 MUR' 000	Bank 31-Dec 2018 MUR' 000	Segment A 31-Dec 2017 MUR' 000	Segment B 31-Dec 2017 MUR' 000	Bank 31-Dec 2017 MUR' 000
ASSETS										
Cash and cash equivalents	40l	7,614,914	7,771,985	15,386,899	5,228,135	5,983,577	11,211,712	5,283,090	10,337,688	15,620,778
Mandatory balances with central banks		9,326,006	-	9,326,006	8,767,767	-	8,767,767	8,494,436	217,626	8,712,062
Loans to and placements with banks	40m	3,255,642	4,215,832	7,471,474	5,587,990	6,176,368	11,764,358	1,104,288	7,791,572	8,895,860
Derivative financial instruments	40n	375,821	407,782	783,603	182,900	579,955	762,855	1,244,946	111,828	1,356,774
Loans and advances to non-bank customers	40o	75,938,183	23,364,646	99,302,829	69,394,195	24,901,856	94,296,051	66,810,412	34,028,819	100,839,231
Investment securities	40p	49,059,939	24,396,780	73,456,719	44,291,560	6,642,749	50,934,309	27,224,221	9,926,510	37,150,731
Equity investment		-	3,411	3,411	-	3,411	3,411	-	370	370
Property, equipment and right-of-use assets	40q	2,846,736	-	2,846,736	2,458,814	-	2,458,814	2,493,316	138,466	2,631,782
Intangible assets	40r	2,526,156	-	2,526,156	2,962,920	-	2,962,920	3,422,881	34,180	3,457,061
Deferred tax assets		(56,918)	276,220	219,302	-	-	-	-	95,461	95,461
Other assets	40s	650,935	63,324	714,259	742,103	81,550	823,653	656,951	266,941	923,892
Total assets		151,537,414	60,499,980	212,037,394	139,616,384	44,369,466	183,985,850	116,734,541	62,949,461	179,684,002
LIABILITIES										
Deposits from banks	40t	458,267	471,090	929,357	342,285	453,832	796,117	372,709	367,217	739,926
Deposits from non-bank customers	40u	116,278,952	56,979,750	173,258,702	100,797,742	46,733,098	147,530,840	98,447,966	43,247,803	141,695,769
Other borrowed funds	40v	3,321,280	9,116,871	12,438,151	2,501,657	9,272,281	11,773,938	4,461,913	8,654,680	13,116,593
Derivative financial instruments	40n	165,655	628,620	794,275	222,243	536,399	758,642	1,174,527	160,057	1,334,584
Current tax liabilities		265,171	46,180	311,351	403,807	70,680	474,487	60,106	45,763	105,869
Deferred tax liabilities		-	-	-	263,751	(99,755)	163,996	184,679	(13,774)	170,905
Other liabilities	40w	3,026,462	3,210,100	6,236,562	1,937,094	3,083,541	5,020,635	1,705,657	2,457,550	4,163,207
Total liabilities		123,515,786	70,452,611	193,968,398	106,468,579	60,050,076	166,518,655	106,407,557	54,919,296	161,326,853
SHAREHOLDER'S EQUITY										
Stated capital				400,000			310,000			310,000
Capital contribution				11,854,011			11,044,011			9,063,106
Retained earnings				3,804,163			4,817,518			7,855,520
Other reserves				2,010,822			1,295,666			1,128,523
Total equity				18,068,996			17,467,195			18,357,149
Total equity and liabilities				212,037,394			183,985,850			179,684,002

