SBM BANK (MAURITIUS) LTD
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS:

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 National 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 Bank 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 2020 and have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Banking Act 2004, Mauritius Companies Act 2001 and the Financial Reporting Act 2004 and applicable Bank of Mauritius (BOM) guidelines 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 National 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 Mauritius Companies Act 2001 and are free from misstatements.

The external auditors, Deloitte have independently given their opinion in their audit report as set out on pages 4 to 7.

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Jorge Stock	**Imalambaal Kichenin**	**Visvanaden Soondram**
Officer-in-Charge	**Chairperson, Audit Committee**	**Deputy Chairman**

31 March 2021

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 comprised mostly 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, Deloitte, 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.

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Jorge Stock	**Imalambaal Kichenin**	**Visvanaden Soondram**
Officer-in-Charge	**Chairperson, Audit Committee**	**Deputy Chairman**

31 March 2021

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

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Preshnee Ramchurn
Company Secretary

31 March 2021

Deloitte.

7th–8th floors, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the Shareholder 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" and the "Public Interest Entity") set out on pages 8 to 92, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking 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 Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of SBM Bank (Mauritius) Ltd for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 April 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses – Financial assets which are not credit impaired	
IFRS 9 requires the Bank to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • Model estimations – the Bank has used a statistical model to estimate ECLs depending on type of portfolio which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loan portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR– These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months. • Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macroeconomic forecasts are estimates of future economic conditions.	Our audit procedures included amongst others: • Testing of the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions used in the models; • Evaluating controls over model monitoring and validation; • Use of specialist team in performing certain procedures; • Verifying the historical data used in determination of PD in the models; • Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology; • Assessing the appropriateness of the macro-economic forecasts used; • Assessing the reasonableness of the qualitative adjustments (overlays) applied by management for events not captured by the ECL models;

Deloitte.

7[th]–8[th] floors, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Key audit matters (Cont'd)

Key audit matter (Cont'd)	How our audit addressed the key audit matter
Provision for expected credit losses – Financial assets which are not credit impaired (Cont'd)	
• Economic scenarios – the Bank has used a range of future economic conditions in light of the global pandemic of COVID-19. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment. • Qualitative adjustments - Adjustments to the model-driven ECL results are accounted by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.	• Independently assess probability of default, loss given default and exposure at default assumptions; • Testing the accuracy and completeness of ECL by reperformance; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9. We found the assumptions used in determining the expected credit losses in the financial statements and related disclosures to be appropriate.
Provision for expected credit losses – Credit impaired assets	
Provision for expected credit losses on credit-impaired loans and advances to non-bank customers and memorandum items at 31 December 2020 amount to MUR 9,909 million and the charge to profit or loss for the year amount to MUR 4,462 million. The use of assumptions for the measurement of provision for expected credit losses is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment. The details of allowance for credit impairment on loans and advances to non-bank customers and memorandum items are disclosed in Notes 9(c), 22 and 32 to the financial statements. The most significant judgements are: - whether impairment events have occurred - valuation of collateral and future cash flows - management judgements and assumptions used Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for expected credit losses, this item is considered as a key audit matter.	Our audit procedures included amongst others: • Obtaining audit evidence in respect of key controls over the processes for identification of impaired assets and impairment assessment; • Inspecting the minutes of Impaired Advances Review Forum, Board Credit Committee, Board Risk Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; • Challenging the methodologies applied by using our industry knowledge and experience; • Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; and • Performing a risk-based test of loans and advances to customers to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9. We found the assumptions used in determining the allowance for credit impairment and disclosures in the financial statements to be appropriate.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

7th–8th floors, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Other information (Cont'd)

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Responsibilities of directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004 and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of 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 intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Bank's financial reporting process.

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 skepticism 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

7th–8th floors, Standard Chartered Tower
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Independent auditor's report to the Shareholder of SBM Bank (Mauritius) Ltd (Cont'd)

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Bank and its subsidiaries other than in our capacities as auditor and tax advisor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

Banking Act 2004

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius; and
- the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Use of this report

This report is made solely to the Bank's shareholder, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's shareholder those matters we are required to state to the shareholder 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte

Chartered Accountants

31 March 2021

Jacques de C du Mée, ACA

Licensed by FRC

	Notes	31 December 2020	Restated 31 December 2019	Restated 31 December 2018
		MUR' 000	MUR' 000	MUR' 000
ASSETS				
Cash and cash equivalents	6	16,749,335	15,386,899	11,211,712
Mandatory balances with central banks		9,749,384	9,326,006	8,767,767
Loans to and placements with banks	7	3,130,387	5,174,088	9,256,411
Derivative financial instruments	8	774,785	889,301	897,514
Loans and advances to non-bank customers	9	99,350,937	99,302,829	94,296,051
Investment securities	10	93,338,046	73,460,130	50,937,720
Property and equipment	11a	2,582,331	2,599,568	2,458,814
Right-of-use assets	11b	255,603	247,168	-
Intangible assets	12	2,145,280	2,526,156	2,962,920
Deferred tax assets	18d	497,123	219,302	-
Other assets	13	706,889	791,859	847,236
Total assets		229,280,100	209,923,306	181,636,145
LIABILITIES				
Deposits from banks	15	1,119,661	929,357	796,117
Deposits from non-bank customers	16	190,004,270	173,258,702	147,530,840
Other borrowed funds	17	11,085,951	10,140,215	9,216,441
Derivative financial instruments	8	1,165,271	1,000,972	960,873
Lease liability	11b	233,590	240,180	-
Current tax liabilities	18a	246,774	487,139	480,633
Pension liability	14	724,082	334,005	173,055
Other liabilities	19	4,904,070	5,467,501	4,823,171
Deferred tax liabilities	18d	-	-	163,996
Total liabilities		209,483,669	191,858,071	164,145,126
SHAREHOLDER'S EQUITY				
Stated capital	20	400,000	400,000	310,000
Capital contribution	20	11,854,011	11,854,011	11,044,011
Retained earnings		4,595,878	3,777,262	4,841,342
Other reserves	39	2,946,542	2,033,962	1,295,666
Total equity		19,796,431	18,065,235	17,491,019
Total liabilities and equity		229,280,100	209,923,306	181,636,145

Approved by the Board of Directors and authorised for issue on 31 March 2021.

Jorge Stock	**Imalambaal Kichenin**	**Visvanaden Soondram**
Officer-in-Charge	**Chairperson, Audit Committee**	**Deputy Chairman**

The notes on pages 13 to 105 form an integral part of these financial statements.

SBM BANK (MAURITIUS) LTD

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020	Restated 31 December 2019	Restated 31 December 2018
Continuing Operations		MUR' 000	MUR' 000	MUR' 000
Interest income using the effective interest method		6,935,665	7,834,260	7,257,774
Other interest income		291,549	145,744	282,998
Interest expense using the effective interest method		(1,062,203)	(2,023,529)	(1,643,374)
Other interest expense		(434,831)	(163,906)	(267,674)
Net interest income	26	5,730,180	5,792,569	5,629,724
Fee and commission income		971,350	1,076,461	928,204
Fee and commission expense		(36,700)	(31,716)	(23,015)
Net fee and commission income	27	934,650	1,044,745	905,189
Other income				
Net trading income	28	827,551	1,097,350	1,518,467
Net losses from financial assets at fair value through profit or loss	29a	(29,218)	(92,289)	(51,427)
Net gains on derecognition of financial assets measured at amortised cost		-	-	4,728
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	29b	1,203,006	224,380	-
Other operating income		878	884	-
		2,002,217	1,230,325	1,471,768
Non-interest income		2,936,867	2,275,070	2,376,957
Operating income		8,667,047	8,067,639	8,006,681
Personnel expenses	30	(1,414,756)	(1,719,592)	(1,271,165)
Depreciation of property and equipment	11a	(150,225)	(143,121)	(145,188)
Depreciation of right-of-use assets	11b	(37,439)	(49,941)	-
Amortisation of intangible assets	12	(457,997)	(474,547)	(549,948)
Other expenses	31	(996,556)	(1,072,553)	(768,432)
Non-interest expense		(3,056,973)	(3,459,754)	(2,734,733)
Profit before credit loss expense		5,610,074	4,607,885	5,271,948
Credit loss expense on financial assets and memorandum items	32	(3,863,072)	(3,606,666)	(3,010,356)
Profit before income tax		1,747,002	1,001,219	2,261,592
Tax expense	18b	(293,088)	(501,452)	(680,960)
Profit for the year from continuing operations		1,453,914	499,767	1,580,632
Discontinued operations				
Loss after tax for the period/year from discontinued operations	38	-	-	(221,374)
Loss on distribution of dividend in specie	38	-	-	(685,838)
		-	-	(907,212)
Profit for the year		1,453,914	499,767	673,420

The notes on pages 13 to 105 form an integral part of these financial statements.

	Note	31 December 2020	Restated 31 December 2019	Restated 31 December 2018
		MUR' 000	MUR' 000	MUR' 000
Profit for the year		1,453,914	499,767	673,420
Other comprehensive income :				
Items that will not be reclassified to profit or loss:				
Increase in revaluation of property		754	204,398	-
Deferred tax on revaluation of property	18d	-	(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	(734,415)	(203,865)	(33,496)
Deferred tax on remeasurement of defined benefit pension plan	18d	51,409	14,271	5,694
Revaluation gains on equity instruments measured at FVTOCI		997	-	-
		(681,255)	115,323	(27,802)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		-	-	564,044
Investment securities measured at FVTOCI (Debt instruments)				
Movement in fair value during the year		2,161,068	608,876	(138,912)
Reclassification of (losses)/gains included in profit or loss on derecognition		(1,203,006)	(224,380)	1,491
Loss allowance relating to debt instruments held at FVTOCI		475	(6,370)	26,415
		958,537	378,126	453,038
Total other comprehensive income		277,282	493,449	425,236
Total comprehensive income for the year		1,731,196	993,216	1,098,656

The notes on pages 13 to 105 form an integral part of these financial statements.

	Notes	Stated capital	Capital contribution	Retained earnings	Statutory reserve	Fair value reserve on financial instruments recognised in OCI	Property reserve	Foreign currency reserve	Total equity
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018									
- As previously reported		310,000	9,063,106	7,605,450	530,390	16,281	1,180,889	(564,044)	18,142,072
- Prior year adjustments	5	-	-	(95,443)	-	-	-	-	(95,443)
- As restated		310,000	9,063,106	7,510,007	530,390	16,281	1,180,889	(564,044)	18,046,629
Profit for the year		-	-	673,420	-	-	-	-	673,420
Other comprehensive (loss)/income for the year		-	-	(27,802)	-	(111,006)	-	564,044	425,236
Total comprehensive income for the year		-	-	645,618	-	(111,006)	-	564,044	1,098,656
Capital contribution received during the year	20	-	1,980,905	-	-	-	-	-	1,980,905
Revaluation surplus realised on depreciation		-	-	37,690	-	-	(37,690)	-	-
Cash dividend	21	-	-	(1,100,500)	-	-	-	-	(1,100,500)
Distribution in specie leading to derecognition of foreign operations	21			(2,251,473)	(220,390)	-	(62,808)	-	(2,534,671)
At 31 December 2018 (restated)		310,000	11,044,011	4,841,342	310,000	(94,725)	1,080,391	-	17,491,019
At 01 January 2019 (restated)		310,000	11,044,011	4,841,342	310,000	(94,725)	1,080,391	-	17,491,019
Profit for the year		-	-	499,767	-	-	-	-	499,767
Other comprehensive (loss)/income for the year		-	-	(197,517)	-	378,126	312,840	-	493,449
Total comprehensive income for the year		-	-	302,250	-	378,126	312,840	-	993,216
Capital contribution received during the year	20	-	900,000	-	-	-	-	-	900,000
Conversion of capital contribution	20	90,000	(90,000)						-
Revaluation surplus realised on depreciation		-	-	42,670	-	-	(42,670)	-	-
Transfer to statutory reserve	39	-	-	(90,000)	90,000	-	-	-	-
Cash dividend	21	-	-	(1,319,000)	-	-	-	-	(1,319,000)
At 31 December 2019 (restated)		400,000	11,854,011	3,777,262	400,000	283,401	1,350,561	-	18,065,235
At 01 January 2020 (restated)		400,000	11,854,011	3,777,262	400,000	283,401	1,350,561	-	18,065,235
Profit for the year		-	-	1,453,914	-	-	-	-	1,453,914
Other comprehensive (loss) / income for the year		-	-	(683,006)	-	959,534	754	-	277,282
Total comprehensive income for the year		-	-	770,908	-	959,534	754	-	1,731,196
Revaluation surplus realised on depreciation		-	-	47,708	-	-	(47,708)	-	-
At 31 December 2020		400,000	11,854,011	4,595,878	400,000	1,242,935	1,303,607	-	19,796,431

The notes on pages 13 to 105 form an integral part of these financial statements.

	Notes	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
			Restated	Restated
		MUR' 000	MUR' 000	MUR' 000
Net cash generated from / (used in) operating activities	33	695,238	3,844,995	(4,050,955)
Investing activities				
Acquisition of property and equipment	11a	(132,829)	(91,145)	(139,653)
Acquisition of intangible assets	12	(83,489)	(52,095)	(228,308)
Disposal of property and equipment		1,328	2,589	-
Acquisition of equity investments		-	-	(3,041)
Net cash used in investing activities		(214,990)	(140,651)	(371,002)
Financing activities				
Repayment of principal portion of lease liabilities		(66,226)	(71,993)	-
Increase in other borrowed funds		945,736	923,777	885,677
Capital contribution received during the year	20	-	900,000	1,980,905
Dividend paid on ordinary shares	21	-	(1,319,000)	(1,100,500)
Net cash generated from financing activities		879,510	432,784	1,766,082
Net change in cash and cash equivalents		1,359,758	4,137,128	(2,655,875)
Expected credit loss on cash and cash equivalents		2,678	38,059	45,910
Net foreign exchange difference		-	-	(71,792)
Cash transfer upon distribution in specie of the Indian Operations		-	-	(1,727,309)
Cash and cash equivalents at start of year	6	15,386,899	11,211,712	15,620,778
Cash and cash equivalents at end of year	6	16,749,335	15,386,899	11,211,712

The notes on pages 13 to 105 form an integral part of these financial statements.

1A. 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.

1B. IMPACT OF COVID-19 OUTBREAK

Mauritius witnessed its first outbreak of COVID-19 in March 2020, affecting its economic, trading and travel conditions. The Government imposed strict controls and restrictions such as travel bans, quarantines and other emergency public safety measures in an attempt to contain the contagion. Mauritius mirrored the same global disruptions faced by several countries who were experiencing several waves of the COVID-19 outbreak during the year.

The country has been subject to a second national lockdown in March 2021, after new local cases have been detected. The continued spread of the coronavirus presents immense challenges in credit and financial market locally and internationally. All industries and sectors of the economy worldwide is being impacted by the COVID-19 outbreak. Some industries like tourism, including SMEs linked to the hospitality sector, airlines, construction and real estate are heavily impacted as these sectors will not only depend on the success of the local outbreak containment but on the global situation and recovery.

Government support measures

In view of the challenges that the country is facing on its economic and trading activities, Mauritius being heavily dependent on the tourism sector including SMEs linked to the hospitality sector and the export industry; the Government of Mauritius has taken a series of accompanying measures including reviewing of monetary policies by the Bank of Mauritius to enhance the economic resilience of the country.

The main initiatives promulgated by the Bank of Mauritius included:
- Reduction of the Key Repo Rate (KRR) in March 2020 by 50 basis points to 2.85 per cent per annum and further reduction to 1.85 percent in April 2020 – aim is to bolster domestic economic activity; currently the repo rate is stable at 1.85 percent.
- Reduction in Cash Reserve Ratio from 9 percent to 8 percent - the excess funds transferred to a special account held with BOM, aim of which is to grant loans to businesses impacted by COVID-19.
- Revised Guideline on Credit Impairment Measurement and Income Recognition effective from 1 January 2020 has been put on hold.
- Special Relief Assistance of MUR 5 Billion with interest rate capped at 1.5 percent with a capital and interest moratorium for 9 months and loan repayment of 39 months given through commercial banks
- 6 Months capital moratorium for existing loans for economic operators impacted – moratorium period extended to 30 June 2021.
- Household Support – as part of its financial assistance programme, BOM has reiterated its commitment to again bear the interest payable on the outstanding household loans with commercial banks, for the period 1 January 2021 to 31 March 2021
- Special Foreign Currency (USD) Line of Credit – USD 300 million. Target is operators having foreign currency earnings.
- Swap Arrangement (USD/MUR) – USD 100 million to support import-orientated businesses.

All these measures have been extended up to 30 June 2021 as the Bank of Mauritius commits towards maintaining financial stability, consistent with its statutory responsibilities.

Furthermore, the Bank of Mauritius has introduced transitional arrangements for regulatory capital treatment of IFRS 9 provisions for expected credit losses. Under these transitional arrangements, a financial institution shall add back a proportion of Stage 1 and Stage 2 provisions under IFRS 9 to its Tier 1 Capital if it opts to do so.

The implementation of the finalization of Basel III has also been deferred by one year, aiming to provide more operational capacity for banks and regulators to respond to the impact of COVID-19 on the banking systems worldwide, and to boost the capacity of banks to manoeuver through the worst part of the economic stress while supporting their clients.

Following the budget brief 2020-2021, the Bank of Mauritius has set up a subsidiary company, the Mauritius Investment Corporation (MIC) in June 2020 to enhance the economic stability in light of COVID-19. The purpose of the MIC is to financially assist COVID-distressed entities and industries (namely the tourism sector) through loans which these entities will use to repay their financial and debt obligations. As at date, the MIC has committed to disburse approximately MUR 17 billion to identified impacted sectors with initial disbursement of a first tranche of MUR 2 billion in March 2021, the majority of which pertains to the tourism/hospitality and food service sectors.

1B. IMPACT OF COVID-19 OUTBREAK (Cont'd)

Measures by the Bank

In respect of oversight of the impact of COVID-19 on the internal control environment and financial results of the Bank, the directors and management have considered the below aspects:

- Reviewed global and local regulatory and industry guidance on the accounting treatment of the financial impact of COVID-19
- Reviewed and adopted the regulatory guidance notes and directives issued by Bank of Mauritius, in response to the impact on the Mauritian banking industry.
- Considered the impact on the accounting treatment of COVID-19 relief measures offered to the Bank's customers, notably in relation to the moratorium extension support scheme.
- Reviewed the measures taken to ensure the internal financial control environment remained resilient despite the impact of COVID-19 on the operating environment.
- Reviewed the results of assessments conducted in relation to the impact of COVID-19, with particular focus on credit portfolio reviews.
- Reviewed the potential impact of COVID-19 on the Bank's accounting for expected credit losses (ECL) in accordance with IFRS 9.
- Reviewed the approach adopted to determine the forward-looking impact from an IFRS 9 Financial Instruments perspective on the Bank's credit provisions.

Key impact on financial performance of the Bank:

COVID-19 outbreak is expected to significantly disrupt the operating environment of financial institutions. Following are some of the key accounting and financial reporting considerations:

Loans and advances to banks and customers:

Credit risk

The COVID-19 pandemic has hit the world in unprecedented ways, heightening risk with prolonged uncertainty. Macroeconomic conditions around the globe have deteriorated with a global growth contraction estimated at 3.5 percent for FY 2020 as per the World Economic Outlook. Mauritius faced a downgrade of long-term issuer rating by Moody's from Baa1 to Baa2 on 04 March 2021 with negative outlook on account of the erosion of Mauritius' fiscal and economic strength as a result of the economic shock brought on by the coronavirus pandemic.

With a prolonged shock on the economy mainly on the tourism sector, the credit quality of the Bank's client base has deteriorated owing to the impact on their financial position. Although various measures have been taken to support different segments of the economy and a vaccination program is ongoing, the recovery pattern of the economy is still uncertain. As per Moody's report, per capita income will only return to 2019 levels at end of 2022 assuming international tourist flows to resume in second half of 2021.

Given the uncertainty of the pandemic, the Bank simulated three stress scenarios based on the future economic recovery in both the local and domestic market. In order to assess the extent of probable deterioration in the quality of Bank's book, an impairment assessment has been conducted considering a scenario of no further government support after June 2021 and no improvement in the macroeconomic conditions before 2023.

