SBM HOLDINGS LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

CONTENTS

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of SBM Holdings Ltd (the 'Company') and its subsidiaries (collectively the 'Group'). In preparing those financial statements, the directors are required to: ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained; select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business. The directors confirm that they have complied with these requirements in preparing the financial statements.

The external auditors are responsible for reporting on whether the financial statements are fairly presented. The external auditors Deloitte, have full and free access to the board of directors and its committees to discuss the audit matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and the Company while ensuring that: the financial statements fairly present the state of affairs of the Group and the Company, as at the financial year end, and the results of its operations and cash flow for that period; and they have been prepared in accordance with and comply with International Financial Reporting Standards and the Mauritius Companies Act 2001, the Financial Reporting Act 2004, as well as the requirements of the Banking Act 2004.

Directors are also responsible for safeguarding the assets of the Group and the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities of the directors include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and upholding of the Code of Corporate Governance and ensuring timely and comprehensive communication to all stakeholders on events significant to the Group and the Company.

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

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

On behalf of the Board.

Abdul Sattar Adam Ali Mamode HAJEE ABDOULA
Chairman

Subhas THECKA
Chairman, Audit Committee

31 March 2021

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

....
D. Ramjug Chumun
Company Secretary

31 March 2021

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Independent auditor's report to the Shareholders of SBM Holdings Ltd

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **SBM Holdings Ltd** (the "Company" and the "Public Interest Entity") and its subsidiaries (the "Group") set out on pages 7 to 139, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2020, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Company 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 Holdings Ltd for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 29 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 consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters described below relate to the consolidated financial statements and no key audit matter was identified on the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses – Financial assets which are not credit impaired	
IFRS 9 requires the Group 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 Group has used a statistical model to estimate ECLs depending on type of portfolio which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loan portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • 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;

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Independent auditor's report to the Shareholders of SBM Holdings Ltd (Cont'd)

Key audit matters (Cont'd)

<table>
<tr><th>Key audit matter (Cont'd)</th><th>How our audit addressed the key audit matter (Cont'd)</th></tr>
<tr><td colspan="2">Provision for expected credit losses – Financial assets which are not credit impaired (Cont'd)</td></tr>
<tr><td>• Economic scenarios – the Group 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.</td><td>• 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.</td></tr>
<tr><td colspan="2">Provision for expected credit losses - Credit impaired assets</td></tr>
<tr><td>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 13,893 million and the charge to profit or loss for the year amount to MUR 4,429 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), 23 and 34 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.</td><td>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.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information, which we obtained prior to the date of this auditor's report, comprises the Statement of Directors' responsibility, Report from the Company Secretary and the Corporate Governance Report, but, does not include the consolidated and separate financial statements and our auditor's report thereon. The other information which is expected to be made available to us after that date comprises the following: About SBM Group, Persevering during the Covid-19 Pandemic, Group Structure & Team, Chairman's letter, Message from the Leadership Team, Strategy Report, Sustainability Report, Financial Review and Risk Management Report.

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

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

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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 consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Auditor's responsibilities for the audit of the consolidated and separate financial statements (Cont'd)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless laws or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