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

b. Statement of profit or loss

	Notes	Segment A 31-Dec 2019 MUR' 000	Segment B 31-Dec 2019 MUR' 000	Bank 31-Dec 2019 MUR' 000	Segment A 31-Dec 2018 MUR' 000	Segment B 31-Dec 2018 MUR' 000	Bank 31-Dec 2018 MUR' 000	Segment A 31-Dec 2017 MUR' 000	Segment B 31-Dec 2017 MUR' 000	Bank 31-Dec 2017 MUR' 000
Interest income		5,895,106	1,793,745	7,688,851	5,204,461	1,951,911	7,156,372	4,710,904	1,363,986	6,074,890
Interest expense		(1,396,649)	(626,880)	(2,023,529)	(1,273,492)	(391,514)	(1,665,006)	(1,318,156)	(250,973)	(1,569,129)
Net interest income	40c	4,498,457	1,166,865	5,665,322	3,930,969	1,560,397	5,491,366	3,392,748	1,113,013	4,505,761
Fee and commission income		848,119	358,202	1,206,321	777,842	283,824	1,061,666	707,878	297,396	1,005,274
Fee and commission expense		67	(31,783)	(31,716)	(1,954)	(21,061)	(23,015)	(4,472)	(17,924)	(22,396)
Net fee and commission income	40d	848,186	326,419	1,174,605	775,888	262,763	1,038,651	703,406	279,472	982,878
Other Income										
Profit arising from dealing in foreign currencies		464,298	70,132	534,430	381,540	298,198	679,738	309,245	122,238	431,483
Net gain from financial instruments	40e	(17,931)	136,106	118,175	16,401	483,732	500,133	15,066	504,755	519,821
Net gain on sale of securities	40f	559,038	67,636	626,674	209,042	(35,488)	173,554	379,225	51,672	430,897
Other operating income	40g	884	-	884	-	-	-	61	-	61
		1,006,289	273,874	1,280,163	606,983	746,442	1,353,425	703,597	678,665	1,382,262
Non interest income		1,854,475	600,293	2,454,768	1,382,871	1,009,205	2,392,076	1,407,002	958,138	2,365,140
Operating income		6,352,932	1,767,158	8,120,090	5,313,840	2,569,602	7,883,442	4,799,750	2,071,151	6,870,901
Personnel expenses	40h	(1,510,668)	(208,924)	(1,719,592)	(1,098,953)	(172,217)	(1,271,170)	(1,112,060)	(169,091)	(1,281,151)
Depreciation of property, equipment and right-of-use assets		(181,827)	(11,235)	(193,062)	(139,493)	(5,695)	(145,188)	(142,815)	(6,348)	(149,163)
Amortisation of intangible assets		(432,121)	(42,426)	(474,547)	(500,107)	(49,841)	(549,948)	(448,446)	(44,645)	(493,091)
Other expenses	40i	(983,767)	(88,786)	(1,072,553)	(692,698)	(75,729)	(768,427)	(837,694)	(84,491)	(922,185)
Bank levy		(171,368)	-	(171,368)	-	-	-	-	-	-
Non-interest expense		(3,279,751)	(351,371)	(3,631,122)	(2,431,251)	(303,482)	(2,734,733)	(2,541,015)	(304,575)	(2,845,590)
Profit before net impairment loss		3,073,181	1,415,787	4,488,968	2,882,589	2,266,120	5,148,709	2,258,735	1,766,576	4,025,311
Credit loss expense on financial assets & memorandum items	40j	(48,881)	(3,557,785)	(3,606,666)	(278,203)	(2,732,153)	(3,010,356)	8,073	(236,097)	(228,024)
Profit before income tax		3,024,300	(2,141,998)	882,302	2,604,386	(466,033)	2,138,353	2,266,808	1,530,479	3,797,287
Tax expense	40k	(495,230)	163,420	(331,810)	(606,337)	(70,651)	(676,988)	(423,786)	(70,349)	(494,135)
Profit for the year from continuing operations		2,529,070	(1,978,578)	550,492	1,998,049	(536,684)	1,461,365	1,843,022	1,460,130	3,303,152
Discontinued operations										
Loss after tax for the year from discontinued operations		-	-	-	-	(221,374)	(221,374)	-	(691,859)	(691,859)
Loss on distribution of dividend in specie		-	-	-	-	(685,838)	(685,838)	-	-	-
Profit for the year		2,529,070	(1,978,578)	550,492	1,998,049	(1,443,896)	554,153	1,843,022	768,271	2,611,293

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

c. Net interest income	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income on financial instruments at amortised cost									
Cash and cash equivalents	33,533	91,979	125,512	32,125	124,123	156,248	9,529	83,770	93,299
Loans to and placements with banks	95,195	138,383	233,578	124,823	187,256	312,079	18,271	103,993	122,264
Loans and advances to non-bank customers	4,299,614	1,263,338	5,562,952	3,992,536	1,559,738	5,552,274	3,780,100	1,026,734	4,806,834
Investment securities	694,625	24,987	719,612	417,241	-	417,241	539,988	22,430	562,418
	5,122,967	1,518,687	6,641,654	4,566,725	1,871,117	6,437,842	4,347,888	1,236,927	5,584,815
Interest income on financial instruments at fair value									
Investment securities	727,364	402,171	1,129,535	608,187	232,180	840,367	335,995	160,693	496,688
Derivative financial instruments	44,775	(127,113)	(82,338)	29,549	(151,386)	(121,837)	27,020,992	(33,634)	(6,613)
Other	-	-	-	-	-	-	-	-	-
	772,139	275,058	1,047,197	637,736	80,794	718,530	363,016	127,059	490,075
Total interest income	5,895,106	1,793,745	7,688,851	5,204,461	1,951,911	7,156,372	4,710,904	1,363,986	6,074,890
Interest expense									
Deposits from customers	(1,235,801)	(413,319)	(1,649,120)	(1,146,916)	(229,785)	(1,376,701)	(1,271,078)	(172,947)	(1,444,025)
Other borrowed funds	(145,784)	(208,523)	(354,307)	(126,576)	(138,909)	(265,485)	(47,078)	(62,619)	(109,697)
Lease finance charges	(15,064)	-	(15,064)	-	-	-	-	-	-
Other	-	(5,038)	(5,038)	-	(22,820)	(22,820)	-	(15,407)	(15,407)
Total interest expense	(1,396,649)	(626,880)	(2,023,529)	(1,273,492)	(391,514)	(1,665,006)	(1,318,156)	(250,973)	(1,569,129)
Net interest income	4,498,457	1,166,865	5,665,322	3,930,969	1,560,397	5,491,366	3,392,748	1,113,013	4,505,761
d. Net fee and commission income									
Fee and commission income									
Retail banking customer fees	301,778	28,244	330,022	232,783	24,423	257,206	307,788	23,327	331,115
Corporate banking customer fees	211,096	265,063	476,159	270,067	183,875	453,942	168,412	190,672	359,084
Card income	335,245	64,895	400,140	274,992	75,526	350,518	231,678	83,397	315,075
Total fee and commission income	848,119	358,202	1,206,321	777,842	283,824	1,061,666	707,878	297,396	1,005,274
Fee and commission expense									
Interbank transaction fees	(401)	(16,399)	(16,800)	-	(14,409)	(14,409)	-	(12,776)	(12,776)
Other	468	(15,384)	(14,916)	(1,954)	(6,652)	(8,606)	(4,472)	(5,148)	(9,620)
Total fee and commission expense	67	(31,783)	(31,716)	(1,954)	(21,061)	(23,015)	(4,472)	(17,924)	(22,396)
Net fee and commission income	848,186	326,419	1,174,605	775,888	262,763	1,038,651	703,406	279,472	982,878