In its baseline scenario, the Bank has considered that recovery would start in 2021 and GDP is expected to reach its pre-COVID level as from 2023 onwards. The Bank has thus impacted its book assuming lower growth in advances, reduction in interest rate on both advances and deposits in 2021. No major impairment has been considered under this scenario. This scenario, resulted in a slight increase in the expected credit loss amount.

In its mild case scenario, the Bank has factored a U-shaped recovery with recession prolonged in 2021, recovery starting from 2022 and GDP reaching pre-COVID level from 2021. The Bank has thus, impacted its book assuming lower growth in advances, reduction in interest rate on both advances and deposits in 2021, worsening credit ratings of corporate and SME clients by 2 notches, considering all tourism and rescheduled exposures as Stage 2 and taking a Loss Given Default premium. The Bank ended with an increase in ECL within the Bank's appetite for the coming year ending 31 December 2021 after taking into consideration the retail clients that are probable to be classified as stage 3 for which specific provision would be anticipated.

In its worst-case scenario, the Bank has considered a nike-shaped recovery with underlying assumption that recession will aggravate in 2021 and recovery will start afterwards with GPD gradually reaching its pre-COVID level as from 2025 onwards. The Bank thus considered a minimal growth in advances, further reduction on interest rates on both advances and deposits, a fall in exchange income and impairment of different client segments considering no further support after June 2021 including no MIC support. Under this scenario, the Bank anticipated higher specific provisioning for clients likely to move to stage 3. The Bank however is of the opinion that the worst case scenario is unlikely given all the measures undertaken.

1B. IMPACT OF COVID-19 OUTBREAK (Cont'd)

Key impact on financial performance of the Bank: (cont'd)

Loans and advances to banks and customers (Cont'd)

Impact on Expected Credit Losses (ECL)

The Bank has considered the impact of COVID-19 in its financial statements within different segments (corporates and SMEs, retail, bank and sovereigns) by revisiting its ECL framework to cater for higher level of uncertainty in markets both locally and internationally while remaining in line with the statements released by local and international bodies with regards to IFRS 9 in a COVID-19 environment (principally the Bank of Mauritius and IASB respectively).

The Bank has considered the impact on the key inputs including the Probability of Default (PD), the Loss Given Default (LGD), forward-looking Macroeconomic Variables (MEVs), staging and bucketing parameters, relief programmes, scenario-weights allocations and other qualitative indicators to assess the significant increase in credit risk (SICR) of its loan book. The Bank is closely monitoring forbearance measures by assessing potential loss in principal or interest which may result into a classification into stage 3.

The Bank has adopted a probabilistic approach in determining its MEVs due to the uncertainties prevailing across markets. A scenario weight approach (baseline, upside and downside) has been applied to reflect the likelihood of such event occurring based on assessments of economic and market conditions relating to COVID-19. The scenarios assumed were very bearish to properly reflect the current and projected local and global economic environment.

The Bank enhanced its SICR assessment framework using more objective and subjective factors to adapt to this unprecedent condition. In-depth analysis was performed on exposures in COVID impacted sectors at various levels including Business team, Credit Underwriting team and Management Credit Forum/Board Credit Committee. As a result of this exercise some exposures depicted the attributes of SICR and were moved to stage 2.

A post modelling adjustment was also applied by the Bank on its PD, LGD and other qualitative considerations to restructured exposures due to COVID-19 as well as to cater for the downgrade in the sovereign rating of Mauritius by Moody's on the 04 March 2021. Following this downgrade in the rating of Mauritius, financial institutions in Mauritius were downgraded to reflect the inherent increase in credit risk in the country.

Stage 3 exposures have been assessed considering COVID-19 impact and adequate provisioning has been made by the Bank as at 31 December 2020.

The Bank continues to consider the potential impact of COVID-19 through discussions with relevant regulatory bodies domestically and with the concerned counterparties given the on-going developments and the high degree of uncertainty prevailing with the country facing its second wave of the pandemic.

Cash and Cash equivalents, Mandatory balances with central banks and Loans to and placements with Banks

The Bank did not observe significant impact on the carrying value of the above items as they carry low credit risks and are less susceptible to changes in value in the event of an economic downturn. The related ECL incorporated similar measures as discussed under the heading "impact on ECL".

Investment Securities

With respect to the investment securities carried at fair value, the main impact of COVID-19 was the changes in market rates including interest rates and foreign currency exchange rates as well as the changes in the credit quality of the instruments. The Bank focused on its treasury management operations during this pandemic situation.

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

These assets are carried at cost less accumulated depreciation and impairment. Though not directly impacted by COVID-19, the Bank carried its annual assessment of impairment of the above-mentioned assets. The Bank remains focused to execute its revamped strategy around technology, innovation and customer service in the coming years.

Deposits from bank and non-bank customers and other borrowed funds

These liabilities are accounted for at amortised cost and therefore their carrying values are not materially affected by COVID-19, except for the impact on the exchange rate of the rupee vis-à-vis major currencies which results in an increase in the carrying value of foreign currency denominated deposits. The Bank has experienced renewal of its deposit base and its strategy in the short to medium term remains to raise cheaper sources of funding by increasing its deposits book.

1B. IMPACT OF COVID-19 OUTBREAK (Cont'd)

Key impact on financial performance of the Bank: (cont'd)

Pension liabilities

The current significant economic uncertainty affects the measurement of retirement benefit obligation and plan assets, particularly when quoted prices in active markets for identical assets do not exist. The methodology used is to derive a yield curve based on government bonds from secondary market. The reference point for setting the discount rate is the yields on bonds from the secondary market with terms ranging from 0.25 to 20 years. The discount rate commensurate with the duration of liabilities is then determined. The discount rate decreased from 5.3 percent in 2019 to 2.9 percent in 2020 resulting in a significant increase in the retirement benefit liability.

Taxes

The pandemic could affect future profits as a result of direct and indirect (effect on customers, suppliers, service providers) factors. Deferred tax assets are recognised for deductible temporary differences existing at reporting date. Based on the budget for the next 12 months, despite the outbreak's adverse forecasted impact on the Bank's operations, it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised.

Liquidity risk

The Bank's internal and regulatory liquidity ratios demonstrate a healthy liquidity position as at 31 December 2020. The Bank's Liquidity Coverage Ratio (LCR) at year end stood at 154 percent which is above the current regulatory minimum LCR requirement of 100 percent, demonstrating a robust liquidity position. The LCR is a stressed liquidity measure as at applied stressed outflow rates on depositors' balances and haircuts on cash inflows. Stressed tests based on several scenarios are performed on a regular basis to monitor the LCR, which remains above the regulatory limit.

Interest rate risk

As an emergency COVID-19 response, both the Bank of Mauritius and United States Federal Reserve revised their respective policy rates downwards. The Bank's balance sheet being predominantly USD and MUR based was adversely impacted in term of the Net Interest Income by the decline in the Bank's Net Interest Margin for the year under review.

Capital adequacy ratio (CAR)

The Bank achieved a CAR of 15.94 percent as at 31 December 2020 which is above the minimum requirement of 13.875 percent.

In apprehension of the challenges posed by the COVID-19 pandemic, as per the correspondence from BOM on 11 Jan 2021, titled "Regulatory Forbearance", BOM has deferred the implementation of the last tranche of the capital conservation buffer ("CCB") amounting to 0.625 percent to 01 April 2022. Thus, for financial year 2020, banks are required to maintain a CCB of 1.875 percent. This measure has helped release more capital whilst also allowing greater flexibility in terms of funding capacity and support which can be provided to customers.

The Bank has prepared a capital plan in a crisis situation of COVID-19 by running a few scenarios to demonstrate how the regulatory ratios fluctuate based on different ECL simulations. The Bank remains within the regulatory requirements in the Baseline and Moderate Scenario. In the extreme scenario whereby no MIC or further support post June 2021 coupled with late recovery is considered (outlined under Credit risk section), the Bank would require Capital injection to meet the regulatory CAR. Although the Bank has simulated a worst case scenario, the Bank does not foresee such scenario to materialise given the measures being undertaken to sustain companies with cash flow difficulties including MIC support, moratorium on repayments amongst others.

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

The COVID-19 pandemic has hit the world in unprecedented ways, heightening risk with prolonged uncertainty. Macroeconomic conditions around the globe have deteriorated with a global growth contraction estimated at 3.5 percent for FY 2020 as per the World Economic Outlook. Mauritius faced a downgrade of long-term issuer rating by Moody's from Baa1 to Baa2 on 04 March 2021 with negative outlook on account of the erosion of Mauritius' fiscal and economic strength as a result of the economic shock brought on by the coronavirus pandemic.

With a prolonged shock on the economy mainly on the tourism sector, the credit quality of the Bank's client base has deteriorated owing to the impact on their financial position. Although various measures have been taken to support different segments of the economy and a vaccination program is ongoing, the recovery pattern of the economy is still uncertain. As per Moody's report, per capita income will only return to 2019 levels at end of 2022 assuming international tourist flows to resume in second half of 2021.

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

In the current year, the Bank has applied all of the new and revised Standard and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 January 2020.

(a) *New and revised IFRSs and IFRICs*

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material

Amendments to References to the Conceptual Framework in IFRS Standards

Amendment to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (IBOR)

The amendments, which are applicable for financial reporting periods beginning on or after 01 January 2020, focus on hedge accounting issues related to uncertainties arising in the period leading up to the replacement of IBORs with alternative nearly risk-free rates, and provide reliefs to allow hedge accounting to continue during the period of uncertainty before an IBOR is replaced. The amendments are mandatory for all hedge relationships directly affected by interest rate benchmark reform, and are required to be applied on a retrospective basis.

The Bank applies the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (RFR). A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of the IBOR reform.

IBOR reform phase 1 requires that for hedging relationships affected by IBOR reform, the Bank must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. Also, the Bank is not required to discontinue the hedging relationship if the results of the assessment of restrospective hedge effectiveness fall outside the range of 80% to 125%, although any hedge ineffectiveness must be recognised in profit or loss, as normal.

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued.

The adoption of the amendments had no impact on the financial performance and financial position of the Bank.

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

IAS 1 Presentation of Financial Statements - Amendments regarding classification of liabilities (effective 01 January 2023)

IAS 1 Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective 01 January 2023)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates (effective 01 January 2023)

IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective 01

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 01 January 2022)

IAS 39 Financial Instruments: Recognition and Measurement Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021)

IFRS 7 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021)

IFRS 9 Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018 - 2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (effective 01 January 2022)

IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021)

IFRS 16 Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification (effective 01 June 2020)

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

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

IFRS 16 Leases - Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021)

The directors anticipate that these amendments will be adopted in the financial statements for the annual periods beginning on the respective dates as indicated above. The directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

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 amounts 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 summarised below with respect to judgements/estimates involved.

Estimates

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:

> 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 are assessed on a collective basis;
> Development of ECL models, including the various formulas and the choice of inputs;
> Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
> Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

3.2 Fair values of financial assets and liabilities

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data is not available, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

3.3 Other estimates

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 other financial assets and liabilities - Note 37 (a)
(iv) Internal borrowing rate used to determine the value of right-of-use assets - Note 11b.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Judgements

3.4 Going concern

Directors have made an assessment of the Bank's ability to continue as a going concern and are satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, directors are not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Hence, the financial statements continue to be prepared on the going concern basis.

3.5 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

4 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 indicated.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. In estimating the fair value of an asset or liability the 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 IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

b Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and in compliance with the Mauritius Companies Act 2001, the Banking Act 2004, the Guidelines and Guidance Notes issued by the Bank of Mauritius and the Financial Reporting Act 2004.

c Presentation of financial statements

The financial statements are presented in Mauritian Rupees ('MUR') and all values are rounded to the nearest thousand except when otherwise indicated. The Bank presents its statement of financial position broadly in order of liquidity. The recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented under each respective note.

d 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. 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 assets' contractual terms, measured at either:
- Amortised cost, as explained in Note 9 and 10;
- FVTOCI, as explained in Note 10; and
- FVTPL, as explained in Note 8 and 10.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d 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.

Financial liabilities include deposits from banks, deposits from non-bank customers, due to banks and other liabilities and are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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; 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.

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the financial assets.

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.

e Foreign currency translation

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

(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.

4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

e **Foreign currency translation (Cont'd)**

(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
USD/MUR	34.275
INR/MUR	0.492

The average rates for the following years are:

	30 November 2018
USD/MUR	33.954
INR/MUR	0.498

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.

(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 2020	31 December 2019	31 December 2018
USD/MUR	39.541	36.607	34.2664
GBP/MUR	54.064	48.344	43.683
EUR/MUR	48.552	41.125	39.228

The average rates for the three years are as follows:

	31 December 2020	31 December 2019	31 December 2018
USD/MUR	39.395	35.503	33.977
GBP/MUR	50.575	45.307	45.309
EUR/MUR	45.023	39.738	40.079

f **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.

g **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.

h **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 are included in the respective notes.

5. PRIOR YEARS ADJUSTMENTS (PYA)

The Bank has restated its financial statements in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to correct certain errors identified during the year ended 31 December 2020. These are summarised below together with the impact on the financial statements.

Impact as at 01 January 2018

	As previously reported	Adjustments	As restated
Shareholder's equity	MUR' 000	MUR' 000	MUR' 000
Retained earnings	7,605,450	(95,443)	7,510,007

Impact as at 31 December	31 December 2019			31 December 2018		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Assets:	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans to and placements with banks	7,471,474	(2,297,386)	5,174,088	11,764,358	(2,507,947)	9,256,411
Derivative financial instruments	783,603	105,698	889,301	762,855	134,659	897,514
Property and equipment	2,846,736	(247,168)	2,599,568	2,458,814	-	2,458,814
Rights-of-use assets	-	247,168	247,168	-	-	-
Other assets	714,259	77,600	791,859	823,653	23,583	847,236
Liabilities:						
Other borrowed funds	12,438,151	(2,297,936)	10,140,215	11,773,938	(2,557,497)	9,216,441
Derivative financial instruments	794,275	206,697	1,000,972	758,642	202,231	960,873
Lease liability	-	240,180	240,180	-	-	-
Current tax liabilities	311,351	175,788	487,139	474,487	6,146	480,633
Pension liability	-	334,005	334,005	-	173,055	173,055
Other liabilities	6,236,562	(769,061)	5,467,501	5,020,635	(197,464)	4,823,171
Shareholder's equity						
Retained earnings	3,804,163	(26,901)	3,777,262	4,817,518	23,824	4,841,342
Other reserves (Fair value reserve recognised in OCI)	2,010,822	23,140	2,033,962	1,295,666	-	1,295,666
Statement of Profit or Loss						
Continuing Operations						
Interest income	7,688,851	(7,688,851)	-	7,156,372	(7,156,372)	-
Interest income using the effective interest rate method	-	7,834,260	7,834,260	-	7,257,774	7,257,774
Other interest income	-	145,744	145,744	-	282,998	282,998
Interest expense	(2,023,529)	2,023,529	-	(1,665,006)	1,665,006	-
Interest expense using using the effective interest rate method	-	(2,023,529)	(2,023,529)	-	(1,643,374)	(1,643,374)
Other interest expense	-	(163,906)	(163,906)	-	(267,674)	(267,674)
Net interest income	5,665,322	127,247	5,792,569	5,491,366	138,358	5,629,724
Net fee and commission income						
Fees and commission income	1,206,321	(129,860)	1,076,461	1,061,666	(133,462)	928,204
Other income						
Profit arising from dealing in foreign currencies	534,430	(534,430)	-	679,738	(679,738)	-
Net gain from financial instruments	118,175	(118,175)	-	500,133	(500,133)	-
Net gain on sale of securities	626,674	(626,674)	-	173,554	(173,554)	-
Net trading income	-	1,097,350	1,097,350	-	1,518,467	1,518,467
Net losses from financial assets at FVTPL	-	(92,289)	(92,289)	-	(51,427)	(51,427)
Net gains on derecognition of financial assets measured at amortised cost	-	-	-	-	4,728	4,728
Net gains on derecognition of financial assets measured at FVTOCI	-	224,380	224,380	-	-	-
Non-interest expense						
Depreciation of property and equipment	(193,062)	49,941	(143,121)	(145,188)	-	(145,188)
Depreciation of right-of-use assets	-	(49,941)	(49,941)	-	-	-
Bank levy	(171,368)	171,368	-	-	-	-
Profit before income tax	882,302	118,917	1,001,219	2,138,353	123,239	2,261,592
Tax expense	(331,810)	(169,642)	(501,452)	(676,988)	(3,972)	(680,960)
Profit for the year	550,492	(50,725)	499,767	554,153	119,267	673,420
Total other comprehensive income	470,309	23,140	493,449	425,236	-	425,236
Total comprehensive income for the year	1,020,801	(27,585)	993,216	979,389	119,267	1,098,656

5. PRIOR YEARS ADJUSTMENTS (PYA) (cont'd)

a. Accounting for interest on derivatives and presentation of cross currency swaps

(i) In prior years, the Bank was accounting for cross currency swaps (CCS) on the statement of financial position on the basis that there was an exchange of principal at inception of those contracts. However, the Bank has reassessed the nature of those derivatives and considers that they should be classified as off balance sheet items.

- The notional amount of the cross currency swaps of MUR 2,292 million for 2019 and MUR 2,504 million for 2018 was adjusted from loans to and placements with Banks to off balance sheet assets and MUR 2,293 million for 2019 and MUR 2,534 million for 2018 was adjusted from other borrowed funds to off balance sheet liabilities.

- The corresponding interest receivable on the CCS of MUR 5.38 million for 2019 and MUR 3.64 million was reclassified to derivative financial asset and interest payable on the CCS of MUR 5.27 million for 2019 and MUR 23.22 million was reclassified to derivative financial liabilities.

- The retranslation of the CCS as asset and liability were reversed in the statement of profit or loss net of tax impact amounting to MUR 27.58 million for 2019 and MUR (119.27) million for 2018. An amount of MUR 95.44 million was adjusted against opening reserves at 01 January 2018 for 2017 impact.

(ii) Interest receivable / payable on derivatives were previously shown under other assets and other liabilities respectively, now they are shown under derivative assets and derivative liabilities. The Financial Statements have been restated accordingly.

- Interest receivable on derivatives of MUR 66.47 million for 2019 and MUR 76.05 million has been reclassified from other assets to derivative financial assets.

- Interest payable on derivatives of MUR 23.51 million for 2019 and MUR 24.41 million has been reclassified from other liabilities to derivative financial liabilities.

- Interest payable on derivatives of MUR 144.07 million for 2019 and MUR 99.64 million has been reclassified from other assets to derivative financial liabilities.

(iii) The netting off interest receivable, payable and mark-to-market (MTM) on some of its derivatives was not being accounted properly. The Bank has reassessed the impact and a net of MUR (8.92) million in 2019 and MUR 15 million in 2018 was reclassified from derivative financial assets to derivative financial liabilities.

(iv) The Bank omitted to record MTM on its back to back collar option deals. The Bank restated an MTM of MUR 42.77 million in 2019 and MUR 39.97 million in 2018 in derivative financial assets and liabilities respectively.

b. Change in the classification of investment in mutual fund

The Bank was classifying an investment in a mutual fund under the Fair Value Through Other Comprehensive Income (FVTOCI) category. The Bank has reassessed the classification and measurement of this investment and has determined that this investment does not meet the definition of an equity instrument as it does not meet the SPPI test. Hence, the investment in mutual fund of MUR 159.90 million for 2019 and MUR 171.33 million for 2018 is now classified under the Fair Value Through Profit or Loss (FVTPL) category and the fair value movement of MUR 23.14 million for 2019 has been reclassified from reserves to the Statement of Profit or Loss. The financial statements have been restated accordingly.

c. Bank levy as per the VAT act enacted under the Finance Act 2018

Bank levy is a special levy as per the VAT Act enacted under the Finance Act 2018. The Bank was presenting this levy under its "other expenses" following assessment made under IAS 12 Income Taxes and IFRIC 21 Levies. In January 2021, the regulator advised all Banks to treat this levy as a tax expense as it is a non allowable deduction as per the Income Tax Act. Bank levy amounting to MUR 171.37 million for 2019 has been restated under tax expense from other expenses and the bank levy payable which was previously under other liabilities has been shown as part of the current tax liabilities.

d. Other reclassifications

The Bank has also made certain reclassifications to comply with the requirements of IAS 1.82 and IFRS 7 as follows:

(i) Presentation of interest income measured at effective interest rate in a separate line item on the face of the statement of profit or loss.