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

Use of this report

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte

Chartered Accountants

31 March 2021

Jacques de C du Mée, ACA

Licensed by FRC

		The Group			The Company		
	Notes	31 December 2020	*Restated* 31 December 2019	*Restated* 31 December 2018	31 December 2020	*Restated* 31 December 2019	*Restated* 31 December 2018
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS							
Cash and cash equivalents	6	21,577,245	18,181,126	15,653,515	304,473	178,632	32,890
Mandatory balances with central banks		11,290,363	10,680,287	9,977,260	-	-	-
Loans to and placements with banks	7	3,130,387	6,942,745	8,582,414	-	-	-
Derivative financial instruments	8	809,379	936,093	879,742	-	-	-
Loans and advances to non-bank customers	9	120,239,361	109,475,989	102,108,174	-	-	-
Investment securities	10(a)	121,053,397	100,290,935	77,347,157	7,005,132	5,898,161	7,333,009
Investment in subsidiaries	10(b)	-	-	-	29,523,743	29,899,918	28,485,152
Investment in associate	10(c)	-	1,479,048	1,308,157	-	1,272,977	1,272,977
Property and equipment	11(a)	3,207,034	3,328,308	3,153,914	2,194	3,865	5,780
Right of use assets	11(b)	807,230	759,905	-	-	-	-
Goodwill and other intangible assets	12	2,296,694	2,729,474	3,226,318	883	1,157	44
Deferred tax assets	18 (d)	806,110	355,992	89,440	-	-	-
Other assets	13	3,204,894	3,235,998	1,679,186	49,719	231,515	153,309
Total assets		288,422,094	258,395,900	224,005,277	36,886,144	37,486,225	37,283,161
LIABILITIES							
Deposits from banks	15	1,403,315	907,521	716,702	-	-	-
Deposits from non-bank customers	16	226,862,221	199,397,188	169,384,480	-	-	-
Other borrowed funds	17	15,017,177	13,373,033	11,964,588	-	-	-
Derivative financial instruments	8	1,279,984	1,126,364	1,009,171	41,524	47,645	19,356
Lease liabilities	11(b)	804,407	795,345	-	-	-	-
Current tax liabilities	18 (a)	260,225	712,071	502,109	-	-	503
Pension liability	14	743,807	338,875	173,055	6,914	2,459	-
Other liabilities	19	6,711,844	7,457,402	6,501,238	211,206	112,588	91,474
Deferred tax liabilities	18 (d)	-	-	159,477	-	-	-
Subordinated debts	20	10,142,786	9,739,981	9,412,677	10,142,786	9,739,981	9,412,677
Total liabilities		263,225,766	233,847,780	199,823,497	10,402,430	9,902,673	9,524,010
SHAREHOLDERS' EQUITY							
Stated capital	21	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204
Retained earnings		893,576	1,114,355	2,275,054	271,475	780,197	946,651
Other reserves		(3,322,421)	(4,191,408)	(5,718,447)	(1,412,934)	(821,818)	(812,673)
		30,071,359	29,423,151	29,056,811	31,358,745	32,458,583	32,634,182
Treasury shares	21	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)
Total equity attributable to equity holders of the parent		25,196,328	24,548,120	24,181,780	26,483,714	27,583,552	27,759,151
Total equity and liabilities		288,422,094	258,395,900	224,005,277	36,886,144	37,486,225	37,283,161

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

Abdul Sattar Adam Ali Mamode HAJEE ABDOULA
Chairman

Subhas THECKA
Chairman, Audit Committee

The notes on page 13 to 139 form an integral part of these financial statements.

	Notes	The Group			The Company		
		31 December 2020	*Restated* 31 December 2019	*Restated* 31 December 2018	31 December 2020	*Restated* 31 December 2019	*Restated* 31 December 2018
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Continuing Operations							
Interest income using the effective interest method		11,054,390	10,813,591	9,013,230	52,286	77,863	84,566
Other interest income		202,013	147,557	265,771	-	-	-
Interest expense using the effective interest method		(3,625,431)	(4,155,476)	(2,949,881)	(444,508)	(476,589)	(309,019)
Other interest expense		(434,831)	(163,906)	(274,326)	(50,728)	(9,784)	(6,653)
Net interest income/(expense)	27	7,196,141	6,641,766	6,054,794	(442,950)	(408,510)	(231,106)
Fee and commission income		1,451,371	1,476,544	1,169,053	-	-	-
Fee and commission expense		(57,312)	(43,508)	(30,919)	(13)	(150)	(199)
Net fee and commission income/(expense)	28	1,394,059	1,433,036	1,138,134	(13)	(150)	(199)
Other income							
Net trading income	29	1,049,474	1,234,987	1,634,949	-	-	-
Net gain/(losses) from financial assets at fair value through profit or loss	30 (a)	4,708	(153,946)	(136,756)	376,448	(8,422)	(19,053)
Net gains on derecognition of financial assets measured at amortised cost	30 (b)	180,325	27,110	33,179	2,372	6,396	28,408
Net gains /(losses) on derecognition of financial assets measured at fair value through other comprehensive income	30 (c)	1,245,740	231,379	4,321	-	371	(794)
Other operating income	31	151,114	227,569	1,189,766	274,467	1,570,456	1,233,068
Non-interest income		4,025,420	3,000,135	3,863,594	653,274	1,568,651	1,241,430
Total Operating income		11,221,561	9,641,901	9,918,388	210,324	1,160,141	1,010,324
Personnel expenses	32	(2,859,550)	(2,869,406)	(1,951,225)	(56,583)	(82,994)	(104,253)
Depreciation of property and equipment	11(a)	(290,350)	(268,967)	(205,246)	(1,671)	(2,142)	(1,946)
Depreciation of right of use assets	11(b)	(183,480)	(204,214)	-	-	-	-
Amortisation of intangible assets	12	(575,386)	(616,923)	(621,951)	(274)	(208)	(6)
Other expenses	33	(2,242,163)	(2,152,969)	(1,953,492)	(529,347)	(338,347)	(283,424)
Impairment of subsidiary	10(b)	-	-	-	(124,000)	-	-
Non-interest expense		(6,150,929)	(6,112,479)	(4,731,914)	(711,875)	(423,691)	(389,629)
Profit/(loss) before credit loss expense		5,070,632	3,529,420	5,186,474	(501,551)	736,450	620,695
Credit loss (expense)/credit on financial assets and memorandum items	34	(3,757,402)	(2,916,209)	(3,559,350)	(217)	1,085	(1,646)
Operating profit/(loss)		1,313,230	613,213	1,627,123	(501,768)	737,535	619,049
Share of profit of associate	10(c)	-	139,237	100,240	-	-	-
Profit/(loss) before income tax		1,313,230	752,450	1,727,363	(501,768)	737,535	619,049
Tax (expense) / income	18 (b)	(300,126)	(717,129)	(379,954)	336	(357)	(10,867)
Profit/(loss) for the year from continuing operations		1,013,104	35,322	1,347,409	(501,432)	737,178	608,182
Discontinued operations							
Profit / (loss) for the year from discontinued operations	42	7,906	(17,965)	(1,398)	-	-	-
Profit/(loss) for the year attributable to equity holders of the parent		1,021,010	17,356	1,346,011	(501,432)	737,178	608,182
Earnings per share:							
From continuing operations							
Basic (Cents)	35	39.24	1.37	52.19			
Diluted (Cents)	35	39.24	1.37	52.19			
From continuing and discontinued operations							
Basic (Cents)	35	39.55	0.67	52.13			
Diluted (Cents)	35	39.55	0.67	52.13			