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
e. Net gain/(loss) from financial instruments									
Net gain/(loss) from derivatives financial instruments	(46,805)	121,719	74,914	(5,223)	328,690	323,467	1,331	517,944	519,275
Investment securities at fair value through profit or loss	28,983	14,387	43,370	40,331	19,141	59,472	13,723	(12,804)	919
Other	(109)	-	(109)	(18,707)	135,901	117,194	12	(385)	(373)
	(17,931)	136,106	118,175	16,401	483,732	500,133	15,066	504,755	519,821
f. Net gain on sale of securities									
Net gain on derecognition of financial assets measured at FVTOCI	223,463	917	224,380	-	-	-	114,926	46,460	161,386
Net gain on derecognition of financial assets measured at amortised cost	-	-	-	4,727	-	4,727	262,721	-	262,721
Net gain on derecognition of financial asets at FVTPL	335,575	66,719	402,294	204,315	(35,488)	168,827	1,578	5,212	6,790
	559,038	67,636	626,674	209,042	(35,488)	173,554	379,225	51,672	430,897
g. Other operating income									
Other	884	-	884	-	-	-	61	-	61
h. Personnel expenses									
Wages and salaries	1,209,466	187,410	1,396,876	860,679	140,559	1,001,238	927,136	142,405	1,069,541
Other social security obligations	26,582	2,423	29,005	-	-	-	15,580	2,143	17,723
Contributions to defined contribution plans	158,205	10,335	168,540	121,908	22,369	144,277	78,349	12,831	91,180
Increase in liability for defined benefit plans	30,730	1,954	32,684	28,594	1,651	30,245	24,500	1,922	26,422
Staff welfare cost	52,457	1,851	54,308	48,856	1,364	50,220	41,554	976	42,530
Management and professional charges	-	-	-	-	-	-		-	-
Other	33,228	4,951	38,179	38,916	6,274	45,190	24,941	8,814	33,755
	1,510,668	208,924	1,719,592	1,098,953	172,217	1,271,170	1,112,060	169,091	1,281,151

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

i. Other expenses	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	384,303	51,356	435,659	268,529	33,038	301,567	364,136	53,235	417,371
Utilities and telephone charges	61,236	5,504	66,740	52,101	4,221	56,322	56,716	4,414	61,130
Professional charges	117,132	13,858	130,990	69,020	22,395	91,415	33,548	16,503	50,051
Marketing costs	76,648	5	76,653	55,369	1	55,370	69,672	1	69,673
Rent, repairs, maintenance and security charges	125,943	5,408	131,351	122,496	4,699	127,195	138,165	4,543	142,708
Licence and other registration fees	23,224	1,285	24,509	19,773	1,133	20,906	20,662	1,447	22,109
Postage, courier and stationery costs	48,678	2,005	50,683	40,017	5,402	45,419	49,524	(1,816)	47,708
Insurance costs	39,637	3,369	43,006	11,869	597	12,466	10,685	623	11,308
Other	106,966	5,996	112,962	53,343	4,424	57,767	94,586	5,541	100,127
	983,767	88,786	1,072,553	692,517	75,910	768,427	837,694	84,491	922,185
j. Credit loss expense on financial assets & memorandum items									
Portfolio and specific provisions	142,022	3,545,085	3,687,107	265,476	2,791,023	3,056,499	108,504	236,097	344,601
Bad debts written off for which no provisions were made	-	-	-	-	-	-	-	-	-
Recoveries of advances written off	(39,463)	-	(39,463)	(6,322)	-	(6,322)	(116,577)	-	(116,577)
Other	(53,678)	12,700	(40,978)	19,049	(58,870)	(39,821)	-	-	-
	48,881	3,557,785	3,606,666	278,203	2,732,153	3,010,356	(8,073)	236,097	228,024
Of which:									
Credit exposure	102,558	3,545,085	3,647,643	259,154	2,791,023	3,050,177	(8,073)	236,097	228,024
Other financial assets	(53,677)	12,700	(40,977)	19,049	(58,870)	(39,821)	-	-	-
	48,881	3,557,785	3,606,666	278,203	2,732,153	3,010,356	(8,073)	236,097	228,024
k. Tax expense									
Income tax expense	587,273	13,045	600,318	582,572	70,651	653,223	210,556	53,389	263,945
Deferred tax income	(92,043)	(176,465)	(268,508)	23,765	-	23,765	213,230	16,960	230,190
	495,230	(163,420)	331,810	606,337	70,651	676,988	423,786	70,349	494,135