(ii) Reclassification of loan processing fees from fee and commission to interest income under the effective interest method

(iii) Reclassification between interest income and interest expense arising on derivatives used for risk management purpose following analysis made by deals.

(iv) Reclassifications of gains/losses on disposal of financial assets held for trading to net trading income.

(v) Presentation of gains/losses on disposal of financial assets measured at amortised cost in a separate line item on the face of the statement of profit or loss.

(vi) Reclassification of financial assets measured at fair value through profit or loss (not held for trading) from net trading income.

(vii) Presentation of right of use assets from property and equipment and the arising lease liabilities from other liabilities as separate line items in the statement of financial position

(viii) Presentation of pension liability from other liabilities as separate line item in the statement of financial position.

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 bank 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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Cash in hand	2,016,619	2,078,284	2,398,191
Foreign currency notes and coins	524,835	337,946	277,740
Unrestricted balances with central bank [1]	10,536,120	4,167,009	1,527,560
Loans and placements with banks[2]	-	1,035,373	1,162,364
Balances with banks	3,672,781	7,771,985	5,887,615
	16,750,355	15,390,597	11,253,470
Less: allowance for credit losses	(1,020)	(3,698)	(41,758)
	16,749,335	15,386,899	11,211,712

[1] Unrestricted balances with central bank 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. The balances were classified under stage 1 and 12-month ECL was calculated thereon.

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

	31 December 2020	31 December 2019	31 December 2018
	Stage 1	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January	3,698	41,758	-
Movement for the year	1,020	3,698	41,758
Assets repaid	(3,698)	(41,758)	-
ECL allowance as at 31 December	1,020	3,698	41,758

7 LOANS TO AND PLACEMENTS WITH BANKS

Accounting policy

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.

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

		Restated	Restated
	31 December 2020	31 December 2019	31 December 2018
Loans to and placements with banks:	MUR' 000	MUR' 000	MUR' 000
- in Mauritius	353,508	2,482,044	5,039,036
- outside Mauritius	2,797,237	2,717,013	4,251,656
	3,150,745	5,199,057	9,290,692
Less: allowance for credit losses	(20,358)	(24,969)	(34,281)
	3,130,387	5,174,088	9,256,411
Remaining term to maturity			
Up to 3 months	47,293	522,761	3,655,310
Over 3 months and up to 6 months	1,257,394	2,504,267	2,404,664
Over 6 months and up to 12 months	1,008,868	1,119,602	425,528
Over 1 year and up to 2 years	-	1,052,427	1,926,723
Over 2 years and up to 5 years	837,190	-	878,467
	3,150,745	5,199,057	9,290,692

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 2020	Restated 31 December 2019	Restated 31 December 2018
	Stage 1	Stage 1	Stage 1
Internal rating grade	**MUR' 000**	MUR' 000	MUR' 000
Performing			
High grade	-	367,371	342,903
Standard grade	**2,807,724**	3,719,888	5,798,209
Sub-standard grade	**343,021**	1,111,798	3,149,580
Total	**3,150,745**	5,199,057	9,290,692

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

	31 December 2020	Restated 31 December 2019	Restated 31 December 2018
	Stage 1	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January	**5,199,057**	9,290,692	5,745,457
Financial assets originated or purchased	**2,698,297**	2,766,559	5,350,478
Financial assets repaid (excluding write offs)	**(4,768,978)**	(7,014,033)	(1,805,243)
Foreign exchange adjustments	**22,369**	155,839	-
Gross carrying amount as at 31 December	**3,150,745**	5,199,057	9,290,692
	Stage 1	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January	**24,969**	34,281	16,057
Movement for the year	**18,004**	5,299	21,132
Assets repaid (excluding write offs)	**(22,615)**	(14,611)	(2,908)
ECL allowance as at 31 December	**20,358**	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 Statement of Profit or Loss in Net Trading Income. In addition, the cumulative change in the fair value of the hedged item attributable to the hedged risk is recognised in the Statement of Profit or Loss in Net Trading Income, and also recorded as part of the carrying value of the hedged item in the statement of financial position.

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 2020	Restated 31 December 2019	Restated 31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Assets			
Derivative assets	774,785	889,301	897,514
Liabilities			
Derivative liabilities	1,165,271	1,000,972	960,873

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

	Notional Principal Amount	------------Fair Values------------ Assets	Liabilities
	MUR' 000 Restated	MUR' 000 Restated	MUR' 000 Restated
31 December 2020			
Derivatives held for trading			
Foreign exchange contracts*	12,755,594	153,479	(127,784)
Cross currency swaps	3,622,605	116,425	(163,384)
Other derivative contracts	7,178,309	377,258	(296,493)
Derivatives held for risk management purposes			
Foreign exchange contracts	4,844,566	145	-
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	19,241,246	127,478	(577,610)
	47,642,320	774,785	(1,165,271)
31 December 2019 (Restated)			
Derivatives held for trading			
Foreign exchange contracts*	31,978,555	540,656	(281,879)
Cross currency swaps	2,285,473	47,633	(56,421)
Other derivative contracts	19,865,225	222,397	(220,731)
Derivatives held for risk management purposes			
Foreign exchange contracts	3,298,074	498	(23,508)
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	18,786,898	78,117	(418,433)
	76,214,225	889,301	(1,000,972)
31 December 2018 (Restated)			
Foreign exchange contracts*	25,636,819	256,977	(126,974)
Cross currency swaps	2,496,030	402,820	(419,291)
Other derivative contracts	25,055,809	219,625	(137,632)
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	14,395,001	18,092	(276,976)
	67,583,659	897,514	(960,873)

* Foreign exchange contracts include forward and spot contracts.

9. LOANS AND ADVANCES TO NON-BANK CUSTOMERS

Accounting policy

The Bank 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(d).

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.

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Governments	7,705	8,515	9,315
Retail customers	41,555,983	39,586,964	32,121,253
- Credit cards	510,114	584,532	606,447
- Mortgages	27,601,971	25,507,821	22,478,894
- Other retail loans	13,443,898	13,494,611	9,035,912
Corporate customers	48,935,572	47,563,734	44,758,253
Entities outside Mauritius	20,288,731	19,910,288	22,909,421
	110,787,991	107,069,501	99,798,242
Less credit loss allowance	(11,437,054)	(7,766,672)	(5,502,191)
	99,350,937	99,302,829	94,296,051

a Remaining term to maturity

	31 December 2020	31 December 2019	31 December 2018
Up to 3 months	8,672,397	9,600,185	11,726,983
Over 3 months and up to 6 months	3,507,901	2,939,477	3,256,357
Over 6 months and up to 12 months	5,475,886	6,086,884	8,875,377
Over 1 year and up to 2 years	9,904,771	6,894,834	8,529,760
Over 2 years and up to 5 years	18,588,499	19,432,992	17,565,447
Over 5 years	64,638,537	62,115,129	49,844,318
	110,787,991	107,069,501	99,798,242

Out of the MUR 99.35 billion, there is an amount of MUR 6.21 billion (2019: MUR 8.18 billion and 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.

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 69.26 million (2019: MUR 87.32 million and 2018: MUR 79.62 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 2020				
Gross investment in finance leases	500,376	1,119,442	109,089	1,728,907
Less: Unearned finance income	(66,463)	(104,089)	(4,195)	(174,747)
Present value of minimum lease payments	433,913	1,015,353	104,894	1,554,160
Credit loss expense				(94,545)
Net investment in finance lease				1,459,615
31 December 2019				
Gross investment in finance leases	435,140	1,081,017	97,472	1,613,629
Less: Unearned finance income	(78,465)	(124,708)	(4,386)	(207,559)
Present value of minimum lease payments	356,675	956,309	93,086	1,406,070
Credit loss expense				(45,769)
Net investment in finance lease				1,360,301
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

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

The Bank recognises 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 a compounded element of the LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

The 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 three scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in note 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

When estimating the macro-economic variables used in ECL calculation, the Bank considers three scenarios (a base case, an upside and a downside). These economic scenarios are subject to different assumptions with the base scenario being the best estimate. These estimates are taken from reputable external providers based on econometrics methods.

PD Estimates: Retail, Corporate and SME PD models all use the logistic regression framework to model monthly default rates. For the different segments, different features including macro-economic variables have been chosen for inclusion in the logit models based on their statistical significance in explaining defaults as well as intuitiveness of the coefficients.

For banks, external default data from Standard & Poor's (S&P) is used. The PD models convert the through-the-cycle transition matrices (and TTC Default rates) from Standard & Poor's into point-in-time estimates that reflect economic conditions observed at reporting date. The forward looking factor is quantified by a scalar factor arrived by a difference if two economic regressions (with Macroeconomic variables and without Macroeconomic variables).

For sovereigns, historical default rates from Moody's is used together with correlated Global MEVs. The average 12-month rating transition matrix is converted into point-in-time (PIT) transition matric using the Vasicek Transformation.

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. Two possible outcomes are considered: Cure (Facility defaults, but goes back to active without loss, LGD close to zero) and No cure (Facility defaults, does not cure, LGD between 0% and 100%). A logit model is fitted to the work-out LGD and the different features for inclusion in the model are chosen based on their statistical significance as well as the intuitiveness of the coefficients.

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

EAD 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 are used to project EAD values at each point-in-time.

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

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 represents 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 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:
- Consumer Price Index [CPI];
- Nominal Bilateral Exchange Rate;
- Debt to GDP ratio;
- Unemployment rate;
- Interest Rate;
- Official Reserves;
- Current Account balance;
- Share Price Index; and
- Real imports of goods and services

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 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

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.

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 have 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 loss

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

The measurement of impairment losses 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)**

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 2020:	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	33,348,021	1,417,911	-	34,765,932
Standard grade	35,343,811	8,536,949	-	43,880,760
Sub-standard grade	10,986,648	7,254,788	-	18,241,436
Past due but not impaired	-	1,555,705	-	1,555,705
Non-performing				
Individually impaired	-	-	12,344,158	12,344,158
Total	79,678,480	18,765,353	12,344,158	110,787,991

At 31 December 2019:

Internal rating grade	Stage 1	Stage 2	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:

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	25,697,144	6,131,756	-	31,828,900
Standard grade	17,541,278	9,799,659	-	27,340,937
Sub-standard grade	12,666,759	12,825,774	-	25,492,533
Past due but not impaired	-	2,693,127	-	2,693,127
Non-performing				
Individually impaired	-	-	12,442,745	12,442,745
Total	55,905,181	31,450,316	12,442,745	99,798,242

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

At 31 December 2020:	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January 2020	74,499,853	22,250,513	10,319,135	107,069,501
Financial assets originated or purchased	23,175,467	4,292,858	-	27,468,325
Assets derecognised or repaid (excluding write offs)	(19,777,326)	(5,215,024)	(2,987,362)	(27,979,712)
Transfers to Stage 1	5,597,478	(5,579,274)	(18,204)	-
Transfers to Stage 2	(5,929,236)	5,948,984	(19,748)	-
Transfers to Stage 3	(231,652)	(3,883,534)	4,115,186	-
Amounts written off	-	-	(8,904)	(8,904)
Foreign exchange adjustments	2,343,896	950,830	944,055	4,238,781
Gross carrying amount as at 31 December 2020	79,678,480	18,765,353	12,344,158	110,787,991

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:

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January 2019	55,905,181	31,450,316	12,442,745	99,798,242
Financial assets originated or purchased	28,578,600	7,286,260	-	35,864,860
Assets derecognised or repaid (excluding write offs)	(15,994,695)	(11,044,707)	(1,432,214)	(28,471,616)
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
Gross carrying amount as at 31 December 2019	74,499,853	22,250,513	10,319,135	107,069,501

At 31 December 2018:	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January 2018	74,987,399	25,941,203	3,331,478	104,260,080
Financial 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 (excluding write 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 2020:	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January 2020	651,591	1,662,596	5,452,485	7,766,672
Allowance on new financial assets	96,919	57,310	-	154,229
Remeasurement of loss allowance	293,527	667,451	3,728,485	4,689,463
Assets derecognised or repaid (excluding write offs)	(469,303)	(175,226)	(519,877)	(1,164,406)
Transfers to Stage 1	198,833	(198,491)	(342)	-
Transfers to Stage 2	(58,297)	59,333	(1,036)	-
Transfers to Stage 3	(1,520)	(1,111,550)	1,113,070	-
Amounts written off	-	-	(8,904)	(8,904)
ECL allowance as at 31 December 2020	711,750	961,423	9,763,881	11,437,054

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January 2019	422,448	857,619	4,222,124	5,502,191
Allowance on new financial assets	214,480	1,157,894	2,801,096	4,173,470
Remeasurement of loss allowance	154,530	223,771	-	378,301
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

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 ECL allowances is as follows:

At 31 December 2018:	Stage 1 MUR'000	Stage 2 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
Allowance on new financial assets	(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

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

d Credit loss allowances on loans and advances by industry sectors

	----31 December 2020----					31 December 2019	31 December 2018
	Gross amount of loans	Impaired loans	Stage 3 allowance for credit impairment	Stage 1 & stage 2 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	4,686,449	827,431	331,126	35,281	366,407	115,934	147,908
Manufacturing	4,464,355	185,398	158,151	82,473	240,624	194,985	514,963
of which EPZ	*1,778,560*	*26,531*	*3,942*	*22,840*	*26,782*	*35,333*	*17,118*
Tourism	15,292,602	9,916	870	354,544	355,414	137,478	184,419
Transport	2,192,316	15,895	14,561	24,221	38,782	150,836	143,857
Construction	10,805,438	629,538	477,190	381,405	858,595	304,016	364,658
Financial and business services	8,104,681	665,792	621,575	80,789	702,364	516,733	185,209
Traders	11,155,768	5,809,368	4,531,386	90,627	4,622,013	3,721,754	2,715,514
Personal	39,418,408	1,052,999	736,094	466,667	1,202,761	1,098,644	891,573
of which credit cards	*510,114*	*47,026*	*48,136*	*4,326*	*52,462*	*48,255*	*93,483*
Professional	160,294	82,718	82,718	4,629	87,347	75,593	103,259
Global Business Licence holders	6,485,910	1,248,424	1,096,615	14,089	1,110,704	646,597	105,568
Others	8,021,770	1,816,679	1,713,595	138,448	1,852,043	804,102	145,263
	110,787,991	12,344,158	9,763,881	1,673,173	11,437,054	7,766,672	5,502,191

Total impaired loans for 2019 for the Bank were MUR 10,319 million (2018: MUR 12,443 million).

10. INVESTMENT SECURITIES

Accounting policy

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

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 instruments measured at FVTOCI; and
- Equity investments designated as FVTOCI.

Debt instruments at FVTPL

The Bank classifies financial assets at FVTPL when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. The Bank also classifies debt securities at FVTPL when they do not meet the SPPI. FVTPL assets are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net gains on financial instruments. Interest and expense is recorded in net interest income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

Debt instruments at FVTOCI

For debt instruments 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.

Equity investments designated at FVTOCI

Equity investments are classified as equity instruments at FVTOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVTOCI are not subject to an impairment assessment.

10. INVESTMENT SECURITIES (CONT'D)

Remaining term to maturity

	31 December 2020									Restated	Restated
	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 2019	31 December 2018
	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	-	434,386	611,381	74,196	6,613,363	7,690,662	4,381,621	-	19,805,609	17,245,042	11,738,705
Treasury bills	698,172	1,498,256	-	-	-	-	-	-	2,196,428	-	148,100
Bank of Mauritius bills / notes	1,315	50,168	989,847	-	152,052	5,183,483	4,976,466	-	11,353,331	1,364,246	1,232,730
Bank bonds	-	-	-	-	105,675	386,265	-	-	491,940	753,104	695,990
	699,487	1,982,810	1,601,228	74,196	6,871,090	13,260,410	9,358,087	-	33,847,308	19,362,392	13,815,525
(b) Investment securities mandatorily measured at FVTPL											
Trading investments:											
Government bonds and treasury notes	-	-	-	-	-	-	706	-	706	2,350,694	765,117
Treasury bills	799,645	876,539	1,976,073	-	-	-	-	-	3,652,257	4,019,870	5,142,257
Bank of Mauritius bills / bonds	1,537,842	1,498,127	541,717	-	-	762,825	-	-	4,340,511	4,252,324	3,107,186
Bank bonds	-	-	-	-	-	-	-	-	-	493,666	697,223
Other investments:											
Investment in mutual funds	-	-	-	-	-	-	-	1,356,130	1,356,130	709,202	171,333
	2,337,487	2,374,666	2,517,790	-	-	762,825	706	1,356,130	9,349,604	11,825,756	9,883,116
(c) Investment securities measured at FVTOCI (both equity and debt instruments)											
Government bonds	995,332	313,326	-	1,852,056	1,501,280	3,228,323	5,536,169	-	13,426,486	11,406,019	7,308,976
Treasury bills / notes	9,152,843	-	-	1,625,570	-	-	-	-	10,778,413	9,657,749	9,277,241
Bank of Mauritius bills / bonds	100	-	-	896,766	1,018,377	2,453,980	-	-	4,369,223	5,671,581	2,141,448
Equity shares of companies:											
- Equity investments	-	-	-	-	-	-	-	4,408	4,408	3,411	3,411
Bank bonds	786,223	416,735	1,114,654	587,681	5,201,863	6,499,153	312,759	-	14,919,068	10,958,425	5,775,598
Corporate paper and preference shares	-	-	-	-	-	-	-	-	-	-	2,741,443
Corporate bonds	43,250	174,219	39,943	203,803	738,559	3,609,441	1,872,841	-	6,682,056	4,597,934	-
	10,977,748	904,280	1,154,597	5,165,876	8,460,079	15,790,897	7,721,769	4,408	50,179,654	42,295,119	27,248,117
Total investment securities	14,014,722	5,261,756	5,273,615	5,240,072	15,331,169	29,814,132	17,080,562	1,360,538	93,376,566	73,483,267	50,946,758
Less: allowance for credit losses									(38,520)	(23,137)	(9,038)
									93,338,046	73,460,130	50,937,720

10. INVESTMENT SECURITIES (CONT'D)

Debt investment securities at amortised cost	31 December 2020 Stage 1 MUR' 000	31 December 2019 Stage 1 MUR '000	31 December 2018 Stage 1 MUR '000
High grade	256,365	753,104	695,990
Standard grade	32,517,383	18,609,288	13,119,535
Sub standard grade	1,073,560	-	-
Total gross carrying amount	33,847,308	19,362,392	13,815,525
Credit loss allowance	(38,520)	(23,137)	(9,038)
Carrying amount	33,808,788	19,339,255	13,806,487

	31 December 2020 Stage 1 MUR'000	31 December 2019 Stage 1 MUR'000	31 December 2018 Stage 1 MUR'000
ECL allowance as at 01 January	23,137	9,038	16,347
Movement for the year	38,387	15,605	4,631
Assets derecognised or repaid (excluding write offs)	(23,004)	(1,506)	(11,940)
ECL allowance as at 31 December	38,520	23,137	9,038

The table below shows the fair value of the Bank's debt instruments measured at FVOCI by credit risk, based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of allowance for ECL.

	31 December 2020			Restated 31 December 2019	Restated 31 December 2018
Debt investment securities at FVTOCI	Stage 1 MUR' 000	Stage 2 MUR' 000	Total MUR' 000	Stage 1 MUR '000	Stage 1 MUR '000
High grade	29,755,220	-	29,755,220	19,186,436	11,653,049
Standard grade	18,994,724	154,550	19,149,274	22,587,811	14,152,530
Sub standard grade	1,010,898	259,854	1,270,752	517,461	1,439,127
Carrying amount	49,760,842	414,404	50,175,246	42,291,708	27,244,706

	31 December 2020			31 December 2019	31 December 2018
	Stage 1 MUR'000	Stage 2 MUR'000	Total MUR'000	Stage 1 MUR'000	Stage 1 MUR'000
ECL allowance as at 01 January	53,308	-	53,308	59,678	34,993
Movement for the year	23,082	21,938	45,020	44,533	42,604
Assets derecognised or repaid (excluding write offs)	(44,546)	-	(44,546)	(50,903)	(17,919)
Transfers to stage 2	(2,727)	2,727	-	-	-
ECL allowance as at 31 December	29,117	24,665	53,782	53,308	59,678

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

Equity instruments at FVTOCI	31 December 2020 MUR'000	31 December 2019 MUR'000	31 December 2018 MUR'000
Carrying amount as at 01 January	3,411	3,411	4,016
Additions	-	-	1,313
Fair value movement	997	-	1,729
Derecognition of Indian Operations following distribution in specie	-	-	(3,647)
Carrying amount as at 31 December	4,408	3,411	3,411

11a. PROPERTY AND EQUIPMENT

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.