The notes on page 13 to 139 form an integral part of these financial statements.

	Notes	The Group **31 December 2020**	*Restated* 31 December 2019	*Restated* 31 December 2018	The Company **31 December 2020**	*Restated* 31 December 2019	*Restated* 31 December 2018
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit/(loss) for the year		**1,021,010**	17,356	1,346,011	**(501,432)**	737,178	608,182
Other comprehensive income :							
Items that will not be reclassified subsequently to profit or loss:							
Increase in revaluation of property	11(a)	**754**	255,148	-	**-**	-	-
Deferred tax on revaluation of property	18 (d)	**-**	(9,950)	-	**-**	-	-
Reversal in net property revaluation reserve		**-**	-	(17,689)	**-**	-	-
Impact of change in deferred tax rate on revaluation of property		**-**	118,392	-	**-**		
Remeasurement of defined benefit pension plan	14	**(747,337)**	(203,865)	(33,496)	**(7,291)**	-	-
Deferred tax on remeasurement of defined benefit pension plan	18 (d)	**51,409**	14,271	5,694	**-**	-	-
Impact of change in deferred tax rate on defined benefit pension plan		**-**	(7,923)		**-**		
Share of associate-remeasurement of defined benefit pension plan	10(c)	**-**	(31,105)	-	**-**	-	-
Share of other comprehensive income/(loss) of associate	10(c)	**-**	76,112	(96,235)	**-**	-	-
Net (loss)/gain on equity instruments designated at FVTOCI		**(591,373)**	45,277	(77,085)	**(591,373)**	-	(77,085)
		(1,286,547)	256,357	(218,811)	**(598,664)**	-	(77,085)
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of foreign operations	39	**88,906**	327,378	(176,373)	**-**	-	-
Exchange differences resulting from share of associate	39	**-**	25,496	-	**-**	-	-
Recycling of reserves on derecognition of investment in associate	39	**24,166**	-	-	**-**	-	
Investment securities measured at FVTOCI (Debt instrument)							
Movement in fair value during the year		**2,035,417**	418,362	(505,354)	**258**	-	-
Relassification of (losses)/gains included in profit or loss on derecognition		**(1,235,218)**	231,379	1,491	**-**	(9,145)	-
Movement in credit loss expense relating to debt instruments held at FVTOCI		**474**	(6,356)	24,686	**-**	-	-
		913,745	996,259	(655,550)	**258**	(9,145)	-
Total other comprehensive (loss) / income attributable to equity holders of the parent		**(372,802)**	1,252,616	(874,361)	**(598,406)**	(9,145)	(77,085)
Total comprehensive income / (loss) for the year attributable to equity holders of the parent		**648,208**	1,269,972	471,650	**(1,099,838)**	728,033	531,097

The notes on page 13 to 139 form an integral part of these financial statements.