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

l. Cash and cash equivalents

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash in hand	2,078,284	-	2,078,284	2,398,191	-	2,398,191	1,804,128	-	1,804,128
Foreign currency notes and coins	337,946	-	337,946	277,740	-	277,740	293,161	1,702	294,863
Unrestricted balances with central banks [1]	4,167,009	-	4,167,009	1,527,560	-	1,527,560	1,279,680	6,958	1,286,638
Loans and placements with banks [2]	1,035,373	-	1,035,373	1,066,119	96,245	1,162,364	1,906,121	3,989,822	5,895,943
Balances with banks	-	7,771,985	7,771,985	-	5,887,615	5,887,615	-	6,339,206	6,339,206
	7,618,612	7,771,985	15,390,597	5,269,610	5,983,860	11,253,470	5,283,090	10,337,688	15,620,778
Less: allowance for impairment losses	(3,698)	-	(3,698)	(41,475)	(283)	(41,758)	-	-	-
	7,614,914	7,771,985	15,386,899	5,228,135	5,983,577	11,211,712	5,283,090	10,337,688	15,620,778

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

[2] The balances above relate to loans and placements with banks having an original maturity of up to three months. Allowance for impairment losses relates only to stage 1.

m. Loans to and placements with banks

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans to and placements with banks									
- in Mauritius	3,257,096	-	3,257,096	5,588,011	-	5,588,011	1,104,288	-	1,104,288
- outside Mauritius	-	4,239,347	4,239,347	-	6,210,628	6,210,628	-	7,791,572	7,791,572
	3,257,096	4,239,347	7,496,443	5,588,011	6,210,628	11,798,639	1,104,288	7,791,572	8,895,860
Less: allowance for credit losses	(1,454)	(23,515)	(24,969)	(21)	(34,260)	(34,281)	-	-	-
	3,255,642	4,215,832	7,471,474	5,587,990	6,176,368	11,764,358	1,104,288	7,791,572	8,895,860
Remaining term to maturity									
Up to 3 months	522,761	-	522,761	3,052,827	759,176	3,812,003	393,748	1,044,724	1,438,472
Over 3 months and up to 6 months	1,266,377	1,237,890	2,504,267	2,060,277	1,281,519	3,341,796	336,387	67,587	403,974
Over 6 months and up to 12 months	339,444	780,158	1,119,602	474,907	1,364,743	1,839,650	221,363	1,689,619	1,910,982
Over 1 year and up to 2 years	353,462	698,965	1,052,427	-	1,926,723	1,926,723	152,790	2,997,612	3,150,402
Over 2 years and up to 5 years	-	549,111	549,111	-	878,467	878,467	-	1,992,030	1,992,030
Over 5 years	775,052	973,223	1,748,275	-	-	-	-	-	-
	3,257,096	4,239,347	7,496,443	5,588,011	6,210,628	11,798,639	1,104,288	7,791,572	8,895,860

n. Derivative financial instruments

Derivative assets	375,821	407,782	783,603	182,900	579,955	762,855	1,244,946	111,828	1,356,774
Derivative liabilities	165,655	628,620	794,275	222,243	536,399	758,642	1,174,527	160,057	1,334,584