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.

	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total property and equipment
Cost or Valuation	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018	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
Revaluation	28,088	(153,210)	-	-	(125,122)
Impairment	(9,962)	-	-	-	(9,962)
Additions	-	507	62,186	3,222	65,915
Disposals	-	-	-	(8,840)	(8,840)
At 31 December 2019	803,934	1,421,049	1,808,223	5,085	4,038,291
Revaluation	-	-	754	-	754
Additions	18	16,827	149,570	-	166,415
Disposals	-	-	(144,491)	(962)	(145,453)
At 31 December 2020	803,952	1,437,876	1,814,056	4,123	4,060,007

11a. PROPERTY AND EQUIPMENT (CONT'D)

	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total property and equipment
Accumulated Depreciation	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018	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	143,121
At 31 December 2019	1,179	4,752	1,490,121	1,501	1,497,553
Disposal	-	-	(143,899)	(959)	(144,858)
Charge for the year	11,512	57,067	80,821	825	150,225
At 31 December 2020	**12,691**	**61,819**	**1,427,043**	**1,367**	**1,502,920**
Net book value					
At 31 December 2020	**791,261**	**1,376,057**	**387,013**	**2,756**	**2,557,087**
Progress payments on tangible fixed assets					**25,244**
					2,582,331
At 31 December 2019	802,755	1,416,297	318,102	3,584	2,540,738
Progress payments on tangible fixed assets					58,830
					2,599,568
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

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

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

	Fair value level	31 December 2020	31 December 2019	31 December 2018
		MUR' 000	MUR' 000	MUR' 000
Freehold land	Level 2	485,001	484,983	432,692
Freehold buildings	Level 3	318,951	318,951	353,116
Buildings on leasehold land	Level 3	1,437,876	1,421,049	1,573,752
		2,241,828	2,224,983	2,359,560

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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	420,644	443,289	447,343
Buildings on leasehold land	333,426	347,500	360,873
	754,070	790,789	808,216

The freehold land and buildings and buildings on leasehold land are periodically valued by an independet chartered valuation surveyor. Freehold land was revalued in December 2019 based on an open market value basis whereas freehold buildings and buildings on leasehold land were revalued based on the depreciated replacement cost method.

11b. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

Accounting policy

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-of-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-of-use assets are land, plant and equipment and IT equipments. The average lease term is 5 years.

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.

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 have been derived from local Government Treasury Bond yield rates for different maturities and the issued SBM Bond yield rates in order to account for entity-specific adjustments namely the risk premium.

	Land and buildings	Other tangible fixed assets	Total
Cost	MUR' 000	MUR' 000	MUR' 000
At 01 January 2019	159,926	102,062	261,988
Additions	35,121	-	35,121
At 31 December 2019	195,047	102,062	297,109
Additions	27,594	38,189	65,783
Termination	(23,285)	(8,733)	(32,018)
At 31 December 2020	**199,356**	**131,518**	**330,874**
Accumulated Depreciation			
At 01 January 2019	-	-	-
Charge for the year	28,180	21,761	49,941
At 31 December 2019	28,180	21,761	49,941
Termination	(3,350)	(8,759)	(12,109)
Charge for the year	18,345	19,094	37,439
At 31 December 2020	**43,175**	**32,096**	**75,271**
Net book value			
At 31 December 2020	**156,181**	**99,422**	**255,603**
At 31 December 2019	166,867	80,301	247,168

The following are the amounts recognised in profit or loss:	31 December 2020	31 December 2019
	MUR' 000	MUR' 000
Depreciation expense on right-of-use assets	37,439	49,941
Interest expense on lease liability (Note 26)	13,761	15,064
Total amount recognised in profit or loss	**51,200**	65,005

The Bank had a total cash outflows for leases of MUR 66.23 million (2019: MUR 71.99 million). At 31 December 2020, the Bank does not have any commitment for short-term leases.

11b. RIGHT-OF-USE ASSETS AND LEASE LIABILITY (CONT'D)

Maturity analysis of lease liability are as follows:	31 December 2020 MUR' 000	31 December 2019 MUR' 000
Up to 1 year	69,114	54,088
1 to 5 years	163,243	150,248
5 to 25 years	28,414	41,131
	260,770	245,467
Further analysed into:		
Non current	159,053	173,531
Current	74,537	66,649
	233,590	240,180

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.

(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.

	Software	WIP Software (Note a)	Intellectual Property (Note b)	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cost				
At 01 January 2018	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
Additions	-	83,489	-	83,489
Transfers	79,388	(79,388)	-	-
Disposal	(110,156)	-	-	(110,156)
Write off	(5,601)	(767)	-	(6,368)
At 31 December 2020	3,970,294	78,025	284,917	4,333,236

12. INTANGIBLE ASSETS (CONT'D)

	Software	WIP Software (Note a)	Intellectual Property (Note b)	Total
Accumulated amortisation	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2018	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
Disposal	-	-	-	-
Charge for the year	417,564	-	56,983	474,547
At 31 December 2019	1,612,183	-	227,932	1,840,115
Disposal	(110,156)	-	-	(110,156)
Charge for the year	401,012	-	56,985	457,997
At 31 December 2020	1,903,039	-	284,917	2,187,956
Net book value				
At 31 December 2020	2,067,255	78,025	-	2,145,280
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

All intangibles are tested for impairment on an annual basis. The intangible assets are non-current assets whose maturity are more than one year.

13. OTHER ASSETS

Accounting policy

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 2020	Restated 31 December 2019	Restated 31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Accounts receivable[1]	525,888	620,381	708,568
Balances due in clearing	4,422	4,196	2,860
Prepayments	102,962	88,252	52,144
Others[2]	73,617	79,030	83,664
	706,889	791,859	847,236

[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] 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:

Pension liability	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Defined benefit obligation	577,568	240,146	109,621
Residual retirement gratuities	146,514	93,859	63,434
	724,082	334,005	173,055
(a) Defined benefit obligation			
Present value of funded defined benefit obligation	1,932,247	1,307,790	1,044,716
Fair value of planned assets	(1,354,679)	(1,067,644)	(935,095)
Net liability arising from defined benefit obligation	577,568	240,146	109,621
Reconciliation of net defined benefit liability			
Balance at start of the year	240,146	109,621	91,781
Amount recognised in statement of profit or loss	39,214	32,684	30,245
Amount recognised in other comprehensive income	597,379	204,365	33,496
Less employer contributions	(299,171)	(106,524)	(45,901)
Balance at end of the year	577,568	240,146	109,621

14. PENSION LIABILITY (CONT'D)

	31 December 2020	31 December 2019	31 December 2018
Reconciliation of fair value of planned assets	MUR' 000	MUR' 000	MUR' 000
Balance at start of the year	1,067,644	935,095	943,867
Interest income	59,871	59,075	52,493
Employer contributions	299,171	106,524	45,901
Benefits paid	(46,138)	(38,813)	(28,872)
Transfer to/from another entity	-	(6,590)	2,143
Return on planned assets excluding interest income	(25,869)	12,353	(80,437)
Balance at end of the year	1,354,679	1,067,644	935,095
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	1,307,790	1,044,716	1,035,648
Current service cost	30,979	30,680	26,473
Interest expense	68,106	62,561	56,294
Past service cost	-	(1,482)	(29)
Other benefits paid	(46,138)	(38,813)	(28,872)
Transfer to/from another entity	-	(6,590)	2,143
Liability experience loss	-	226,181	-
Liability loss/(gain) due to change in financial assumptions	571,510	(9,463)	(46,941)
Balance at end of the year	1,932,247	1,307,790	1,044,716
Components of amount recognised in statement of profit or loss			
Service cost	30,979	29,198	26,444
Net interest on net defined benefit liability	8,235	3,486	3,801
Total expense as above *(Note 30)*	39,214	32,684	30,245
Components of amount recognised in other comprehensive income			
Return on planned assets below interest income	25,869	(12,353)	80,437
Liability experience loss	-	226,181	-
Liability loss / (gain) due to change in financial assumptions	571,510	(9,463)	(46,941)
Total	597,379	204,365	33,496

	31 December 2020	31 December 2019	31 December 2018
Allocation of planned assets at end of year	%	%	%
Equity - Overseas quoted	26	23	18
Equity - Overseas unquoted	5	8	10
Equity - Local quoted	25	26	28
Equity - Local unquoted	5	7	7
Debt - Overseas quoted	-	1	1
Debt - Overseas unquoted	-	-	6
Debt - Local quoted	6	6	4
Debt - Local unquoted	10	15	23
Cash and other	23	14	3
Total	100	100	100
Reporting entity's own transferable financial instruments	2.0%	3.0%	4.0%
Principal assumptions used at end of year			
Discount rate	2.9%	5.3%	6.1%
Rate of salary increases	2.6%	3.1%	4.0%
Rate of pension increases	1.0%	0.8%	1.6%
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	347,804	205,990	184,915
Decrease due to 1% increase in discount rate	270,515	167,365	148,350

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 2020 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 47.52 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 16 years.

The most recent actuarial valuation of the defined benefit plan was carried out at 31 December 2020 by AON Hewitt Ltd, actuaries and consultants.

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 2020	31 December 2019	31 December 2018
Reconciliation of net defined benefit liability	MUR' 000	MUR' 000	MUR' 000
Balance at start of the year	93,859	63,434	-
Amount recognised in statement of profit or loss	(84,381)	30,925	63,434
Amount recognised in other comprehensive income	137,036	(500)	-
Balance at end of the year	146,514	93,859	63,434
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	93,859	63,434	-
Current service cost	6,590	3,700	-
Interest expense	4,975	3,869	-
Past service cost	(95,946)	23,356	63,434
Liability experience loss	508	2,612	-
Liability loss / (gain) due to change in financial assumptions	136,528	(3,112)	-
Balance at end of the year	146,514	93,859	63,434
Components of amount recognised in statement of profit or loss			
Service cost	(89,356)	27,056	63,434
Net interest on net defined benefit liability	4,975	3,869	-
Total expense as above	(84,381)	30,925	63,434
Components of amount recognised in other comprehensive income			
Liability experience loss	508	2,612	-
Liability loss / (gain) due to change in financial assumptions	136,528	(3,112)	-
Total	137,036	(500)	-

	31 December 2020	31 December 2019	31 December 2018
Principal assumptions used at end of year	%	%	%
Discount rate	2.9%	5.3%	6.1%
Rate of salary increases	5.0%	3.1%	4.0%
Rate of pension increases	0.0%	0.8%	1.6%
Average retirement age (ARA)	60/65	60/65	60/65
Sensitivity Analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	53,591	13,458	19,090
Decrease due to 1% increase in discount rate	42,372	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 Bank made a contribution amounting to MUR 93.11 million to SBM Group DC fund for employees under the defined contribution pension plan (2019: MUR 88.41 million and 2018: MUR 79.15 million)

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 9.16 million for the next financial year and the weighted average duration of the defined benefit obligation is 20 years.

The negative 'past service cost' of MUR 95.95 million is on account of a transfer of employees to other entities within the group.

The Bank is exposed to normal risks associated with residual retirement gratuities such as interest and salary rise risks.

Interest risk

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

Salary risk

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

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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	1,119,661	929,357	796,117

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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
(i) Retail customers			
Current accounts	22,451,904	18,514,354	14,574,635
Savings accounts	60,358,474	54,376,651	51,247,818
Time deposits with remaining term to maturity:			
Up to 3 months	1,780,870	1,904,780	1,565,609
Over 3 months and up to 6 months	1,290,770	1,281,866	2,211,505
Over 6 months and up to 12 months	1,690,778	1,870,138	3,769,381
Over 1 year and up to 5 years	2,379,546	2,343,725	2,227,733
Over 5 years	11,106	2,296,622	-
Total time deposits	7,153,070	9,697,131	9,774,228
Total deposits from retail customers	89,963,448	82,588,136	75,596,681
(ii) Corporate customers			
Current accounts	68,352,249	54,110,610	43,860,789
Savings accounts	4,041,778	3,373,764	3,479,325
Time deposits with remaining term to maturity:			
Up to 3 months	9,234,684	9,349,142	9,516,405
Over 3 months and up to 6 months	1,604,487	3,642,694	1,788,154
Over 6 months and up to 12 months	2,287,062	2,130,624	958,036
Over 1 year and up to 5 years	260,557	233,830	396,499
Total time deposits	13,386,790	15,356,290	12,659,094
Total deposits from corporate customers	85,780,817	72,840,664	59,999,208
(iii) Government			
Current accounts	7,742,294	7,994,530	6,098,267
Savings accounts	3,386,221	2,909,782	3,521,548
Time deposits with remaining term to maturity:			
Up to 3 months	501	6,918,162	1,620,343
Over 3 months and up to 6 months	126,702	1,600	619,611
Over 6 months and up to 12 months	3,004,187	5,828	69,396
Over 1 year and up to 5 years	100	-	5,786
Total time deposits	3,131,490	6,925,590	2,315,136
Total deposits from government	14,260,005	17,829,902	11,934,951
Total deposits from non-bank customers	190,004,270	173,258,702	147,530,840

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 2020	31 December 2019	31 December 2018
		Restated	Restated
	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks			
- For refinancing	**1,977,685**	-	50,998
Borrowings from other financial institutions			
- For refinancing	**3,139,542**	2,718,585	1,312,137
Borrowings from banks			
- In Mauritius	**3,956,990**	2,550,602	2,450,659
- Abroad	**2,011,734**	4,871,028	5,402,647
	11,085,951	10,140,215	9,216,441
Remaining term to maturity			
Up to 3 months	**2,041,212**	5,767,984	4,363,887
Over 3 months and up to 6 months	**3,049,797**	1,162,205	3,489,418
Over 6 months and up to 12 months	**989,158**	36,353	50,998
Over 1 year and up to 5 years	**4,520,261**	2,512,345	583,341
Over 5 years	**485,523**	661,328	728,797
	11,085,951	10,140,215	9,216,441

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 per the VAT Act enacted under the Finance Act 2018. Special levy is calculated as a percentage of the Bank's leviable income from residents excluding Global Business Licence holders (the special levy was paid as a percentage of its segmental chargeable income for the year 2019 and 2018). Special levy is recorded under the tax expense line.

As from 01 January 2020, a new tax regime is applicable for the banking sector. Banks are being taxed at 5% on the first MUR 1.5 billion of their chargeable income, at 15% of the chargeable income between MUR 1.5 billion and the base year income, and at 5% on the remainder, subject to meeting prescribed conditions.

18a. CURRENT TAX LIABILITIES

Current tax liabilities can be analysed as follows:	31 December 2020	31 December 2019	31 December 2018
		Restated	Restated
	MUR' 000	MUR' 000	MUR' 000
At 01 January	**487,139**	480,633	108,042
Income tax expenses	**239,812**	537,016	564,665
Corporate Social Responsibility contribution	**68,986**	39,410	20,845
Bank levy	**171,368**	171,368	-
Underprovision in prior years	**39,334**	22,166	47,333
Paid during the year	**(759,865)**	(763,454)	(260,252)
At 31 December	**246,774**	487,139	480,633

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

18. TAXATION (CONT'D)

18b. TAX EXPENSE

	31 December 2020	31 December 2019	31 December 2018
		Restated	Restated
	MUR' 000	MUR' 000	MUR' 000
The total tax expense can also be analysed as follows:			
Income tax expense	279,146	559,182	636,350
Deferred tax (credit) / charge (*Note 18d*)	(226,412)	(268,508)	23,765
Corporate Social Responsibility contribution	68,986	39,410	20,845
Bank levy	171,368	171,368	-
Total tax expense	293,088	501,452	680,960

18c. TAX RECONCILIATION

	MUR' 000	MUR' 000	MUR' 000
Profit before tax from continuing operations	1,747,002	1,001,219	2,261,592
Tax on accounting profit at applicable tax rates	239,812	150,183	339,239
Underprovision in prior years	39,334	22,165	69,234
Non allowable expenses	(157,607)	237,823	392,476
Exempt income	(68,805)	(69,986)	(22,851)
Corporate Social Responsibility contribution	68,986	39,410	20,845
Special levy on banks	171,368	171,368	184,345
	293,088	550,963	983,288
Foreign tax credit	-	(49,511)	(302,328)
Total tax expense	293,088	501,452	680,960

18d. 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 (2019: 7% & 5% and 2018:17% & 3%). The change in the rate in 2019 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)

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

	MUR' 000
At 01 January 2018	75,444
Deferred tax charge *(Note 18b)*	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 18b)*	(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 18b)*	(112,587)
At 31 December 2019	(219,302)
At 01 January 2020	**(219,302)**
Deferred tax charge *(Note 18b)*	**(226,412)**
Deferred tax on retirement benefit obligations accounted in OCI	**(51,409)**
At 31 December 2020	**(497,123)**

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Deferred tax assets	**(497,123)**	(219,302)	-
Deferred tax liabilities	**-**	-	163,996
	(497,123)	(219,302)	163,996
Analysed as resulting from:			
Accelerated capital allowances	**142,376**	169,837	484,897
Allowances for credit impairment	**(667,424)**	(448,423)	(503,857)
Revaluation of property	**83,840**	87,431	198,880
Defined benefit plans and retirement residual gratuity	**(50,686)**	(23,380)	(13,470)
Other provisions	**(5,229)**	(4,767)	(2,454)
	(497,123)	(219,302)	163,996

19. OTHER LIABILITIES

Accounting policy

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. Financial liabilities are measured at amortised cost using the effective interest method.

	31 December 2020	31 December 2019	31 December 2018
		Restated	Restated
	MUR' 000	MUR' 000	MUR' 000
Balance due in clearing	**2,198,673**	2,951,306	2,908,532
Bills payable	**190,709**	342,102	214,487
Accruals for expenses	**360,576**	408,143	30,676
Accounts payable	**576,059**	398,988	459,605
Deferred income	**363,144**	326,558	291,242
Balances in transit	**862,898**	899,889	772,867
Others	**14,029**	27,849	30,767
ECL on memorandum items *(Note 22)*	**337,982**	112,666	114,995
	4,904,070	5,467,501	4,823,171

Deferred income 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 2020	40,000,000,000	400,000
At 31 December 2019	40,000,000,000	400,000
At 31 December 2018	31,000,000,000	310,000

Capital Contribution	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
At 01 January	11,854,011	11,044,011	9,063,106
Capital contribution received during the year	-	900,000	1,980,905
Conversion into share capital during the year	-	(90,000)	-
At 31 December	11,854,011	11,854,011	11,044,011

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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Cash dividend declared during the year: 2020: Nil; 2019: 3.60 cents and 2018: 3.55 cents per share	-	1,319,000	1,100,500
Less dividend paid: 2020: Nil; 2019: 3.60 cents and 2018: 3.55 cents per share	-	(1,319,000)	(1,100,500)
Dividend payable	-	-	-
Dividend declared after the reporting date: 2020: Nil & 2019 & 2018: Nil	-	-	-

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 38. 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 38 on Discontinued Operations.