The Group	**Notes**	**Stated capital**	**Treasury shares**	**Statutory reserve**	**Retained earnings**	**Net property revaluation reserve**	**Other reserves**	**Total equity**
		MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2018								
- As previously stated		32,500,204	(4,875,031)	593,966	1,919,447	120,416	(5,549,797)	24,709,205
- Prior year adjustments	5	-	-	-	(95,443)	-	-	(95,443)
- As restated		32,500,204	(4,875,031)	593,966	1,824,004	120,416	(5,549,797)	24,613,762
Profit for the year		-	-	-	1,346,011	-	-	1,346,011
Other comprehensive loss for the year		-	-	-	(27,802)	(17,689)	(828,870)	(874,361)
Total comprehensive income/(loss) for the year		-	-	-	1,318,209	(17,689)	(828,870)	471,650
Transfer from retained earnings to statutory reserve		-	-	3,108	(3,108)	-	-	-
Revaluation surplus realised on depreciation		-	-	-	39,581	(39,581)	-	-
Dividend	22	-	-	-	(903,632)	-	-	(903,632)
At 31 December 2018 (As restated)		32,500,204	(4,875,031)	597,074	2,275,054	63,146	(6,378,667)	24,181,780
At 01 January 2019 (As restated)		32,500,204	(4,875,031)	597,074	2,275,054	63,146	(6,378,667)	24,181,780
Profit for the year		-	-	-	17,356	-	-	17,356
Other comprehensive (loss)/income for the year		-	-	-	(228,622)	363,590	1,117,648	1,252,616
Total comprehensive income for the year		-	-	-	(211,266)	363,590	1,117,648	1,269,972
Transfer from retained earnings to statutory reserve		-	-	90,000	(90,000)	-	-	-
Revaluation surplus realised on depreciation		-	-	-	43,121	(43,121)	-	-
Transfer to retained earnings		-	-	-	1,078	-	(1,078)	-
Dividend	22	-	-	-	(903,632)	-	-	(903,632)
At 31 December 2019 (As restated)		32,500,204	(4,875,031)	687,074	1,114,355	383,615	(5,262,097)	24,548,120
At 01 January 2020 (As restated)		**32,500,204**	**(4,875,031)**	**687,074**	**1,114,355**	**383,615**	**(5,262,097)**	**24,548,120**
Profit for the year		**-**	**-**	**-**	**1,021,010**	**-**	**-**	**1,021,010**
Other comprehensive (loss)/income for the year		**-**	**-**	**-**	**(695,928)**	**754**	**322,372**	**(372,802)**
Total comprehensive income for the year		**-**	**-**	**-**	**325,082**	**754**	**322,372**	**648,208**
Reclassification of reserves		**-**	**-**	**6,709**	**(10,125)**	**2,285**	**1,131**	**-**
Revaluation surplus realised on depreciation		**-**	**-**	**-**	**53,505**	**(53,505)**	**-**	**-**
Transfer from retained earnings to general reserve		**-**	**-**	**-**	**(589,241)**	**-**	**589,241**	**-**
At 31 December 2020		**32,500,204**	**(4,875,031)**	**693,783**	**893,576**	**333,149**	**(4,349,353)**	**25,196,328**

Other reserves in the Statements of financial position comprise of statutory reserve, net property revaluation reserve and other reserve (Note 39).

The notes on page 13 to 139 form an integral part of these financial statements.

	Note	Stated capital	Treasury shares	Retained earnings	Net unrealised investment fair value reserve	Total equity
The Company		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018		32,500,204	(4,875,031)	1,242,101	(735,588)	28,131,686
Profit for the year		-	-	608,182	-	608,182
Other comprehensive loss for the year		-	-	-	(77,085)	(77,085)
Total comprehensive income /(loss) for the year		-	-	608,182	(77,085)	531,097
Dividend	22	-	-	(903,632)	-	(903,632)
At 31 December 2018 (As restated)		32,500,204	(4,875,031)	946,651	(812,673)	27,759,152
At 01 January 2019 (As restated)		32,500,204	(4,875,031)	946,651	(812,673)	27,759,152
Profit for the year		-	-	737,178	-	737,178
Other comprehensive loss for the year		-	-	-	(9,145)	(9,145)
Total comprehensive income/(loss) for the year		-	-	737,178	(9,145)	728,033
Dividend	22	-	-	(903,632)	-	(903,632)
At 31 December 2019 (As restated)		32,500,204	(4,875,031)	780,197	(821,818)	27,583,553
At 01 January 2020 (As restated)		**32,500,204**	**(4,875,031)**	**780,197**	**(821,818)**	**27,583,553**
Loss for the year		**-**	**-**	**(501,432)**	**-**	**(501,432)**
Other comprehensive loss for the year		**-**	**-**	**(7,290)**	**(591,116)**	**(598,406)**
Total comprehensive loss for the year		**-**	**-**	**(508,722)**	**(591,116)**	**(1,099,838)**
At 31 December 2020		**32,500,204**	**(4,875,031)**	**271,475**	**(1,412,934)**	**26,483,714**