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

o. Loans and advances to non-bank customers

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Governments	8,515	-	8,515	9,315	-	9,315	2,458,655	-	2,458,655
Retail customers	37,389,421	2,197,543	39,586,964	31,012,551	1,108,702	32,121,253	30,468,689	1,522,274	31,990,963
Credit cards	583,122	1,410	584,532	605,881	566	606,447	555,413	3,938	559,351
Mortgages	25,137,913	369,908	25,507,821	22,067,042	411,852	22,478,894	19,500,247	334,516	19,834,763
Other retail loans	11,668,386	1,826,225	13,494,611	8,339,628	696,284	9,035,912	10,413,029	1,183,820	11,596,849
Corporate customers	40,876,573	6,687,161	47,563,734	40,637,082	4,121,171	44,758,253	35,925,905	2,438,163	38,364,068
Entities outside Mauritius	-	19,910,288	19,910,288	-	22,909,421	22,909,421	-	31,446,393	31,446,393
	78,274,509	28,794,992	107,069,501	71,658,948	28,139,294	99,798,242	68,853,249	35,406,830	104,260,079
Less allowance for credit impairment	(2,336,326)	(5,430,346)	(7,766,672)	(2,264,753)	(3,237,438)	(5,502,191)	(2,042,837)	(1,378,011)	(3,420,848)
	75,938,183	23,364,646	99,302,829	69,394,195	24,901,856	94,296,051	66,810,412	34,028,819	100,839,231
Remaining term to maturity:									
Up to 3 months	9,098,950	501,235	9,600,185	8,627,231	3,099,752	11,726,983	10,159,091	3,557,296	13,716,387
Over 3 months and up to 6 months	2,119,213	820,264	2,939,477	1,388,553	1,867,804	3,256,357	1,311,550	4,306,753	5,618,303
Over 6 months and up to 12 months	4,460,119	1,626,765	6,086,884	7,474,055	1,401,322	8,875,377	3,843,591	7,833,648	11,677,239
Over 1 year and up to 2 years	3,473,672	3,421,162	6,894,834	6,429,091	2,100,669	8,529,760	3,360,098	3,165,463	6,525,561
Over 2 year and up to 5 years	12,544,370	6,888,622	19,432,992	10,887,308	6,678,139	17,565,447	14,533,348	8,119,727	22,653,075
Over 5 years	46,578,185	15,536,944	62,115,129	36,852,710	12,991,608	49,844,318	35,645,571	8,423,943	44,069,514
	78,274,509	28,794,992	107,069,501	71,658,948	28,139,294	99,798,242	68,853,249	35,406,830	104,260,079

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

o. Loans and advances to non-bank customers (Cont'd)

Credit loss allowances on loans and advances by industry sectors

	31-Dec-2019					31-Dec-18	31-Dec-17
Segment A	Gross amount of loans	Impaired loans	Specific allowance for credit loss	Expected allowance for credit loss	Total allowances for credit loss	Total allowances for credit loss	Total allowances for credit loss
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and Fishing	1,547,737	1,729	253	8,317	8,570	56,705	35,712
Manufacturing	4,104,887	154,707	124,765	57,488	182,253	167,268	151,880
of which EPZ	*1,428,549*	*28,053*	*4,141*	*18,460*	*22,601*	*17,128*	*43,543*
Tourism	10,870,435	3,632	3,213	121,274	124,487	167,141	203,935
Transport	353,494	15,933	14,371	3,636	18,007	23,668	11,388
Construction	9,260,691	281,418	193,287	95,002	288,289	356,545	221,377
Financial and business services	8,306,800	54,217	10,006	38,774	48,780	51,780	41,032
Traders	5,138,175	432,226	289,983	58,702	348,685	336,485	184,262
Personal	35,413,454	877,724	630,589	423,342	1,053,931	867,565	1,045,770
of which credit cards	*583,122*	*81,055*	*41,997*	*6,222*	*48,219*	*97,747*	*94,040*
Professional	167,977	73,730	73,731	1,720	75,451	103,222	90,468
Others	3,110,859	183,694	161,538	26,335	187,873	134,374	57,013
	78,274,509	2,079,010	1,501,736	834,590	2,336,326	2,264,753	2,042,837
Segment B							
Agriculture and Fishing	2,412,880	-	-	107,364	107,364	91,203	6,429
Manufacturing	258,950	-	-	12,732	12,732	347,695	999,716
of which EPZ	*258,950*	-	-	*12,732*	*12,732*	-	-
Tourism	856,932	-	-	12,991	12,991	17,278	11,487
Transport	1,872,187	-	-	132,829	132,829	120,188	10,733
Construction	314,466	-	-	15,727	15,727	8,113	6,400
Financial and business services	1,494,861	573,920	430,440	37,513	467,953	133,429	81,421
Traders	7,493,555	7,371,126	3,372,488	581	3,373,069	2,379,029	71,023
Personal	2,155,861	8,342	2,803	41,910	44,713	24,008	50,323
of which credit cards	*1,410*	-	-	*36*	*36*	-	238
Professional	142	142	142	-	142	37	15,489
Global Business Licence holders	6,687,161	286,541	144,822	501,775	646,597	105,568	15,918
Others	5,247,997	54	54	616,175	616,229	10,890	109,072
Total	28,794,992	8,240,125	3,950,749	1,479,597	5,430,346	3,237,438	1,378,011