22. MEMORANDUM ITEMS

Accounting policy

Memorandum items are off balance sheet items and comprise 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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Acceptances on account of customers	234,453	671,824	199,670
Guarantees on account of customers	8,473,986	7,118,905	7,594,442
Letters of credit and other obligations on account of customers	457,807	362,982	513,356
Other contingent items	202,295	185,584	-
	9,368,541	8,339,295	8,307,468
b Commitments			
Undrawn credit facilities	10,851,199	11,675,375	9,071,296
c Others			
Inward bills held for collection	96,311	144,051	248,962
Outward bills sent for collection	128,759	36,135	39,943
	225,070	180,186	288,905
Total	20,444,810	20,194,856	17,667,669

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 2020:

Internal rating grade	Stage 1 MUR' 000	Stage 2 MUR' 000	Stage 3 MUR' 000	Total MUR' 000
Performing				
High grade	8,436,274	7,758	-	8,444,032
Standard grade	4,915,794	207,849	-	5,123,643
Sub-standard grade	5,638,261	1,049,851	-	6,688,112
Past due but not impaired	-	-	-	-
Non-performing				
Individually impaired	-	-	189,023	189,023
Total	18,990,329	1,265,458	189,023	20,444,810

At 31 December 2019:

Internal rating grade	Stage 1 MUR' 000	Stage 2 MUR' 000	Stage 3 MUR' 000	Total 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
Non-performing				
Individually impaired	-	-	1,005	1,005
Total	18,013,345	2,180,506	1,005	20,194,856

At 31 December 2018:

Internal rating grade	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Performing				
High grade	3,852,695	70,095	-	3,922,790
Standard grade	5,699,476	5,412,812	-	11,112,288
Sub-standard grade	2,627,610	1,483	-	2,629,093
Non-performing				
Individually impaired	-	-	3,498	3,498
Total	12,179,781	5,484,390	3,498	17,667,669

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

22. MEMORANDUM ITEMS (CONT'D)

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

At 31 December 2020:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 01 January 2020	18,013,345	2,180,506	1,005	20,194,856
Financial assets originated or purchased	12,006,174	436,888	61,379	12,504,441
Assets derecognised or repaid (excluding write offs)	(10,847,370)	(1,399,010)	(8,107)	(12,254,487)
Transfers to Stage 1	205,202	(205,202)	-	-
Transfers to Stage 2	(387,022)	387,022	-	-
Transfers to Stage 3	-	(134,746)	134,746	-
Gross carrying amount as at 31 December 2020	18,990,329	1,265,458	189,023	20,444,810

At 31 December 2019:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 01 January 2019	12,179,781	5,484,390	3,498	17,667,669
Financial 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

At 31 December 2018:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 01 January 2018	26,530,116	-	-	26,530,116
Financial 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 2	(5,663,091)	5,663,091	-	-
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 2020:	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 01 January 2020	98,721	10,349	3,596	112,666
Movement for the year	73,321	105,118	143,845	322,284
Assets derecognised or repaid (excluding write offs)	(86,874)	(7,402)	(2,692)	(96,968)
Transfers to Stage 1	559	(559)	-	-
Transfers to Stage 2	(1,817)	1,817	-	-
Transfers to Stage 3	-	(424)	424	-
At 31 December 2020	83,910	108,899	145,173	337,982

22. MEMORANDUM ITEMS (CONT'D)

An analysis of changes in the corresponding ECL allowances is, as follows: (cont'd)

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January 2019	57,115	53,290	4,590	114,995
Movement for the year	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	-	-
ECL allowance as at 31 December 2019	98,721	10,349	3,596	112,666

At 31 December 2018:	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January 2018	172,864	-	-	172,864
Movement for the year	39,606	23,544	4,590	67,740
Assets derecognised or repaid (excluding write offs)	(115,703)	(9,906)	-	(125,609)
Transfers to Stage 2	(39,652)	39,652	-	-
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 totalling MUR 724.8 million (2019: MUR 584.1 million and 2018: MUR 553.3 million). The Bank has not made any provisions in these financial statements as at 31 December 2020 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 are as follows:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Bank of Mauritius Bonds / Government of Mauritius Bonds	6,555,000	70,000	5,427,202
Other investment securities	4,884,628	-	-
	11,439,628	70,000	5,427,202
Analysed as:			
- In Mauritius	6,555,000	70,000	3,542,550
- Overseas	4,884,628	-	1,884,652
	11,439,628	70,000	5,427,202

24. CAPITAL COMMITMENTS

	31 December 2020	31 December 2019	31 December 2018
Approved and contracted for	85,901	182,952	85,160
Approved and not contracted for	175,288	402,998	72,333

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 11b. Right-of-use assets.

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

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
	MUR' 000
Up to 1 year	46,064
After 1 year and before 5 years	89,193
After 5 years and up to 25 years	31,760
	167,017

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 revises 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.

	31 December 2020	31 December 2019 Restated	31 December 2018 Restated
Interest Income using the effective interest method	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	34,602	125,512	156,248
Loans to and placements with banks	133,551	233,578	312,079
Loans and advances to non-bank customers	5,017,425	5,692,812	5,685,737
Investment securities at amortised cost	804,725	719,612	417,241
Investment securities at FVTOCI	945,362	1,062,746	686,469
	6,935,665	7,834,260	7,257,774
Other interest income			
Investment securities measured at FVTPL	55,390	66,790	153,897
Derivatives	236,159	78,954	129,101
	291,549	145,744	282,998
Total interest income	7,227,214	7,980,004	7,540,772
Interest expense using the effective interest method			
Deposits from customers	(780,638)	(1,649,120)	(1,376,701)
Other borrowed funds	(266,058)	(354,307)	(265,485)
Interest expense on lease liabilities	(13,761)	(15,064)	-
Other	(1,746)	(5,038)	(1,188)
	(1,062,203)	(2,023,529)	(1,643,374)
Other interest expense			
Derivatives	(434,831)	(163,906)	(267,674)
	(434,831)	(163,906)	(267,674)
Total interest expense	(1,497,034)	(2,187,435)	(1,911,048)
Net interest income	5,730,180	5,792,569	5,629,724

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 2020	31 December 2019 Restated	31 December 2018 Restated
Fee and commission income	MUR' 000	MUR' 000	MUR' 000
Retail banking customer fees	274,620	264,105	200,271
Corporate banking customer fees	309,083	393,260	357,674
Card income	359,274	400,141	350,519
Other	28,373	18,955	19,740
Total fee and commission income	971,350	1,076,461	928,204
Fee and commission expense			
Interbank transaction fees	(21,922)	(16,800)	(14,409)
Other	(14,778)	(14,916)	(8,606)
Total fee and commission expense	(36,700)	(31,716)	(23,015)
Net fee and commission income	934,650	1,044,745	905,189

28. NET TRADING INCOME

Accounting policy

Profits arising from dealings in foreign currencies include gains and losses from spot and forward contracts and other currency derivatives. Debt securities income includes the results of buying and selling and changes in the fair value of debt securities and debt securities sold short. The results of trading money market instruments, interest rate swaps, options and other derivatives are recorded under other interest rate instruments.
Other net trading income includes the impact of fair value changes due to movement in the fair value of asset backed securities, recorded as held for trading.
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 2020	31 December 2019	31 December 2018
		Restated	Restated
	MUR' 000	MUR' 000	MUR' 000
Profit arising on dealings in foreign currencies	469,488	505,120	802,978
Fair value movements on debt securities measured at FVTPL	211,096	445,554	227,496
Other interest rate instruments	146,967	146,676	487,993
	827,551	1,097,350	1,518,467

29a. NET GAINS/(LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020	31 December 2019	31 December 2018
		Restated	Restated
	MUR' 000	MUR' 000	MUR' 000
Financial assets mandatorily measured at fair value through profit or loss	30,083	(23,141)	(2,401)
Derivatives held for risk management purposes	(59,301)	(69,148)	(49,026)
	(29,218)	(92,289)	(51,427)

29b. NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Financial assets mandatorily measured at fair value through other comprehensive income	1,203,006	224,380	-

The Bank realised significant gains during the year which was driven by the Bank’s treasury management operation.

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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Wages and salaries	1,241,115	1,396,876	1,001,238
Other social security obligations	18,293	29,005	-
Contributions to defined contribution plans	119,018	137,615	80,843
Increase in liability for defined benefit plans (*Note 14 (a)*)	39,214	32,684	30,245
Residual retirement gratuities *(Note 14 (b))*	(84,381)	30,925	63,434
Staff welfare cost	39,301	54,308	50,220
Other	42,196	38,179	45,185
	1,414,756	1,719,592	1,271,165

31. OTHER EXPENSES

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	434,536	435,659	301,567
Utilities and telephone charges	51,373	66,740	56,322
Professional charges	118,806	130,990	91,415
Marketing costs	52,721	76,653	55,370
Rent, repairs, maintenance and security charges	125,158	131,351	127,195
Licence and other registration fees	24,083	24,509	20,905
Postage, courier and stationery costs	44,285	50,683	45,420
Insurance costs	42,994	43,006	12,466
Other*	102,600	112,962	57,772
	996,556	1,072,553	768,432

** Includes mainly other operational costs.*

32. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS

Accounting policy

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 results 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 results from all possible default events over the life of the financial instrument, (referred to as stage 2 and stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since 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 includes 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 2020:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	60,159	(701,173)	4,320,300	3,679,286
Loans and placements with banks*	(7,289)	-	-	(7,289)
Debt instruments measured at amortised cost and FVTOCI**	(8,808)	24,665	-	15,857
Loan commitments	(18,350)	-	-	(18,350)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	3,539	98,550	141,577	243,666
Total credit loss expense under IFRS 9	29,251	(577,958)	4,461,877	3,913,170
Bad debts recovered				(50,098)
				3,863,072

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 and FVTOCI**	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)
	231,106	762,036	2,652,987	3,606,666

*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)

At 31 December 2018:	Stage 1	Stage 2	Stage 3	Total
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 and FVTOCI**	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 is included under loans and placements with banks
**ECL movement for debt instruments measured at FVTOCI is included under debt instruments measured at amortised cost.

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

	Notes	31 December 2020	31 December 2019 Restated	31 December 2018 Restated
Operating activities		MUR' 000	MUR' 000	MUR' 000
Profit for the year		1,453,914	499,767	673,420
Adjustments to determine net cash flows:				
Depreciation of property and equipment	11a	150,225	143,121	153,737
Depreciation of right-of-use assets	11b	37,439	49,941	-
Amortisation of intangible assets	12	457,997	474,547	568,659
Pension expense		(45,167)	84,793	30,245
Credit loss expense on financial assets	32	3,863,072	3,606,666	3,010,356
Impairment of non financial assets	11	-	9,962	-
Net (gain) / loss on disposal of property and equipment		(734)	(884)	45,826
Tax expense	18 & 18b	293,088	501,452	680,960
Loss in distribution of dividend in specie		-	-	685,838
Operating profit before working capital changes		6,209,834	5,369,365	5,849,041
Change in operating assets and liabilities				
Decrease in derivative financial assets		114,516	8,212	446,339
Decrease / (increase) in loans to and placements with banks		2,048,312	4,091,635	(3,903,928)
Increase in loans and advances to non-bank customers		(3,677,294)	(8,655,418)	(410,459)
Increase in gilt-edged investment securities		(7,466,781)	(14,959,447)	(13,185,216)
Increase in other investment securities		(11,467,459)	(7,192,541)	(2,543,882)
Increase in mandatory balances with central banks		(423,378)	(558,239)	(252,613)
Decrease in other assets		84,970	55,377	(185,429)
Increase in deposits from banks		190,304	133,240	70,370
Increase in deposits from non-bank customers		16,745,568	25,727,862	9,816,305
Increase / (decrease) in derivative financial liabilities		164,299	40,099	(608,680)
(Decrease) / increase in other liabilities		(1,067,788)	548,304	1,172,462
Income tax paid		(759,865)	(763,454)	(315,265)
Net cash generated from / (used in) operating activities		695,238	3,844,995	(4,050,955)

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.

	31 December 2020	31 December 2019	31 December 2018
		Restated	Restated
	MUR' 000	MUR' 000	MUR' 000
Tier 1 capital	15,797,392	13,915,906	13,447,710
Tier 2 capital	1,837,758	1,810,211	1,599,058
Eligible capital base	17,635,150	15,726,117	15,046,768
Risk weighted assets	110,653,895	106,543,616	98,286,487
Capital adequacy ratio (%)	15.94	14.76	15.31

Tier 1 Capital also known as going concern capital consists of shareholder's equity less revaluation of fixed assets and regulatory deductions such as intangible assets and deferred tax and Tier 2 Capital also known as the supplementary capital that provides loss absorption of a gone concern basis includes 45% revaluation reserves on fixed assets and allowances for credit losses (restricted to 1.25% of total credit risk weighted assets).

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		
		31 Dec 2020	31 Dec 2019	31 Dec 2018	**31 Dec 2020**	31 Dec 2019	31 Dec 2018	**31 Dec 2020**	31 Dec 2019	31 Dec 2018
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
(a)	<u>Credit facilities</u>									
(i)	*Loans*									
	Balance at beginning of year	**136,309**	160,402	170,942	**2,828,699**	2,589,191	2,868,421	**1,117,870**	5,589	3,205
	Loans of directors / entities who ceased to be related parties during the year	**(58,891)**	(49,167)	(23,513)	**-**	-	(391,377)	**-**	-	-
	Existing loans of new related parties	**39,694**	17,792	20,937	**-**	-	-	**447,637**	1,112,281	-
	Derecognition of associate by the Group	**-**	-	-	**(2,828,699)**	-	-	**-**	-	-
	Other net movements	**131,909**	7,282	(7,964)	**-**	239,508	112,147	**-**	-	2,384
	Balance at end of year	**249,021**	136,309	160,402	**-**	2,828,699	2,589,191	**1,565,507**	1,117,870	5,589
(ii)	*Off-balance sheet obligations*									
	Balance at end of year	**-**	-	50	**-**	720,982	678,424	**120,191**	143,143	12,000
(b)	Placements at end of year	**-**	-	-	**-**	-	-	**46,223**	612,969	14,003
(c)	Deposits at end of year	**238,137**	217,086	216,359	**-**	2,031,404	1,566,800	**814,437**	456,481	171,484
(d)	Borrowings at end of year	**-**	-	-	**-**	-	-	**63,528**	102,813	317,837
(e)	Interest income	**6,841**	6,562	7,855	**-**	84,331	84,922	**31,174**	20,495	18,781
(f)	Interest expense	**1,406**	1,736	1,791	**-**	29,358	19,934	**263**	416	44
(g)	Other income	**186**	34	32	**-**	12,548	13,908	**2,887**	1	2
(h)	Emoluments	**26,968**	32,458	38,321	**-**	-	-	**-**	-	-
(i)	Payables	**-**	-	-	**-**	-	-	**11,787**	-	-

Short term benefits amounted to MUR 26.97 million at the reporting date (2019: MUR 32.46 million and 2018: MUR 38.32 million) and long term benefits was nil at the reporting date (2019 and 2018: nil).

36. RELATED PARTY DISCLOSURES (CONT'D)

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

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Deposits at end of year	188,541	211,640	97,051
Interest expense	-	216	32
Other income	4	-	-
Contributions paid	132,322	172,701	112,403

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

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Net interest income	44,951	20,859	6,659
Non-interest expense	-	-	225
Derivative financial instruments (asset)	35,507	45,354	-

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 are exposed include credit risk, liquidity risk, market risk, operational risk, strategic risk and reputational risk.

a (i) Classification of financial assets and financial liabilities

The following table shows the measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities:

Financial assets	Classifcation and measurement category	31 December 2020 MUR' 000	31 December 2019 Restated MUR' 000	31 December 2018 Restated MUR' 000
Cash and cash equivalents	Amortised Cost	16,749,335	15,386,899	11,211,712
Mandatory balances with central bank	Amortised Cost	9,749,384	9,326,006	8,767,767
Loans to and placements with banks	Amortised Cost	3,130,387	5,174,088	9,256,411
Derivative financial instruments	Fair value through P&L	774,785	889,301	897,514
Loans and advances to non-bank customers	Amortised cost	99,350,937	99,302,829	94,296,051
Investment securities	Amortised cost	33,808,788	19,339,255	13,806,487
Investment securities	Fair value through OCI	50,175,246	42,291,708	27,244,706
Investment securities	Fair value through P&L	9,349,604	11,825,756	9,883,115
Equity investments	Fair value through OCI	4,408	3,411	3,411
Other assets	Amortised Cost	533,302	626,543	714,833
Total financial assets		223,626,176	204,165,796	176,082,007
Financial liabilities				
Deposits from banks	Amortised Cost	1,119,661	929,357	796,117
Deposits from non-bank customers	Amortised Cost	190,004,270	173,258,702	147,530,840
Other borrowed funds	Amortised Cost	11,085,951	10,140,215	9,216,441
Derivative financial instruments	Fair value through P&L	1,165,271	1,000,972	960,873
Other liabilities	Amortised Cost	4,528,646	5,225,986	4,586,350
Total financial liabilities		207,903,799	190,555,232	163,090,621

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 2020		31 December 2019		31 December 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
			Restated	Restated	Restated	Restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets						
Cash and cash equivalents	16,749,335	16,749,335	15,386,899	15,386,899	11,211,712	11,211,712
Mandatory balances with central bank	9,749,384	9,749,384	9,326,006	9,326,006	8,767,767	8,767,767
Loans to and placements with banks	3,130,387	3,130,387	5,174,088	5,174,088	9,256,411	9,256,411
Derivative financial instruments	774,785	774,785	889,301	889,301	897,514	897,514
Loans and advances to non-bank customers	99,350,937	99,209,129	99,302,829	99,080,390	94,296,051	95,941,685
Investment securities	93,338,046	94,904,276	73,460,130	73,689,180	50,937,720	54,385,610
Other assets	533,302	533,302	626,543	626,543	714,833	714,833
	223,626,176	225,050,598	204,165,796	204,172,407	176,082,008	181,175,532
Financial liabilities						
Deposits from banks	1,119,661	1,119,661	929,357	929,357	796,117	796,117
Deposits from non-bank customers	190,004,270	190,032,028	173,258,702	173,257,902	147,530,840	147,843,840
Other borrowed funds	11,085,951	11,085,951	10,140,215	10,140,215	9,216,441	9,216,441
Derivative financial instruments	1,165,271	1,165,271	1,000,972	1,000,972	960,873	960,873
Other liabilities	4,528,646	4,528,646	5,225,986	5,225,986	4,586,350	4,586,350
	207,903,799	207,931,557	190,555,232	190,554,432	163,090,621	163,403,621

Loans and advances to non- bank customers

All the fixed loans and advances maturing after one year have been fair valued based on the current prevailing lending rate.

Investment securities and equity investments

All government bonds and BOM bonds have been fair valued based on the latest weighted yield rate. The equity investment has been fair valued at year end based on the net assets value of the investee.

Derivative Financial Instruments

Derivative products valued using a valuation methodology with market observable inputs include forward foreign exchange contracts, interest rate swaps and option contracts across several asset classes, including but not limited to foreign currencies, commodities, indices and equities. The most frequently applied valuation techniques include forward pricing and swap models, using discounted cash flow methodology based on market conventions. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves, market volatilities and other feeds from appointed valuation/calculation agents.

Deposits from non-bank customers

For deposits from non-bank customers, all the term deposits maturing after one year have been fair valued based on the current prevailing savings rate.

Index linked notes

Index linked notes are investment products that combine a fixed income investment with additional potential returns that are tied to the performance of equities. Equity linked notes are usually structured to return the initial investment with a variable interest portion that depends on the performance of the linked equity.

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

Accounting policy

The Bank measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in note a (ii) below. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Bank.The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 2020				
Derivative financial assets	-	774,785	-	774,785
Investment securities mandatorily measured at FVTPL				
Debt securities	8,564,319	-	785,285	9,349,604
Investments at FVTOCI				
Debt securities	50,175,246	-	-	50,175,246
Equity investments	-	-	4,408	4,408
Total assets	58,739,565	774,785	789,693	60,304,043
Derivative financial liabilities	-	1,165,271	-	1,165,271
Total liabilities	-	1,165,271	-	1,165,271

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
31 December 2019 (Restated)	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Derivative financial assets	-	889,301	-	889,301
Investment securities mandatorily measured at FVTPL				
Debt securities	11,116,554	-	709,202	11,825,756
Investments at FVTOCI				
Debt securities	42,291,708	-	-	42,291,708
Equity investments	-	-	3,411	3,411
Total assets	53,408,262	889,301	712,613	55,010,176
Derivative financial liabilities	-	1,000,972	-	1,000,972
Total liabilities	-	1,000,972	-	1,000,972
31 December 2018 (Restated)				
Derivative financial assets	-	897,514	-	897,514
Investment securities mandatorily measured at FVTPL				
Debt securities	8,946,664	765,119	171,333	9,883,116
Investments at FVTOCI				
Debt securities	19,935,729	7,308,977	-	27,244,706
Equity investments	-	-	3,411	3,411
Total assets	28,882,393	8,971,610	174,744	38,028,747
Derivative financial liabilities	-	960,873	-	960,873
Total liabilities	-	960,873	-	960,873

Reconciliation of level 3 assets:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Balance at start of year	712,613	174,744	797,336
Additions	-	549,306	172,646
Disposals	-	-	(607,868)
Fair value movement	77,080	(11,437)	1,729
Derecognition of Indian Operations following distribution in specie	-	-	(189,100)
Balance at end of year	789,693	712,613	174,743

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 are 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 2020	31 December 2019	31 December 2018
		Restated	Restated
Fund-based exposures:	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	14,208,901	12,974,366	8,577,539
Mandatory balances with central bank	9,749,384	9,326,006	8,767,767
Loans to and placements with banks	3,150,745	5,199,057	9,290,692
Derivative financial instruments	774,785	889,301	897,514
Loans and advances to non-bank customers	110,787,991	107,069,501	99,798,242
Investment securities	93,376,566	73,483,267	50,946,759
Other assets	533,302	626,543	714,833
	232,581,674	209,568,041	178,993,346
Non-fund based exposures:			
Acceptances, guarantees, letters of credit, endorsements and other	9,593,611	8,519,481	8,596,373
Credit commitments	10,851,199	11,675,375	9,071,296
	20,444,810	20,194,856	17,667,669

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 has 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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Grades:			
1 to 3 - High Grade	16,904,833	41,019,256	41,356,537
4 to 6 - Standard	35,889,770	42,947,906	34,886,343
7 to 10 (including unrated) - Sub standard	58,146,344	25,994,326	25,647,564
	110,940,947	109,961,488	101,890,444

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 2020		31 December 2019	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Modified loans	25,441,261	353,714	12,494,575	326,436

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 initial 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 occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the 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 for 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 quantitative 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 modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

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

The 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 Impairment Measurement and Income Recognition (see below) before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to lifetime ECL.