The notes on page 13 to 139 form an integral part of these financial statements.

		The Group			The Company		
			Restated	*Restated*		*Restated*	*Restated*
	Notes	**31 December 2020**	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Net cash from/(used in) operating activities	36	**2,197,241**	2,405,917	(1,552,503)	**(400,801)**	895,232	(2,217,210)
Investing activities							
Acquisition of property and equipment	11(a)	**(224,068)**	(196,296)	(235,021)	**-**	(227)	(4,620)
Acquisition of intangible assets	12	**(153,549)**	(125,695)	(286,758)	**-**	(1,321)	(50)
Disposal of property and equipment		**60,897**	6,808	150,793	**-**	-	-
Acquisition of business		**-**	-	162,158	**-**	-	-
Investment in subsidiaries		**-**	-	-	**(97,825)**	(1,414,766)	(3,819,974)
Acquisition of other equity investments		**-**	-	-	**-**	-	-
Other dividend received	31	**135,175**	199,833	142,801	**274,467**	1,570,456	1,233,068
Net cash (used in)/generated from investing activities		**(181,545)**	(115,350)	(66,027)	**176,642**	154,142	(2,591,576)
Financing activities							
Increase / (decrease) in other borrowed funds		**1,644,145**	1,408,445	(3,807,576)	**-**	-	-
Proceeds from subordinated liabilities debts raised		**-**	-	5,711,211	**-**	-	5,672,085
Dividend paid on ordinary shares	22	**-**	(903,632)	(903,632)	**-**	(903,632)	(903,632)
Capital contribution repayment from subsidiaires		**-**	-	-	**350,000**	-	-
Payment of principal portion of lease liabilities	11(a)	**(266,900)**	(229,319)	-	**-**	-	-
Net cash flow from / (used in) financing activities		**1,377,245**	275,494	1,000,002	**350,000**	(903,632)	4,768,453
Net change in cash and cash equivalents		**3,392,941**	2,566,060	(618,527)	**125,841**	145,742	(40,333)
Expected credit loss allowance on cash and cash equivalents		**3,178**	(38,449)	(59,496)	**-**	-	-
Cash and cash equivalents at start of year		**18,181,126**	15,653,515	16,331,538	**178,632**	32,890	73,223
Cash and cash equivalents at end of year	6	**21,577,245**	18,181,126	15,653,515	**304,473**	178,632	32,890

The notes on page 13 to 139 form an integral part of these financial statements.

1A. GENERAL INFORMATION

SBM Holdings Ltd (the "Company") is a public company incorporated on 18 November 2010 and domiciled in Mauritius. The Company was listed on the Stock Exchange of Mauritius on 03 October 2014 pursuant to a Group restructuring approved by the Bank of Mauritius. The address of its registered office is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

These financial statements comprise the Company and its subsidiaries (together referred to as the "Group")

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

1B. IMPACT OF COVID-19 OUTBREAK

COVID-19 has shaken the world since the beginning of the year 2020. The economic impact of the virus on the Group in particular is difficult to ascertain at this stage. The Group has, however, proactively built up significant liquidity cushion and undertaken a detailed review of its asset portfolio. The asset review has been based on three scenarios of increasing severity to assess the impact on the Group's profitability, liquidity, capital adequacy and asset quality. The results of the stress testing have been presented to and agreed by the Board.

As at 31 December 2020, the increase in the overall credit risk has been factored into the Group's year end results which have resulted in an increase in the provisioning levels.

The environment remains very dynamic and any new information available is promptly fed in our scenarios. The updated results are then reviewed by management and communicated to the Board on a regular basis.