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

p. Investment securities

Remaining term to maturity

	31-Dec-2019										
Segment A	Up to 3 months MUR' 000	3-6 months MUR' 000	6-9 months MUR' 000	9-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	No specific maturity MUR' 000	Total MUR' 000	31-Dec-18 MUR' 000	31-Dec-17 MUR' 000
(a) Investment securities at amortised cost											
Government bonds and treasury notes	1,061,709	-	202,421	351,568	2,580,143	6,318,093	6,731,108	-	17,245,042	11,738,705	8,292,082
Treasury bills	-	-	-	-	-	-	-	-	-	148,100	4,432,043
Bank of Mauritius bills / Bonds	1,009,125	53,085	-	100,000	50,257	151,779	-	-	1,364,246	1,232,730	3,544,186
Corporate bonds	-	-	-	-	-	-	-	-	-	-	2,565,077
	2,070,834	53,085	202,421	451,568	2,630,400	6,469,872	6,731,108	-	18,609,288	13,119,535	18,833,388
(b) Investment securities mandatorily measured at FVTPL											
Government bonds	-	-	-	-	212,779	1,905,066	232,849	-	2,350,694	765,118	970,594
Treasury bills / notes	199,027	781,248	620,156	182,516	-	-	-	-	1,782,947	5,142,256	943,822
Bank of Mauritius bills / Bonds	2,482,402	866,386	123,368	780,168	-	-	-	-	4,252,324	3,804,409	1,947,439
	2,681,429	1,647,634	743,524	962,684	212,779	1,905,066	232,849	-	8,385,965	9,711,783	3,861,855
(c) Investment securities measured at FVTOCI											
Government bonds	7,083	-	303,925	503,108	489,711	6,579,766	3,522,426	-	11,406,019	7,308,976	3,110,235
Treasury bills / notes	76,063	7,533	35,271	293,373	-	-	-	-	412,240	9,277,240	393,334
Bank of Mauritius bills / Bonds	3,431,679	891,955	3,791	832,769	76,055	435,332	-	-	5,671,581	2,141,449	1,025,409
Corporate bonds	-	-	-	-	782,952	2,506,604	1,308,378	-	4,597,934	2,741,443	-
	3,514,825	899,488	342,987	1,629,250	1,348,718	9,521,702	4,830,804	-	22,087,774	21,469,108	4,528,978
Total Segment A	8,267,088	2,600,207	1,288,932	3,043,502	4,191,897	17,896,640	11,794,761	-	49,083,027	44,300,426	27,224,221
Less: allowance for credit losses									(23,088)	(8,866)	-
									49,059,939	44,291,560	27,224,221

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

p. Investment securities (Cont'd)

Segment B	31-Dec-2019 Up to 3 months MUR' 000	3-6 months MUR' 000	6-9 months MUR' 000	9-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	No specific maturity MUR' 000	Total MUR' 000	31-Dec-18 MUR' 000	31-Dec-17 MUR' 000
(a) Investment securities at amortised cost											
Bank Bonds	-	-	-	-	361,602	391,502	-	-	753,104	695,991	-
Corporate bonds	-	-	-	-	-	-	-	-	-	-	372,824
	-	-	-	-	361,602	391,502	-	-	753,104	695,991	372,824
(b) Investment securities mandatorily measured at FVTPL											
Treasury bills / notes	1,601,726	236,378	254,110	144,709	-	-	-	-	2,236,923	-	1,650,227
Bank Bonds	-	-	-	-	-	493,666	-	-	493,666	-	-
Corporate bonds	-	-	-	-	-	-	-	-	-	-	1,164,407
Other investment securities	-	-	-	-	-	-	-	549,306	549,306		
	1,601,726	236,378	254,110	144,709	-	493,666	-	549,306	3,279,895	-	2,814,634
(c) Investment securities measured at FVTOCI											
Government bonds	-	-	-	-	-	-	-	-	-	-	328,796
Treasury bills / notes	7,425,436	1,820,073	-	-	-	-	-	-	9,245,509	-	1,197,164
Equity shares of companies:											
- Other equity investments	-	-	-	-	-	-	-	3,411	3,411	3,411	370
Bank bonds	1,511,872	62,265	484,089	-	1,121,357	7,206,266	572,576	-	10,958,425	5,775,598	533,427
Corporate Bonds	-	-	-	-	-	-	-	-	-	-	4,228,507
Corporate paper and preference shares	-	-	-	-	-	-	-	-	-	-	451,158
Other investment securities	-	-	-	-	-	-	-	159,896	159,896	171,333	-
	8,937,308	1,882,338	484,089	-	1,121,357	7,206,266	572,576	163,307	20,367,241	5,950,342	6,739,422
Total Segment B	10,539,034	2,118,716	738,199	144,709	1,482,959	8,091,434	572,576	712,613	24,400,240	6,646,333	9,926,880
Less: allowance for credit losses									(49)	(173)	-
									24,400,191	6,646,160	9,926,880
Total investment securities	18,806,122	4,718,923	2,027,131	3,188,211	5,674,856	25,988,074	12,367,337	712,613	73,483,267	50,946,759	37,151,101