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 initial 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:

- Consumer Price Index [CPI];
- Nominal Bilateral Exchange Rate;
- Debt to GDP ratio;
- Unemployment rate;
- interest rate;
- official reserves;
- current account balance;
- share price index and
- real imports of goods and services.

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 trusted external sources based on internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

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

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 as well as cure rates. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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 loans with a funded 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)

(ii) 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 2020	31 December 2019	31 December 2018	Principal Type of collateral held
		Restated	Restated	
	MUR' 000	MUR' 000	MUR' 000	
Fund-based exposures:				
Cash and cash equivalents	14,208,901	12,974,367	8,577,539	*Unsecured*
Mandatory balances with Central Bank	9,749,384	9,326,006	8,767,767	*Unsecured*
Loans to and placements with banks	3,150,745	5,199,057	9,290,692	*Unsecured*
Derivative financial instruments	774,785	889,301	897,514	*Unsecured*
Loans and advances to non-bank customers	110,787,991	107,069,501	99,798,242	*Residential property*
Investment securities	93,376,566	73,483,267	50,946,759	*Unsecured*
Other assets	533,302	626,543	714,833	*Unsecured*
Non-fund based exposures:				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	9,593,611	8,519,481	8,596,373	*Residential property*
Credit commitments	10,851,199	11,675,375	9,071,296	*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.

There was no change in the Bank's collateral policy during the year.

(iii) Ageing of loans and advances that are past due but not impaired:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Up to 1 month	139,068	163,012	118,304
Over 1 month and up to 3 months	502,055	346,884	364,136
	641,123	509,896	482,440

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 2020		31 December 2019		31 December 2018	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
0-30 days (Stage 1)	79,678,480	711,750	74,499,853	651,591	55,905,181	422,448
31-89 days (Stage 2)	18,765,353	961,423	22,250,513	1,662,596	31,450,316	857,619
Total	98,443,833	1,673,173	96,750,366	2,314,187	87,355,497	1,280,067

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(iv) 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, which indicate that the account may be impaired.

The carrying amount of impaired financial assets and specific allowance held are shown below:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 9c)	12,344,158	10,319,135	12,442,745
Specific allowance held in respect of impaired advances (Note 9c)	9,763,881	5,452,485	4,222,124
Fair value of collaterals of impaired advances	2,951,380	4,956,827	7,960,053

(v) 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 10% of its capital base, classified by industry sectors:

	31 December 2020	31 December 2019	31 December 2018
Portfolio	MUR' 000	MUR' 000	MUR' 000
Agriculture	3,227,632	3,859,712	5,603,930
Traders	8,042,135	7,883,416	14,476,212
Real estate	5,704,924	5,150,442	3,168,948
Transport	1,825,995	4,012,762	2,357,501
Tourism	8,389,473	6,758,321	6,812,399
Financial services	12,870,411	6,873,501	-
	40,060,570	34,538,154	32,418,990

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 2020	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets								
Cash and cash equivalents	16,750,354	-	-	-	-	-	(1,019)	16,749,335
Mandatory balances with central bank	2,693,088	327,572	56,051	301,183	92,022	6,279,468	-	9,749,384
Loans to and placements with banks	-	46,000	1,260,591	1,008,285	593,109	242,760	(20,358)	3,130,387
Derivative financial instruments	-	-	-	-	-	-	774,785	774,785
Loans and advances to non-bank customers	3,922,256	5,418,721	6,222,239	9,617,426	26,507,611	46,816,786	845,898	99,350,937
Investment securities	34,063,486	700,100	5,068,127	4,851,017	15,855,299	32,834,130	(34,113)	93,338,046
Other assets	-	-	-	-	-	-	533,302	533,302
	57,429,184	6,492,393	12,607,008	15,777,911	43,048,041	86,173,144	2,098,495	223,626,176
Financial liabilities								
Deposits from banks	1,119,661	-	-	-	-	-	-	1,119,661
Deposits from non-bank customers	22,284,959	10,010,474	3,137,963	8,739,581	1,692,804	144,138,489	-	190,004,270
Other borrowed funds	918,515	2,028,813	2,220,960	1,062,055	4,203,913	651,695	-	11,085,951
Derivative financial instruments	-	-	-	-	-	-	1,165,271	1,165,271
Other liabilities	-	-	-	-	-	-	4,528,646	4,528,646
Total financial liabilities	24,323,135	12,039,287	5,358,923	9,801,636	5,896,717	144,790,184	5,693,917	207,903,799
Liquidity Gap	33,106,049	(5,546,894)	7,248,085	5,976,275	37,151,324	(58,617,040)	(3,595,422)	15,722,377

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 2019 (Restated)	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 bank	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	2,595,684	1,249,520	762,453	-	(24,969)	5,174,088
Derivative financial instruments	-	-	-	-	-	-	889,301	889,301
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	140,170	73,460,130
Other assets	-	-	-	-	-	-	626,543	626,543
	54,550,074	9,967,320	10,563,796	13,590,713	35,859,858	74,556,772	5,077,263	204,165,796
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	1,272,535	146,271	2,398,950	511,168	-	10,140,215
Derivative financial instruments	-	-	-	-	-	-	1,000,972	1,000,972
Other liabilities	-	-	-	-	-	-	5,225,986	5,225,986
Total financial liabilities	31,768,335	6,668,667	7,101,859	5,652,656	4,391,215	128,745,542	6,226,958	190,555,232
Liquidity Gap	22,781,739	3,298,653	3,461,937	7,938,057	31,468,643	(54,188,770)	(1,149,695)	13,610,564
31 December 2018 (Restated)								
Financial assets								
Cash and cash equivalents	11,253,470	-	-	-	-	-	(41,758)	11,211,712
Mandatory balances with central bank	2,957,068	199,808	90,675	164,748	128,288	5,227,180	-	8,767,767
Loans to and placements with banks	1,092,716	2,479,307	2,495,283	553,723	2,669,663	-	(34,281)	9,256,411
Derivative financial instruments	-	-	-	-	-	-	897,514	897,514
Loans and advances to non-bank customers	4,661,493	7,921,780	4,274,936	9,415,027	20,701,640	38,329,629	8,991,546	94,296,051
Investment securities	22,391,525	1,619,324	1,881,135	3,204,656	10,315,022	11,360,354	165,704	50,937,720
Other assets	-	-	-	-			714,833	714,833
	42,356,272	12,220,219	8,742,029	13,338,154	33,814,613	54,917,163	10,693,558	176,082,008

37. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

31 December 2018 (Restated) (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
Financial liabilities	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Deposits from banks	776,829	19,288	-	-	-	-	-	796,117
Deposits from non-bank customers	19,863,882	7,325,802	4,362,012	5,602,022	2,182,859	108,194,263	-	147,530,840
Other borrowed funds	4,127,492	256,688	3,633,991	163,906	518,957	515,407	-	9,216,441
Derivative financial instruments	-	-	-	-	-	-	960,873	960,873
Other liabilities	-	-	-	-	-	-	4,586,350	4,586,350
Total financial liabilities	24,768,203	7,601,778	7,996,003	5,765,928	2,701,816	108,709,670	5,547,223	163,090,621
Liquidity Gap	17,588,069	4,618,441	746,026	7,572,226	31,112,797	(53,792,507)	5,146,335	12,991,387

(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
Financial liabilities	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Deposits	167,429,282	11,813,428	2,937,042	6,655,675	1,692,804	595,700	191,123,931
Other borrowed funds	-	2,947,328	2,220,960	1,062,055	4,203,913	651,695	11,085,951
Derivative financial instruments	1,165,271	-	-	-	-	-	1,165,271
Other liabilities	4,528,646	-	-	-	-	-	4,528,646
31 December 2020	173,123,199	14,760,756	5,158,002	7,717,730	5,896,717	1,247,395	207,903,799
Deposits	142,109,515	18,790,812	4,877,264	3,833,264	1,992,265	2,584,939	174,188,059
Other borrowed funds	-	5,811,290	1,272,535	146,272	2,398,950	511,168	10,140,215
Derivative financial instruments	1,000,972	-	-	-	-	-	1,000,972
Other liabilities	5,225,986	-	-	-	-	-	5,225,986
31 December 2019 (Restated)	148,336,473	24,602,102	6,149,799	3,979,536	4,391,215	3,096,107	190,555,232
Deposits	124,179,001	12,713,760	3,924,142	5,235,769	2,182,859	91,426	148,326,957
Other borrowed funds	-	4,384,179	3,633,991	163,906	518,957	515,408	9,216,441
Derivative financial instruments	960,873	-	-	-	-	-	960,873
Other liabilities	4,586,350	-	-	-	-	-	4,586,350
31 December 2018 (Restated)	129,726,224	17,097,939	7,558,133	5,399,675	2,701,816	606,834	163,090,621

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 Risk Management 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 2020	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	-	-	-	-	-	-	16,749,335	16,749,335
Mandatory balances with central bank	-	-	-	-	-	-	9,749,384	9,749,384
Loans to and placements with banks	1,890,154	1,243,992	-	-	-	-	(3,759)	3,130,387
Derivative financial instruments	-	-	-	-	-	-	774,785	774,785
Loans and advances to non-bank customers	91,897,155	3,869,771	2,280,480	4,859,415	2,293,084	900,255	(6,749,223)	99,350,937
Investment securities	14,960,176	5,258,419	10,293,973	14,582,793	28,885,472	15,569,335	3,787,878	93,338,046
Other assets	-	-	-	-	-	-	533,302	533,302
Total assets	108,747,485	10,372,182	12,574,453	19,442,208	31,178,556	16,469,590	24,841,702	223,626,176
Liabilities								
Deposits from banks	-	-	-	-	-	-	1,119,661	1,119,661
Deposits from non-bank customers	82,493,697	2,527,063	5,882,858	119,123	716,415	-	98,265,114	190,004,270
Other borrowed funds	9,132,837	943,992	988,515	-	-	-	20,607	11,085,951
Derivative financial instruments	-	-	-	-	-	-	1,165,271	1,165,271
Other liabilities	-	-	-	-	-	-	4,528,646	4,528,646
Total liabilities	91,626,534	3,471,055	6,871,373	119,123	716,415	-	105,099,299	207,903,799
On balance sheet interest rate sensitivity gap	17,120,951	6,901,127	5,703,080	19,323,085	30,462,141	16,469,590	(80,257,597)	15,722,377
Off balance sheet interest rate sensitivity gap	8,825,230	(3,520,496)	(806,126)	(2,506,693)	(999,868)	(921,239)	-	70,808
	25,946,181	3,380,631	4,896,954	16,816,392	29,462,273	15,548,351	(80,257,597)	15,793,185

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
31 December 2019 (Restated)	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 bank	-	-	-	-	-	-	9,326,006	9,326,006
Loans to and placements with banks	2,939,766	1,520,344	334,335	346,000	-	-	33,643	5,174,088
Derivative financial instruments	-	-	-	-	-	-	889,301	889,301
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	869,817	73,460,130
Other assets	-	-	-	-	-	-	626,543	626,543
Total assets	112,642,354	9,291,715	10,884,090	9,261,053	29,910,973	13,869,198	18,306,413	204,165,796
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	-	-	-	-	28,111	10,140,215
Derivative financial instruments	-	-	-	-	-	-	1,000,972	1,000,972
Other liabilities	-	-	-	-	-	-	5,225,986	5,225,986
Total liabilities	105,030,819	6,064,853	2,856,640	141,380	387,739	-	76,073,801	190,555,232
On balance sheet interest rate sensitivity gap	7,611,535	3,226,862	8,027,450	9,119,673	29,523,234	13,869,198	(57,767,388)	13,610,564
Off balance sheet interest rate sensitivity gap	8,635,578	(2,014,728)	120,607	(1,187,222)	(3,127,618)	(2,173,653)	-	252,964
	16,247,113	1,212,134	8,148,057	7,932,451	26,395,616	11,695,545	(57,767,388)	13,863,528

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

31 December 2018 (Restated)	Up to 3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	Non-interest sensitive MUR' 000	Total MUR' 000
Assets								
Cash and cash equivalents	1,160,206	-	-	-	-	-	10,051,506	11,211,712
Mandatory balances with central bank	-	-	-	-	-	-	8,767,767	8,767,767
Loans to and placements with banks	6,380,517	2,697,971	82,560	-	-	-	95,363	9,256,411
Derivative financial instruments	-	-	-	-	-	-	897,514	897,514
Loans and advances to non-bank customers	79,956,572	3,550,888	1,354,255	4,625,816	3,837,623	2,850,164	(1,879,267)	94,296,051
Investment securities	11,419,814	6,736,976	6,224,634	6,488,067	12,030,380	7,636,446	401,403	50,937,720
Other assets	-	-	-	-	-	-	714,833	714,833
Total assets	98,917,109	12,985,835	7,661,449	11,113,883	15,868,003	10,486,610	19,049,119	176,082,008
Liabilities								
Deposits from banks	48,217	-					747,900	796,117
Deposits from non-bank customers	76,892,630	3,374,910	3,875,756	275,958	77,619	-	63,033,967	147,530,840
Other borrowed funds	4,852,942	4,330,762	-	-	-	-	32,737	9,216,441
Derivative financial instruments	-	-	-	-	-	-	960,873	960,873
Other liabilities	-	-	-	-	-	-	4,586,350	4,586,350
Total liabilities	81,793,789	7,705,672	3,875,756	275,958	77,619	-	69,361,827	163,090,621
On balance sheet interest rate sensitivity gap	17,123,320	5,280,163	3,785,693	10,837,925	15,790,384	10,486,610	(50,312,708)	12,991,387
Off balance sheet interest rate sensitivity gap	7,558,239	(2,313,475)	(68,693)	(1,298,380)	(893,463)	(2,900,292)	-	83,936
	24,681,559	2,966,688	3,717,000	9,539,545	14,896,921	7,586,318	(50,312,708)	13,075,323

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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Increase/(decrease) in profit	**520,801**	340,216	487,596

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

(ii) Fair value hedges

	31 December 2020				31 December 2019				31 December 2018			
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
Micro fair value hedges	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000
Fixed rate corporate loans	6,213,147	-	215,796	-	8,179,583	-	145,936	-	4,670,782	-	117,059	-
Fixed rate debt instrument	2,398,849	-	21,439	-	2,220,898	-	51,242	-	3,163,303	-	6,271	-
Fixed rate non-bank deposits	-	135,996	-	-	-	153,751	-	-	-	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 2020			31 December 2019			31 December 2018		
	Notional Amount	Carrying Amount		Notional Amount	Carrying Amount		Notional Amount	Carrying Amount	
Micro fair value hedges	MUR' 000	Assets MUR' 000	Liabilities MUR' 000	MUR' 000	Assets MUR' 000	Liabilities MUR' 000	MUR' 000	Assets MUR' 000	Liabilities MUR' 000
Interest rate swaps	7,084,396	393	235,903	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 instruments in the current year and the comparative year, used as the basis for recognising ineffectiveness:

		31 December 2020			31 December 2019			31 December 2018		
		Gain / (loss) attributable to the hedged risk			Gain / (loss) attributable to the hedged risk			Gain / (loss) attributable to the hedged risk		
Hedged items	Hedging instruments	Hedged items	Hedging instruments	Hedge ineffectiveness	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	215,796	(214,464)	1,332	145,936	(263,848)	(117,912)	117,059	(125,251)	(8,192)
Fixed rate debt instrument	Interest rate swaps	21,439	(21,439)	-	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	-	393	393	-	367	367	-	2,377	2,377
Total micro fair value hedge relationship		237,235	(235,510)	1,725	197,178	(280,626)	(83,448)	123,330	(122,874)	456

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(ii) Fair value hedges (cont'd)

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	TOTAL
At 31 December 2020:						
Fixed rate corporate loans	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest rate swap (Notional amount)	-	135,996	3,811,151	2,277,768	859,481	7,084,396
At 31 December 2019:						
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	549,111	-	9,869,879	2,158,030	12,577,020
At 31 December 2018:						
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	-	-	-	2,650,748	2,650,748

(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	KES	OTHER	TOTAL
31 December 2020	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	12,621,610	2,883,226	90,322	444,180	40,336	5,681	663,980	16,749,335
Mandatory balances with central banks	8,628,978	807,233	83,389	211,255	-	-	18,529	9,749,384
Loans to and placements with banks	333,150	2,553,203	-	244,034	-	-	-	3,130,387
Derivative financial instruments	279,262	431,138	1,571	10,327	42,797	-	9,690	774,785
Loans and advances to non-bank customers	61,288,628	21,107,222	1,072,477	15,850,560	-	-	32,050	99,350,937
Investment securities	54,954,633	37,002,243	-	493,439	636,476	-	251,255	93,338,046
Other assets	526,944	3,994	159	2,210	-	-	(5)	533,302
Total monetary financial assets	138,633,205	64,788,259	1,247,918	17,256,005	719,609	5,681	975,499	223,626,176

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
31 December 2020 (cont'd)	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Liabilities								
Deposits from banks	513,413	484,545	2,013	92,660	-	-	27,030	1,119,661
Deposits from non-bank customers	107,670,168	65,398,429	2,568,942	13,132,750	-	36	1,233,945	190,004,270
Other borrowed funds	-	10,037,158	-	1,048,793	-	-	-	11,085,951
Derivative financial instruments	98,893	970,126	1,075	41,797	34,130	-	19,250	1,165,271
Other liabilities	2,190,159	(208,199)	(1,100,151)	4,051,967	(2,244)	-	(402,886)	4,528,646
Total monetary financial liabilities	110,472,633	76,682,059	1,471,879	18,367,967	31,886	36	877,339	207,903,799
On balance sheet position	28,160,572	(11,893,800)	(223,961)	(1,111,962)	687,723	5,645	98,160	15,722,377
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	28,160,572	(11,306,925)	(223,961)	(1,111,962)	100,848	5,645	98,160	15,722,377
31 December 2019 (Restated)								
Assets								
Cash and cash equivalents	7,203,754	6,052,466	552,276	827,426	131,816	3,730	615,431	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	2,431,333	1,504,865	-	1,237,890	-	-	-	5,174,088
Derivative financial instruments	344,051	500,065	3	10,312	18,138	-	16,732	889,301
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	-	1,040,942	610,067	-	-	73,460,130
Other assets	551,541	11,099	607	39,699	-	-	23,597	626,543
Total monetary financial assets	128,129,937	57,749,240	1,438,787	15,362,781	760,021	3,730	721,300	204,165,796
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	-	1	601,653	173,258,702
Other borrowed funds	-	6,084,400	3,254	4,052,113	-	-	448	10,140,215
Derivative financial instruments	38,325	871,392	2	65,874	6,352	-	19,027	1,000,972
Other liabilities	2,043,441	3,457,724	(561,851)	829,272	(401,374)	(7)	(141,219)	5,225,986
Total monetary financial liabilities	105,884,936	67,366,316	1,459,135	15,759,206	(395,022)	(6)	480,667	190,555,232
On balance sheet position	22,245,001	(9,617,076)	(20,348)	(396,425)	1,155,043	3,736	240,633	13,610,564
Off balance sheet position	685,112	(338,234)	134,314	(334,535)	(62,752)	-	(83,905)	-
Net currency position	22,930,113	(9,955,310)	113,966	(730,960)	1,092,291	3,736	156,728	13,610,564

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

31 December 2018 (Restated)	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
Assets	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	4,435,692	4,961,455	466,570	754,645	-	4,608	588,742	11,211,712
Mandatory balances with central banks	7,803,233	823,330	92,565	47,674	-	-	965	8,767,767
Loans to and placements with banks	5,195,708	2,886,641	-	1,174,062	-	-	-	9,256,411
Derivative financial instruments	219,448	624,339	4,630	2,588	20,234	-	26,275	897,514
Loans and advances to non-bank customers	59,380,439	24,050,589	828,678	9,974,100	-	-	62,245	94,296,051
Investment securities	32,818,281	17,388,263	-	398,186	332,990	-	-	50,937,720
Other assets	649,686	10,718	(181)	34,471	-	-	20,139	714,833
Total monetary financial assets	110,502,487	50,745,335	1,392,262	12,385,726	353,224	4,608	698,366	176,082,008
Liabilities								
Deposits from banks	796,117	-	-	-	-	-	-	796,117
Deposits from non-bank customers	89,188,504	46,167,611	2,841,997	8,859,140	-	(1)	473,589	147,530,840
Other borrowed funds	1,355	7,234,188	284,044	1,637,762	-	-	59,092	9,216,441
Derivative financial instruments	267,072	319,753	8	-	362,656	-	11,384	960,873
Other liabilities	1,531,882	2,560,363	50,352	399,893	(1,004)	83	44,781	4,586,350
Total monetary financial liabilities	91,784,930	56,281,915	3,176,401	10,896,795	361,652	82	588,846	163,090,621
On balance sheet position	18,717,557	(5,536,580)	(1,784,139)	1,488,931	(8,428)	4,526	109,520	12,991,387
Off balance sheet position	(2,542,005)	2,868,951	122,001	150,181	(56,201)	82	(543,009)	-
Net currency position	16,175,552	(2,667,629)	(1,662,138)	1,639,112	(64,629)	4,608	(433,489)	12,991,387

The following table demonstrates 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	KES	OTHER
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020						
5%	**(565,346)**	**(11,198)**	**(55,598)**	**5,042**	**282**	**4,908**
-5%	**565,346**	**11,198**	**55,598**	**(5,042)**	**(282)**	**(4,908)**
31 December 2019 (Restated)						
5%	(497,766)	5,698	(36,548)	54,615	187	7,836
-5%	497,766	(5,698)	36,548	(54,615)	(187)	(7,836)
31 December 2018 (Restated)						
5%	(133,381)	(83,107)	81,956	(3,231)	230	(21,674)
-5%	133,381	83,107	(81,956)	3,231	(230)	21,674

37. RISK MANAGEMENT (CONT'D)

d 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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	**487**	764	389
Maximum for the year	**7,608**	11,027	14,398
Year end	**1,495**	2,933	1,321

(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 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Statement of comprehensive income	**220**	171	171
Statement of profit or loss	**-**	-	-
	220	171	171

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

39. 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.

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

		Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
		31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
					Restated	Restated	Restated	Restated	Restated	Restated
	Notes	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS										
Cash and cash equivalents	40k	13,077,341	3,671,994	16,749,335	7,614,914	7,771,985	15,386,899	5,228,135	5,983,577	11,211,712
Mandatory balances with central banks		9,749,384	-	9,749,384	9,326,006	-	9,326,006	8,767,767	-	8,767,767
Loans to and placements with banks	40l	353,501	2,776,886	3,130,387	2,480,589	2,693,499	5,174,088	5,039,015	4,217,396	9,256,411
Derivative financial instruments	40m	364,754	410,031	774,785	388,365	500,936	889,301	272,618	624,896	897,514
Loans and advances to non-bank customers	40n	78,629,205	20,721,732	99,350,937	75,938,183	23,364,646	99,302,829	69,394,195	24,901,856	94,296,051
Investment securities	40o	55,520,327	37,817,719	93,338,046	49,059,939	24,400,191	73,460,130	44,291,560	6,646,160	50,937,720
Property and equipment	40p	2,582,331	-	2,582,331	2,599,568	-	2,599,568	2,458,814	-	2,458,814
Right-of-use assets	40p	255,603	-	255,603	247,168	-	247,168	-	-	-
Intangible assets	40q	2,145,280	-	2,145,280	2,526,156	-	2,526,156	2,962,920	-	2,962,920
Deferred tax assets		85,158	411,965	497,123	(56,918)	276,220	219,302	-	-	-
Other assets	40r	674,650	32,239	706,889	650,905	140,954	791,859	783,378	63,858	847,236
Total assets		163,437,534	65,842,566	229,280,100	150,774,875	59,148,431	209,923,306	139,198,402	42,437,743	181,636,145
LIABILITIES										
Deposits from banks	40s	461,051	658,610	1,119,661	458,267	471,090	929,357	342,285	453,832	796,117
Deposits from non-bank customers	40t	124,286,264	65,718,006	190,004,270	116,278,952	56,979,750	173,258,702	100,797,742	46,733,098	147,530,840
Other borrowed funds	40u	5,934,675	5,151,276	11,085,951	2,550,602	7,589,613	10,140,215	2,501,657	6,714,784	9,216,441
Derivative financial instruments	40m	136,489	1,028,782	1,165,271	245,256	755,716	1,000,972	252,952	707,921	960,873
Lease liability		233,590	-	233,590	240,180	-	240,180	-	-	-
Current tax liabilities		204,507	42,267	246,774	432,812	54,327	487,139	401,138	79,495	480,633
Pension liability		724,082	-	724,082	334,005	-	334,005	173,055	-	173,055
Deferred tax liabilities		-	-	-	-	-	-	263,751	(99,755)	163,996
Other liabilities	40v	2,557,108	2,346,962	4,904,070	2,280,856	3,186,645	5,467,501	1,764,029	3,059,142	4,823,171
Total liabilities		134,537,766	74,945,903	209,483,669	122,820,930	69,037,141	191,858,071	106,496,609	57,648,517	164,145,126
SHAREHOLDER'S EQUITY										
Stated capital				400,000			400,000			310,000
Capital contribution				11,854,011			11,854,011			11,044,011
Retained earnings				4,595,878			3,777,262			4,841,342
Other reserves				2,946,542			2,033,962			1,295,666
Total equity				19,796,431			18,065,235			17,491,019
Total liabilities and equity				229,280,100			209,923,306			181,636,145

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

b. Statement of profit or loss

		Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
		31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
					Restated	Restated	Restated	Restated	Restated	Restated
Continuing operations	Notes	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income using the effective interest method		5,437,423	1,498,242	6,935,665	5,861,427	1,972,833	7,834,260	5,111,904	2,145,870	7,257,774
Other interest and similar income		154,253	137,296	291,549	109,649	36,095	145,744	156,054	126,944	282,998
Interest expense using the effective interest method		(763,069)	(299,134)	(1,062,203)	(1,396,649)	(626,880)	(2,023,529)	(1,273,492)	(369,882)	(1,643,374)
Other interest and similar expense		(79,218)	(355,613)	(434,831)	(15,131)	(148,775)	(163,906)	-	(267,674)	(267,674)
Net interest income	40c	4,749,389	980,791	5,730,180	4,559,296	1,233,273	5,792,569	3,994,466	1,635,258	5,629,724
Fee and commission income		716,555	254,795	971,350	773,641	302,820	1,076,461	711,038	217,166	928,204
Fee and commission expense		(6,305)	(30,395)	(36,700)	67	(31,783)	(31,716)	(1,954)	(21,061)	(23,015)
Net fee and commission income	40d	710,250	224,400	934,650	773,708	271,037	1,044,745	709,084	196,105	905,189
Other Income										
Net trading income	40e	842,898	(15,347)	827,551	774,888	322,462	1,097,350	601,730	916,737	1,518,467
Net (losses)/gains from financial assets at fair value through profit or loss	40f	(326)	(28,892)	(29,218)	23,352	(115,641)	(92,289)	(0.00)	(51,427)	(51,427)
Net gains on derecognition of financial assets measured at amortised cost		-	-	-	-	-	-	4,728	-	4,728
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		1,153,329	49,677	1,203,006	223,463	917	224,380	-	-	-
Other operating income		878	-	878	884	-	884	-	-	-
		1,996,779	5,438	2,002,217	1,022,587	207,738	1,230,325	606,458	865,310	1,471,768
Non interest income		2,707,029	229,838	2,936,867	1,796,295	478,775	2,275,070	1,315,542	1,061,415	2,376,957
Operating income		7,456,418	1,210,629	8,667,047	6,355,591	1,712,048	8,067,639	5,310,008	2,696,673	8,006,681
Personnel expenses	40g	(1,189,013)	(225,743)	(1,414,756)	(1,510,668)	(208,924)	(1,719,592)	(1,098,953)	(172,212)	(1,271,165)
Depreciation of property and equipment		(135,950)	(14,275)	(150,225)	(135,638)	(7,483)	(143,121)	(139,493)	(5,695)	(145,188)
Depreciation of right-of-use assets		(33,693)	(3,746)	(37,439)	(46,189)	(3,752)	(49,941)	-	-	-
Amortisation of intangible assets		(356,533)	(101,464)	(457,997)	(432,121)	(42,426)	(474,547)	(500,107)	(49,841)	(549,948)
Other expenses	40h	(830,421)	(166,135)	(996,556)	(983,767)	(88,786)	(1,072,553)	(692,698)	(75,734)	(768,432)
Non-interest expense		(2,545,610)	(511,363)	(3,056,973)	(3,108,383)	(351,371)	(3,459,754)	(2,431,251)	(303,482)	(2,734,733)
Profit before net impairment loss		4,910,808	699,266	5,610,074	3,247,208	1,360,677	4,607,885	2,878,757	2,393,191	5,271,948
Credit loss expense on financial assets & memorandum items	40i	(1,181,366)	(2,681,706)	(3,863,072)	(48,881)	(3,557,785)	(3,606,666)	(278,203)	(2,732,153)	(3,010,356)
Profit before income tax		3,729,442	(1,982,440)	1,747,002	3,198,327	(2,197,108)	1,001,219	2,600,554	(338,962)	2,261,592
Tax expense	40j	(386,566)	93,478	(293,088)	(665,539)	164,087	(501,452)	(605,378)	(75,582)	(680,960)
Profit for the year from continuing operations		3,342,876	(1,888,962)	1,453,914	2,532,788	(2,033,021)	499,767	1,995,176	(414,544)	1,580,632
Discontinued operations										
Loss after tax for the year from discontinued operations		-	-	-	-	-	-	-	(221,374)	(221,374)
Loss on distribution of dividend in specie		-	-	-	-	-	-	-	(685,838)	(685,838)
Profit for the year		3,342,876	(1,888,962)	1,453,914	2,532,788	(2,033,021)	499,767	1,995,176	(1,321,756)	673,420

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

c. Net interest income	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019 Restated	Segment B 31-Dec 2019 Restated	Bank 31-Dec 2019 Restated	Segment A 31-Dec 2018 Restated	Segment B 31-Dec 2018 Restated	Bank 31-Dec 2018 Restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest Income using the effective interest method									
Cash and cash equivalents	15,512	19,090	34,602	33,533	91,979	125,512	32,125	124,123	156,248
Loans to and placements with banks	36,076	97,475	133,551	95,195	138,383	233,578	124,823	187,256	312,079
Loans and advances to non-bank customers	3,982,769	1,034,656	5,017,425	4,374,092	1,318,720	5,692,812	4,059,341	1,626,396	5,685,737
Investment securities at amortised cost	726,173	78,552	804,725	694,625	24,987	719,612	417,241	-	417,241
Investment securities at FVTOCI	676,893	268,469	945,362	663,982	398,764	1,062,746	478,374	208,095	686,469
	5,437,423	1,498,242	6,935,665	5,861,427	1,972,833	7,834,260	5,111,904	2,145,870	7,257,774
Other interest and similar income									
Investment securities measured at FVTPL	29,871	25,519	55,390	63,383	3,407	66,790	129,812	24,085	153,897
Derivatives	124,382	111,777	236,159	46,266	32,688	78,954	26,242	102,859	129,101
	154,253	137,296	291,549	109,649	36,095	145,744	156,054	126,944	282,998
Total interest and similar income	5,591,676	1,635,538	7,227,214	5,971,076	2,008,928	7,980,004	5,267,958	2,272,814	7,540,772
Interest expense using the effective interest method									
Deposits from customers	(586,773)	(193,865)	(780,638)	(1,235,801)	(413,319)	(1,649,120)	(1,146,916)	(229,785)	(1,376,701)
Other borrowed funds	(162,535)	(103,523)	(266,058)	(145,784)	(208,523)	(354,307)	(126,576)	(138,909)	(265,485)
Lease finance charges	(13,761)	-	(13,761)	(15,064)	-	(15,064)	-	-	-
Other	-	(1,746)	(1,746)	-	(5,038)	(5,038)	-	(1,188)	(1,188)
	(763,069)	(299,134)	(1,062,203)	(1,396,649)	(626,880)	(2,023,529)	(1,273,492)	(369,882)	(1,643,374)
Other interest and similar expense									
Derivatives	(79,218)	(355,613)	(434,831)	(15,131)	(148,775)	(163,906)	-	(267,674)	(267,674)
	(79,218)	(355,613)	(434,831)	(15,131)	(148,775)	(163,906)	-	(267,674)	(267,674)
Total interest and similar expense	(842,287)	(654,747)	(1,497,034)	(1,411,780)	(775,655)	(2,187,435)	(1,273,492)	(637,556)	(1,911,048)
Net interest income	4,749,389	980,791	5,730,180	4,559,296	1,233,273	5,792,569	3,994,466	1,635,258	5,629,724
d. Net fee and commission income									
Fee and commission income									
Retail banking customer fees	246,956	27,664	274,620	236,119	27,986	264,105	178,532	21,739	200,271
Corporate banking customer fees	176,409	132,674	309,083	187,165	206,095	393,260	247,453	110,221	357,674
Card income	280,931	78,343	359,274	335,246	64,895	400,141	274,992	75,527	350,519
Other income	12,259	16,114	28,373	15,111	3,844	18,955	10,061	9,679	19,740
Total fee and commission income	716,555	254,795	971,350	773,641	302,820	1,076,461	711,038	217,166	928,204

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

	Segment A 31-Dec 2020 MUR' 000	Segment B 31-Dec 2020 MUR' 000	Bank 31-Dec 2020 MUR' 000	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
d. Net fee and commission income (cont'd)									
Fee and commission expense									
Interbank transaction fees	(3)	(21,919)	(21,922)	(401)	(16,399)	(16,800)	-	(14,409)	(14,409)
Other	(6,302)	(8,476)	(14,778)	468	(15,384)	(14,916)	(1,954)	(6,652)	(8,606)
Total fee and commission expense	(6,305)	(30,395)	(36,700)	67	(31,783)	(31,716)	(1,954)	(21,061)	(23,015)
Net fee and commission income	710,250	224,400	934,650	773,708	271,037	1,044,745	709,084	196,105	905,189
e. Net trading income									
Profit arising on dealings in foreign currencies	342,041	127,447	469,488	457,244	47,876	505,120	377,708	425,270	802,978
Fair value movements on debt securities measured at FVTPL	163,845	47,251	211,096	364,448	81,106	445,554	244,645	(17,149)	227,496
Other interest rate instruments	337,012	(190,045)	146,967	(46,804)	193,480	146,676	(20,623)	508,616	487,993
	842,898	(15,347)	827,551	774,888	322,462	1,097,350	601,730	916,737	1,518,467
f. Net (losses)/gains from financial assets at fair value through profit or loss									
Financial assets mandatorily measured at fair value through profit or loss	-	30,083	30,083	-	(23,141)	(23,141)	-	(2,401)	(2,401)
Financial assets designated at fair value through profit or loss	(326)	(58,975)	(59,301)	23,352	(92,500)	(69,148)	-	(49,026)	(49,026)
	(326)	(28,892)	(29,218)	23,352	(115,641)	(92,289)	-	(51,427)	(51,427)
g. Personnel expenses									
Wages and salaries	1,043,750	197,365	1,241,115	1,209,466	187,410	1,396,876	860,679	140,559	1,001,238
Other social security obligations	15,685	2,608	18,293	26,582	2,423	29,005	-	-	-
Contributions to defined contribution plans	98,704	20,314	119,018	129,128	8,487	137,615	68,865	11,978	80,843
Increase in liability for defined benefit plans	36,064	3,150	39,214	30,730	1,954	32,684	28,594	1,651	30,245
Residual retirement gratuities	(77,603)	(6,778)	(84,381)	29,077	1,848	30,925	53,043	10,391	63,434
Staff welfare cost	35,696	3,605	39,301	52,457	1,851	54,308	48,856	1,364	50,220
Other	36,717	5,479	42,196	33,228	4,951	38,179	38,916	6,269	45,185
	1,189,013	225,743	1,414,756	1,510,668	208,924	1,719,592	1,098,953	172,212	1,271,165

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 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
h. Other expenses									
Software licensing and other information technology cost	333,625	100,911	434,536	384,303	51,356	435,659	268,529	33,038	301,567
Utilities and telephone charges	46,384	4,989	51,373	61,236	5,504	66,740	52,101	4,221	56,322
Professional charges	95,874	22,932	118,806	117,132	13,858	130,990	69,020	22,395	91,415
Marketing costs	46,109	6,612	52,721	76,648	5	76,653	55,369	1	55,370
Rent, repairs, maintenance and security charges	119,527	5,631	125,158	125,943	5,408	131,351	122,496	4,699	127,195
Licence and other registration fees	21,928	2,155	24,083	23,224	1,285	24,509	19,773	1,132	20,905
Postage, courier and stationery costs	42,040	2,245	44,285	48,678	2,005	50,683	40,017	5,403	45,420
Insurance costs	35,042	7,952	42,994	39,637	3,369	43,006	11,869	597	12,466
Other	89,892	12,708	102,600	106,966	5,996	112,962	53,524	4,248	57,772
	830,421	166,135	996,556	983,767	88,786	1,072,553	692,698	75,734	768,432
i. Credit loss expense on financial assets & memorandum items									
Portfolio and specific provisions	1,094,881	2,725,982	3,820,863	142,022	3,545,085	3,687,107	265,476	2,791,023	3,056,499
Bad debts written off for which no provisions were made	-	-	-	-	-	-	-	-	-
Recoveries of advances written off	(2,495)	(47,603)	(50,098)	(39,463)	-	(39,463)	(6,322)	-	(6,322)
Other	88,980	3,327	92,307	(53,678)	12,700	(40,978)	19,049	(58,870)	(39,821)
	1,181,366	2,681,706	3,863,072	48,881	3,557,785	3,606,666	278,203	2,732,153	3,010,356
Of which:									
Credit exposure	1,092,386	2,678,379	3,770,765	102,559	3,545,085	3,647,644	259,154	2,791,023	3,050,177
Other financial assets	88,980	3,327	92,307	(53,678)	12,700	(40,978)	19,049	(58,870)	(39,821)
	1,181,366	2,681,706	3,863,072	48,881	3,557,785	3,606,666	278,203	2,732,153	3,010,356
j. Tax expense									
Income tax expense	236,879	42,267	279,146	546,804	12,378	559,182	560,768	75,582	636,350
Deferred tax (income) / charge	(90,667)	(135,745)	(226,412)	(92,043)	(176,465)	(268,508)	23,765	-	23,765
Corporate Social Responsibility contribution	68,986	-	68,986	39,410	-	39,410	20,845	-	20,845
Bank levy	171,368	-	171,368	171,368	-	171,368	-	-	-
	386,566	(93,478)	293,088	665,539	(164,087)	501,452	605,378	75,582	680,960