Analysed into:	31-Dec-19 MUR' 000	31-Dec-18 MUR' 000	31-Dec-17 MUR' 000
Investment securities:			
- Segment A	49,083,027	44,300,426	27,224,219
- Segment B	24,396,829	6,642,922	9,926,512
	73,479,856	50,943,348	37,150,731
Equity investments:			
- Segment B	3,411	3,411	370
Total	73,483,267	50,946,759	37,151,101

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

q. Property, equipment and right-of-use assets

	Freehold land and buildings	Leasehold buildings	Other tangible fixed assets	Motor vehicles	Right-to-use assets	Progress payments	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net book value at 31 December 2019							
Segment A	802,755	1,416,297	318,102	3,584	247,168	58,830	2,846,736
Segment B	-	-	-	-	-	-	-
Bank	802,755	1,416,297	318,102	3,584	247,168	58,830	2,846,736
Net book value at 31 December 2018							
Segment A	738,891	1,348,512	334,518	3,292	-	33,601	2,458,814
Segment B	-	-	-	-	-	-	-
Bank	738,891	1,348,512	334,518	3,292	-	33,601	2,458,814
Net book value at 31 December 2017							
Segment A	749,087	1,399,640	306,082	4,744	-	33,763	2,493,316
Segment B	132,688	-	5,767	11	-	-	138,466
Bank	881,775	1,399,640	311,849	4,755	-	33,763	2,631,782

r. Intangible assets

SOFTWARE	31-Dec 2019	31-Dec 2018	31-Dec 2017
Net Book Value	MUR' 000	MUR' 000	MUR' 000
Segment A	2,526,156	2,962,920	3,422,881
Segment B	-	-	34,180
Total	2,526,156	2,962,920	3,457,061

s. Other assets

	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019	Segment A 31-Dec 2018	Segment B 31-Dec 2018	Bank 31-Dec 2018	Segment A 31-Dec 2017	Segment B 31-Dec 2017	Bank 31-Dec 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accounts receivable	522,151	20,629	542,780	644,961	40,024	684,985	482,167	64,836	547,003
Balances due in clearing	4,196	-	4,196	2,860	-	2,860	1,065	55,018	56,083
Tax paid in advance	-	-	-	-	-	-	-	75,708	75,708
Others	124,588	42,695	167,283	94,282	41,526	135,808	173,719	71,379	245,098
	650,935	63,324	714,259	742,103	81,550	823,653	656,951	266,941	923,892

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

t. Deposits from banks	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019 MUR' 000	31-Dec 2019 MUR' 000	31-Dec 2019 MUR' 000	31-Dec 2018 MUR' 000	31-Dec 2018 MUR' 000	31-Dec 2018 MUR' 000	31-Dec 2017 MUR' 000	31-Dec 2017 MUR' 000	31-Dec 2017 MUR' 000
Demand deposits	458,267	471,090	929,357	342,285	453,832	796,117	372,709	367,217	739,926
u. Deposits from non-bank customers									
(i) Retail customers									
Current accounts	15,659,983	2,854,371	18,514,354	11,620,760	2,953,875	14,574,635	13,038,356	3,378,446	16,416,802
Savings accounts	52,996,620	1,380,031	54,376,651	49,851,784	1,396,034	51,247,818	49,133,607	1,594,913	50,728,520
Time deposits with remaining term to maturity:									
Up to 3 months	1,309,302	595,478	1,904,780	1,079,541	486,068	1,565,609	977,521	690,133	1,667,654
Over 3 months and up to 6 months	790,700	491,166	1,281,866	751,554	1,459,951	2,211,505	779,619	1,505,432	2,285,051
Over 6 months and up to 12 months	1,301,660	568,478	1,870,138	1,425,996	2,343,385	3,769,381	1,441,907	4,595,859	6,037,766
Over 1 year and up to 5 years	1,966,799	376,926	2,343,725	1,934,447	293,286	2,227,733	2,720,835	503,083	3,223,918
Over 5 years	8,454	2,288,168	2,296,622	-	-	-	2,752	74	2,826
Total time deposits	5,376,915	4,320,216	9,697,131	5,191,538	4,582,690	9,774,228	5,922,634	7,294,581	13,217,215
	74,033,518	8,554,618	82,588,136	66,664,082	8,932,599	75,596,681	68,094,597	12,267,940	80,362,537
(ii) Corporate customers									
Current accounts	17,931,187	36,179,423	54,110,610	14,597,888	29,262,901	43,860,789	13,802,626	19,450,067	33,252,693
Savings accounts	3,373,764	-	3,373,764	3,479,182	143	3,479,325	4,276,387	11,385	4,287,772
Time deposits with remaining term to maturity:									
Up to 3 months	1,496,062	7,853,080	9,349,142	2,373,111	7,143,294	9,516,405	3,396,254	8,657,480	12,053,734
Over 3 months and up to 6 months	927,297	2,715,397	3,642,694	936,447	851,707	1,788,154	563,132	1,429,901	1,993,033
Over 6 months and up to 12 months	453,392	1,677,232	2,130,624	551,344	406,692	958,036	663,607	864,169	1,527,776
Over 1 year and up to 5 years	233,830	-	233,830	260,737	135,762	396,499	322,274	566,861	889,135
Total time deposits	3,110,581	12,245,709	15,356,290	4,121,639	8,537,455	12,659,094	4,945,267	11,518,411	16,463,678
	24,415,532	48,425,132	72,840,664	22,198,709	37,800,499	59,999,208	23,024,280	30,979,863	54,004,143
(iii) Government									
Current accounts	7,994,530	-	7,994,530	6,098,267	-	6,098,267	3,027,269	-	3,027,269
Savings accounts	2,909,782	-	2,909,782	3,521,548	-	3,521,548	2,908,506	-	2,908,506
Time deposits with remaining term to maturity:									
Up to 3 months	6,918,162	-	6,918,162	1,620,343	-	1,620,343	22,397	-	22,397
Over 3 months and up to 6 months	1,600	-	1,600	619,611	-	619,611	1,357,224	-	1,357,224
Over 6 months and up to 12 months	5,828	-	5,828	69,396	-	69,396	12,961	-	12,961
Over 1 year and up to 5 years	-	-	-	5,786	-	5,786	732	-	732
Total time deposits	6,925,590	-	6,925,590	2,315,136	-	2,315,136	1,393,314	-	1,393,314
	17,829,902	-	17,829,902	11,934,951	-	11,934,951	7,329,089	-	7,329,089
	116,278,952	56,979,750	173,258,702	100,797,742	46,733,098	147,530,840	98,447,966	43,247,803	141,695,769