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

k. Cash and cash equivalents

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash in hand	2,016,619	-	2,016,619	2,078,284	-	2,078,284	2,398,191	-	2,398,191
Foreign currency notes and coins	524,835	-	524,835	337,946	-	337,946	277,740	-	277,740
Unrestricted balances with central banks [1]	10,536,120	-	10,536,120	4,167,009	-	4,167,009	1,527,560	-	1,527,560
Loans and placements with banks [2]	-	-	-	1,035,373	-	1,035,373	1,066,119	96,245	1,162,364
Balances with banks	-	3,672,781	3,672,781	-	7,771,985	7,771,985	-	5,887,615	5,887,615
	13,077,574	3,672,781	16,750,355	7,618,612	7,771,985	15,390,597	5,269,610	5,983,860	11,253,470
Less: allowance for credit losses	(233)	(787)	(1,020)	(3,698)	-	(3,698)	(41,475)	(283)	(41,758)
	13,077,341	3,671,994	16,749,335	7,614,914	7,771,985	15,386,899	5,228,135	5,983,577	11,211,712

[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.

l. Loans to and placements with banks

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
				Restated	Restated	Restated	Restated	Restated	Restated
	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	353,508	-	353,508	2,482,044	-	2,482,044	5,039,036	-	5,039,036
- outside Mauritius	-	2,797,237	2,797,237	-	2,717,013	2,717,013	-	4,251,656	4,251,656
	353,508	2,797,237	3,150,745	2,482,044	2,717,013	5,199,057	5,039,036	4,251,656	9,290,692
Less: allowance for credit losses	(7)	(20,351)	(20,358)	(1,455)	(23,514)	(24,969)	(21)	(34,260)	(34,281)
	353,501	2,776,886	3,130,387	2,480,589	2,693,499	5,174,088	5,039,015	4,217,396	9,256,411
Remaining term to maturity									
Up to 3 months	47,293	-	47,293	522,761	-	522,761	2,896,134	759,176	3,655,310
Over 3 months and up to 6 months	306,215	951,179	1,257,394	1,266,377	1,237,890	2,504,267	2,060,277	344,387	2,404,664
Over 6 months and up to 12 months	-	1,008,868	1,008,868	339,444	780,158	1,119,602	82,625	342,903	425,528
Over 1 year and up to 2 years	-	-	-	353,462	698,965	1,052,427	-	1,926,723	1,926,723
Over 2 years and up to 5 years	-	837,190	837,190	-	-	-	-	878,467	878,467
	353,508	2,797,237	3,150,745	2,482,044	2,717,013	5,199,057	5,039,036	4,251,656	9,290,692

m. Derivative financial instruments

	Segment A 2020	Segment B 2020	Bank 2020	Segment A 2019	Segment B 2019	Bank 2019	Segment A 2018	Segment B 2018	Bank 2018
Derivative assets	364,754	410,031	774,785	388,365	500,936	889,301	272,618	624,896	897,514
Derivative liabilities	136,489	1,028,782	1,165,271	245,256	755,716	1,000,972	252,952	707,921	960,873

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

n. Loans and advances to non-bank customers

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Governments	7,705	-	7,705	8,515	-	8,515	9,315	-	9,315
Retail customers	39,471,137	2,084,846	41,555,983	37,389,421	2,197,543	39,586,964	31,012,551	1,108,702	32,121,253
Credit cards	509,230	884	510,114	583,122	1,410	584,532	605,881	566	606,447
Mortgages	26,962,814	639,157	27,601,971	25,137,913	369,908	25,507,821	22,067,042	411,852	22,478,894
Other retail loans	11,999,093	1,444,805	13,443,898	11,668,386	1,826,225	13,494,611	8,339,628	696,284	9,035,912
Corporate customers	42,449,662	6,485,910	48,935,572	40,876,573	6,687,161	47,563,734	40,637,082	4,121,171	44,758,253
Entities outside Mauritius	-	20,288,731	20,288,731	-	19,910,288	19,910,288	-	22,909,421	22,909,421
	81,928,504	28,859,487	110,787,991	78,274,509	28,794,992	107,069,501	71,658,948	28,139,294	99,798,242
Less allowance for credit impairment	(3,299,299)	(8,137,755)	(11,437,054)	(2,336,326)	(5,430,346)	(7,766,672)	(2,264,753)	(3,237,438)	(5,502,191)
	78,629,205	20,721,732	99,350,937	75,938,183	23,364,646	99,302,829	69,394,195	24,901,856	94,296,051
Remaining term to maturity:									
Up to 3 months	8,107,413	564,984	8,672,397	9,098,950	501,235	9,600,185	8,627,231	3,099,752	11,726,983
Over 3 months and up to 6 months	1,804,778	1,703,123	3,507,901	2,119,213	820,264	2,939,477	1,388,553	1,867,804	3,256,357
Over 6 months and up to 12 months	4,315,762	1,160,124	5,475,886	4,460,119	1,626,765	6,086,884	7,474,055	1,401,322	8,875,377
Over 1 year and up to 2 years	5,577,138	4,327,633	9,904,771	3,473,672	3,421,162	6,894,834	6,429,091	2,100,669	8,529,760
Over 2 year and up to 5 years	13,013,701	5,574,798	18,588,499	12,544,370	6,888,622	19,432,992	10,887,308	6,678,139	17,565,447
Over 5 years	49,109,712	15,528,825	64,638,537	46,578,185	15,536,944	62,115,129	36,852,710	12,991,608	49,844,318
	81,928,504	28,859,487	110,787,991	78,274,509	28,794,992	107,069,501	71,658,948	28,139,294	99,798,242

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

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

Credit loss allowances on loans and advances by industry sectors

	31-Dec-2020					31-Dec-19	31-Dec-18
Segment A	Gross amount of loans	Impaired loans	Stage 3 allowance for credit loss	Stage 1 & 2 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	2,672,933	252	252	23,185	23,437	8,570	56,705
Manufacturing	4,213,593	185,398	158,151	63,689	221,840	182,253	167,268
of which EPZ	*1,527,798*	*26,531*	*3,942*	*4,056*	*7,998*	*22,601*	*17,118*
Tourism	14,431,795	9,916	870	338,836	339,706	124,487	167,141
Transport	362,162	15,895	14,561	12,082	26,643	18,007	23,669
Construction	10,437,321	569,801	449,288	288,412	737,700	288,289	356,545
Financial and business services	4,131,047	45,887	1,670	31,305	32,975	48,780	51,780
Traders	5,192,749	439,527	311,673	90,602	402,275	348,685	336,485
Personal	37,401,642	1,047,483	732,862	369,286	1,102,148	1,053,931	867,565
of which credit cards	*509,230*	*46,566*	*47,658*	*4,317*	*51,975*	*48,219*	*93,483*
Professional	160,294	82,718	82,718	4,629	87,347	75,451	103,222
Others	2,924,968	235,055	211,052	114,176	325,228	187,873	134,373
	81,928,504	2,631,932	1,963,097	1,336,202	3,299,299	2,336,326	2,264,753
Segment B							
Agriculture and Fishing	2,013,516	827,179	330,874	12,096	342,970	107,364	91,203
Manufacturing	250,762	-	-	18,784	18,784	12,732	347,695
of which EPZ	*250,762*	-	-	*18,784*	*18,784*	*12,732*	-
Tourism	860,807	-	-	15,708	15,708	12,991	17,278
Transport	1,830,154	-	-	12,139	12,139	132,829	120,188
Construction	368,117	59,737	27,902	92,993	120,895	15,727	8,113
Financial and business services	3,973,634	619,905	619,905	49,484	669,389	467,953	133,429
Traders	5,963,019	5,369,841	4,219,713	25	4,219,738	3,373,069	2,379,029
Personal	2,016,766	5,516	3,232	97,381	100,613	44,713	24,008
of which credit cards	*884*	*460*	*478*	*9*	*487*	*36*	-
Professional	-	-	-	-	-	142	37
Global Business Licence holders	6,485,910	1,248,424	1,096,615	14,089	1,110,704	646,597	105,568
Others	5,096,802	1,581,624	1,502,543	24,272	1,526,815	616,229	10,890
Total	28,859,487	9,712,226	7,800,784	336,971	8,137,755	5,430,346	3,237,438

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

o. Investment securities

Remaining term to maturity

	31-Dec-2020										
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-19 MUR' 000	31-Dec-18 MUR' 000
(a) Investment securities at amortised cost											
Government bonds and treasury notes	-	434,386	611,381	74,196	6,613,363	6,489,567	4,252,788	-	18,475,681	17,245,042	11,738,705
Treasury bills	698,172	1,498,256	-	-	-	-	-	-	2,196,428	-	148,100
Bank of Mauritius bills / Bonds	1,315	50,168	989,847	-	152,052	5,183,483	4,976,466	-	11,353,331	1,364,246	1,232,730
	699,487	1,982,810	1,601,228	74,196	6,765,415	11,673,050	9,229,254	-	32,025,440	18,609,288	13,119,535
(b) Investment securities mandatorily measured at FVTPL											
Government bonds	-	-	-	-	-	-	706	-	706	2,350,694	765,117
Treasury bills / notes	799,645	224,322	-	-	-	-	-	-	1,023,967	1,782,947	5,142,257
Bank of Mauritius bills / Bonds	1,537,842	1,498,127	541,717	-	-	762,825	-	-	4,340,511	4,252,324	3,804,409
	2,337,487	1,722,449	541,717	-	-	762,825	706	-	5,365,184	8,385,965	9,711,783
(c) Investment securities measured at FVTOCI											
Government bonds	-	2,142	-	2,077	489,419	1,876,820	5,322,198	-	7,692,656	11,406,019	7,308,976
Treasury bills / notes	-	-	-	637,816	-	-	-	-	637,816	412,240	9,277,241
Bank of Mauritius bills / Bonds	100	-	-	896,766	1,018,377	2,453,980	-	-	4,369,223	5,671,581	2,141,448
Corporate bonds	-	174,219	-	193,336	736,510	2,453,741	1,872,841	-	5,430,647	4,597,934	-
Corporate paper and preference shares	-	-	-	-	-	-	-	-	-	-	2,741,443
	100	176,361	-	1,729,995	2,244,306	6,784,541	7,195,039	-	18,130,342	22,087,774	21,469,108
Total Segment A	3,037,074	3,881,620	2,142,945	1,804,191	9,009,721	19,220,416	16,424,999	-	55,520,966	49,083,027	44,300,426
Less: allowance for credit losses									(642)	(23,088)	(8,866)
									55,520,324	49,059,939	44,291,560

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

o. Investment securities (Cont'd)

	31-Dec-2020										
Segment B	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-19 MUR' 000	31-Dec-18 MUR' 000
(a) Investment securities at amortised cost											
Government bonds	-	-	-	-	-	1,201,095	128,833	-	1,329,928	-	-
Bank Bonds	-	-	-	-	105,675	386,265	-	-	491,940	753,104	695,990
	-	-	-	-	105,675	1,587,360	128,833	-	1,821,868	753,104	695,990
(b) Investment securities mandatorily measured at FVTPL											
Treasury bills / notes	-	652,217	1,976,073	-	-	-	-	-	2,628,290	2,236,923	-
Bank Bonds	-	-	-	-	-	-	-	-	-	493,666	-
Other investment securities other than trading securities	-	-	-	-	-	-	-	1,356,130	1,356,130	709,202	171,333
	-	652,217	1,976,073	-	-	-	-	1,356,130	3,984,420	3,439,791	171,333
(c) Investment securities measured at FVTOCI											
Government bonds	995,332	311,184	-	1,849,979	1,011,861	1,351,503	213,971	-	5,733,830	-	-
Treasury bills / notes	9,152,843	-	-	987,754	-	-	-	-	10,140,597	9,245,509	-
Equity shares of companies:											
- Other equity investments	-	-	-	-	-	-	-	4,408	4,408	3,411	3,411
Bank bonds	786,223	416,735	1,114,654	587,681	5,201,863	6,499,153	312,759	-	14,919,068	10,958,425	5,775,598
Corporate Bonds	43,250	-	39,943	10,467	2,049	1,155,700	-	-	1,251,409	-	-
	10,977,648	727,919	1,154,597	3,435,881	6,215,773	9,006,356	526,730	4,408	32,049,312	20,207,345	5,779,009
Total Segment B	10,977,648	1,380,136	3,130,670	3,435,881	6,321,448	10,593,716	655,563	1,360,538	37,855,600	24,400,240	6,646,332
Less: allowance for credit losses									(37,878)	(49)	(172)
									37,817,722	24,400,191	6,646,160
Total investment securities	14,014,722	5,261,756	5,273,615	5,240,072	15,331,169	29,814,132	17,080,562	1,360,538	93,376,566	73,483,267	50,946,758

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

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

	Freehold land and buildings	Leasehold buildings	Other tangible fixed assets	Motor vehicles	Right-of-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 2020							
Segment A	791,261	1,376,057	387,013	2,756	255,603	25,244	2,837,934
Segment B	-	-	-	-	-	-	-
Bank	791,261	1,376,057	387,013	2,756	255,603	25,244	2,837,934
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

q. Intangible assets

SOFTWARE	31-Dec 2020	31-Dec 2019	31-Dec 2018
Net Book Value	MUR' 000	MUR' 000	MUR' 000
Segment A	2,145,280	2,526,156	2,962,920
Segment B	-	-	-
Total	2,145,280	2,526,156	2,962,920

r. Other assets

	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	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
				Restated	Restated	Restated	Restated	Restated	Restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accounts receivable	529,237	(3,349)	525,888	522,122	98,259	620,381	686,236	22,332	708,568
Balances due in clearing	4,422	-	4,422	4,196	-	4,196	2,860	-	2,860
Prepayments	102,962	-	102,962	88,252	-	88,252	52,144	-	52,144
Others	38,029	35,588	73,617	36,335	42,695	79,030	42,138	41,526	83,664
	674,650	32,239	706,889	650,905	140,954	791,859	783,378	63,858	847,236

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

s. Deposits from banks	Segment A 31-Dec 2020 MUR' 000	Segment B 31-Dec 2020 MUR' 000	Bank 31-Dec 2020 MUR' 000	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
Demand deposits	461,051	658,610	1,119,661	458,267	471,090	929,357	342,285	453,832	796,117

t. Deposits from non-bank customers	Segment A 31-Dec 2020 MUR' 000	Segment B 31-Dec 2020 MUR' 000	Bank 31-Dec 2020 MUR' 000	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
(i) Retail customers									
Current accounts	18,951,457	3,500,447	22,451,904	15,659,983	2,854,371	18,514,354	11,620,760	2,953,875	14,574,635
Savings accounts	58,982,201	1,376,273	60,358,474	52,996,620	1,380,031	54,376,651	49,851,784	1,396,034	51,247,818
Time deposits with remaining term to maturity:									
Up to 3 months	1,090,392	690,478	1,780,870	1,309,302	595,478	1,904,780	1,079,541	486,068	1,565,609
Over 3 months and up to 6 months	631,984	658,786	1,290,770	790,700	491,166	1,281,866	751,554	1,459,951	2,211,505
Over 6 months and up to 12 months	1,247,604	443,174	1,690,778	1,301,660	568,478	1,870,138	1,425,996	2,343,385	3,769,381
Over 1 year and up to 5 years	1,920,584	458,962	2,379,546	1,966,799	376,926	2,343,725	1,934,447	293,286	2,227,733
Over 5 years	11,045	61	11,106	8,454	2,288,168	2,296,622	-	-	-
Total time deposits	4,901,609	2,251,461	7,153,070	5,376,915	4,320,216	9,697,131	5,191,538	4,582,690	9,774,228
	82,835,267	7,128,181	89,963,448	74,033,518	8,554,618	82,588,136	66,664,082	8,932,599	75,596,681
(ii) Corporate customers									
Current accounts	16,623,943	51,728,306	68,352,249	17,931,187	36,179,423	54,110,610	14,597,888	29,262,901	43,860,789
Savings accounts	4,041,778	-	4,041,778	3,373,764	-	3,373,764	3,479,182	143	3,479,325
Time deposits with remaining term to maturity:									
Up to 3 months	4,154,154	5,080,530	9,234,684	1,496,062	7,853,080	9,349,142	2,373,111	7,143,294	9,516,405
Over 3 months and up to 6 months	881,759	722,728	1,604,487	927,297	2,715,397	3,642,694	936,447	851,707	1,788,154
Over 6 months and up to 12 months	1,396,204	890,858	2,287,062	453,392	1,677,232	2,130,624	551,344	406,692	958,036
Over 1 year and up to 5 years	93,154	167,403	260,557	233,830	-	233,830	260,737	135,762	396,499
Total time deposits	6,525,271	6,861,519	13,386,790	3,110,581	12,245,709	15,356,290	4,121,639	8,537,455	12,659,094
	27,190,992	58,589,825	85,780,817	24,415,532	48,425,132	72,840,664	22,198,709	37,800,499	59,999,208
(iii) Government									
Current accounts	7,742,294	-	7,742,294	7,994,530	-	7,994,530	6,098,267	-	6,098,267
Savings accounts	3,386,221	-	3,386,221	2,909,782	-	2,909,782	3,521,548	-	3,521,548
Time deposits with remaining term to maturity:									
Up to 3 months	501	-	501	6,918,162	-	6,918,162	1,620,343	-	1,620,343
Over 3 months and up to 6 months	126,702	-	126,702	1,600	-	1,600	619,611	-	619,611
Over 6 months and up to 12 months	3,004,187	-	3,004,187	5,828	-	5,828	69,396	-	69,396
Over 1 year and up to 5 years	100	-	100	-	-	-	5,786	-	5,786
Total time deposits	3,131,490	-	3,131,490	6,925,590	-	6,925,590	2,315,136	-	2,315,136
	14,260,005	-	14,260,005	17,829,902	-	17,829,902	11,934,951	-	11,934,951
	124,286,264	65,718,006	190,004,270	116,278,952	56,979,750	173,258,702	100,797,742	46,733,098	147,530,840

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 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
				Restated	Restated	Restated	Restated	Restated	Restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
u. Other borrowed funds									
Borrowings from central bank - for refinancing	1,977,685	-	1,977,685	-	-	-	50,998	-	50,998
Borrowings from other financial institutions for refinancing	-	3,139,542	3,139,542	-	2,718,585	2,718,585	-	1,312,137	1,312,137
Borrowings from banks									
in Mauritius	3,956,990	-	3,956,990	2,550,602	-	2,550,602	2,450,659	-	2,450,659
abroad	-	2,011,734	2,011,734	-	4,871,028	4,871,028	-	5,402,647	5,402,647
	5,934,675	5,151,276	11,085,951	2,550,602	7,589,613	10,140,215	2,501,657	6,714,784	9,216,441
v. Other liabilities									
Balance due in clearing	1,371	2,197,302	2,198,673	86,500	2,864,806	2,951,306	3	2,908,529	2,908,532
Bills payable	190,709	-	190,709	227,170	114,932	342,102	173,640	40,847	214,487
Accruals for expenses	360,576	-	360,576	353,474	54,669	408,143	30,676	-	30,676
Accounts payable	566,389	9,670	576,059	395,263	3,725	398,988	458,133	1,472	459,605
Deferred income	250,868	112,276	363,144	221,748	104,810	326,558	200,520	90,722	291,242
Balances in transit	862,898	-	862,898	899,889	-	899,889	772,867	-	772,867
Others	781	13,248	14,029	38,249	(10,400)	27,849	30,767	-	30,767
ECL on memorandum items	323,516	14,466	337,982	58,563	54,103	112,666	97,423	17,572	114,995
	2,557,108	2,346,962	4,904,070	2,280,856	3,186,645	5,467,501	1,764,029	3,059,142	4,823,171
w. Memorandum items									
a Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers									
Acceptances on account of customers	234,453	-	234,453	216,158	455,666	671,824	-	199,670	199,670
Guarantees on account of customers	7,674,898	799,088	8,473,986	6,654,784	464,121	7,118,905	6,768,366	826,076	7,594,442
Letters of credit and other obligations on account of customers	453,153	4,654	457,807	325,073	37,909	362,982	496,473	16,883	513,356
Other contingent items	202,295	-	202,295	185,584	-	185,584	-	-	-
	8,564,799	803,742	9,368,541	7,381,599	957,696	8,339,295	7,264,839	1,042,629	8,307,468
b Commitments									
Undrawn credit facilities	10,395,104	456,095	10,851,199	8,673,358	3,002,017	11,675,375	8,516,608	554,688	9,071,296
	10,395,104	456,095	10,851,199	8,673,358	3,002,017	11,675,375	8,516,608	554,688	9,071,296