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

v. Other borrowed funds	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec
	2019	2019	2019	2018	2018	2018	2017	2017	2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks - for refinancing	-	-	-	50,998	-	50,998	104,190	-	104,190
Borrowings from other financial institutions for refinancing	770,678	4,245,843	5,016,521	-	3,869,634	3,869,634	159,554	4,387,286	4,546,840
Borrowings from banks									
in Mauritius	2,550,602	-	2,550,602	2,450,659	-	2,450,659	4,198,169	-	4,198,169
abroad	-	4,871,028	4,871,028	-	5,402,647	5,402,647	-	4,267,394	4,267,394
	3,321,280	9,116,871	12,438,151	2,501,657	9,272,281	11,773,938	4,461,913	8,654,680	13,116,593
w. Other liabilities									
Balance due in clearing	86,500	2,864,806	2,951,306	3	2,908,529	2,908,532	-	2,046,251	2,046,251
Bills payable	227,170	114,932	342,102	173,640	40,847	214,487	153,727	18,242	171,969
Lease liability	240,180	-	240,180	-	-	-	-	-	-
Bank levy	171,368	-	171,368	-	-	-	-	-	-
Accruals for expenses	353,474	54,669	408,143	30,676	-	30,676	333,015	19,165	352,180
Accounts payable	395,316	27,180	422,496	458,144	25,870	484,014	498,080	256,613	754,693
Deferred income	221,748	104,810	326,558	200,520	90,722	291,242	205,816	117,060	322,876
Balances in transit	899,889	-	899,889	772,867	-	772,867	413,460	-	413,460
Pension liability - Defined benefit	240,146	-	240,146	109,621	-	109,621	91,781	-	91,781
Pension liability - Defined contribution	93,859	-	93,859	63,434	-	63,434	-	-	-
Others	38,249	(10,400)	27,849	13,193	17,573	30,766	9,778	219	9,997
ECL on memorandum items	58,563	54,103	112,666	114,995	-	114,995	-	-	-
	3,026,462	3,210,100	6,236,562	1,937,094	3,083,541	5,020,635	1,705,657	2,457,550	4,163,207
x. Memorandum items									
a Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers									
Acceptances on account of customers	216,158	455,666	671,824	-	199,670	199,670	184,494	584,333	768,827
Guarantees on account of customers	6,654,784	464,121	7,118,905	6,768,366	826,076	7,594,442	6,421,528	1,021,598	7,443,126
Letters of credit and other obligations on account of customers	325,073	37,909	362,982	496,473	16,883	513,356	846,547	1,128,720	1,975,267
Other contingent items	185,584	-	185,584	-	-	-	-	-	-
	7,381,599	957,696	8,339,295	7,264,839	1,042,629	8,307,468	7,452,569	2,734,651	10,187,220
b Commitments									
Undrawn credit facilities	8,673,358	3,002,017	11,675,375	8,516,608	554,688	9,071,296	8,171,121	6,067,712	14,238,833
	8,673,358	3,002,017	11,675,375	8,516,608	554,688	9,071,296	8,171,121	6,067,712	14,238,833