SBM Bank (Mauritius) Ltd

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 that 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 are 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

1B. IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Mauritius) Ltd (Cont'd)

- 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.

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.

1B. IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Mauritius) Ltd (Cont'd)

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

Credit risk (cont'd)

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, and 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.

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.

1B. IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Mauritius) Ltd (Cont'd)

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

Credit risk (cont'd)

"The Bank enhanced its SICR assessment framework using more objective and subjective factors to adapt to this unprecedented 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 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)

SBM Bank (Mauritius) Ltd (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.

1B. IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Mauritius) Ltd (Cont'd)

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.

SBM Bank (India) Limited

The Indian economy, which contracted by 23.9% in the quarter spanning April-June 2020, witnessed a lesser extent of deceleration in the following quarter (July-September 2020) wherein the economy contracted by only 7.5%. The Central Bank has indicated that there were signs of such contraction stemming in the quarter October-December 2020, with the possibility of marginal growth (+0.1%) pending formal announcement of quarterly economic performance. A pick-up in merchandise trade, agriculture and manufacturing activity, in addition to partial easing of lockdown measures across the country, contributed to the initiation of recovery.

COVID-19 infected tally in India had reached 10.3 million as at 31 December 2020, with 149 thousand deaths being reported. While the total number of cases is still growing, the number of daily new cases being reported has declined. The number of daily cases reached its peak in September 2020 (approx. 97,000) and reduced to around 22,000 by the end of December 2020 (further reduction in daily new cases was witnessed in January 2021 to around 13,000). The Union Budget 2021-2022 announced on February 1st, 2021 has allocated INR 350 billion for COVID-19 vaccines (to be supplemented further if required) indicating a deep commitment on the part of the government to eradicate the virus, in addition to addressing the pandemic's economic fallout through various relief packages announced in second and third quarters of 2020.

With the pick-up in economic activity and the improving daily cases' numbers, combined with the possibility of efficient vaccine roll-out, the IMF has projected an 11.5% growth for India in 2021. Meanwhile, World Bank, considering the impact of the economic slowdown witnessed in the course of 2020 and the business and liquidity contraction experienced by various MSME and mid-cap businesses across sectors, has indicated the possibility of a further 9.6% contraction in the Indian economy in 2021 owing to reduced spending, investment and employment.

Therefore a lot of uncertainty still clouds the coming months and the first half of 2021 marks a period of "wait and watch".

1B. IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (India) Limited (Cont'd)

Impact on ECL

Due to the disruptions in economic activities brought about by the COVID-19 pandemic, management has considered the impact on its book within different segments (Corporates and Retail) by considering mild case, medium-risk and worst-case scenarios for ECL exercise. The Bank has considered macroeconomic variables in the computation of the ECL as on 31 December 2020, including the likely COVID-19 impact. Given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty and it is still not possible at this time to predict the extent and nature of the overall future impact on the ECL. However, the bank has developed scenarios aimed to factor in future macroeconomic conditions through management overlays to assess the impact on ECL. The impact will vary with sectors and will be influenced by the extent of trade disruptions, social-distancing and resultant economic slowdown. To begin with we have classified all our exposures into three risk categories; high, medium, and low, based on the sectoral impact of COVID 19 as well as financial impact observed till date on each of the bank's borrowers. Basis 31 December 2020 financials, base case ECL has been determined at MUR 433.7 million.

Other Estimation Uncertainties

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

Management does not expect a significant impact on the carrying value of these items as they are considered to carry low credit risks and less susceptible to changes in value in the event of an economic downturn. Cash and Cash equivalent mainly comprises of the Cash held at teller/ATM and Cash at Vault; mandatory balances with central banks are cash reserves maintained with Reserve Bank of India; there are cash balances held as Cash collaterals with Clearing Corporation of India (regulatory driven central clearing body). Loans and placements with Bank mainly comprise of the excess foreign currency placement with overseas branches of Government owned banks (Public sector Banks) for ultrashort terms mostly on overnight basis.

Derivative Financial Instruments:

Bank currently holds plain vanilla derivative transactions (Short term and long term Forward contracts) on fully matched basis (interbank cover back to back matching client transactions); hence the net impact on the Bank's financial position or profits are expected to be minimal.

Loans to non-bank customers:

There is consensus that COVID 19 will be majorly impacting all global economies including India. The last estimates by World Bank indicated India's GDP to shrink 9.6% in the year 2021. The contraction that India is expected to see in the 2021 might not be uniform; instead it might differ according to various parameters such as state and sector. Agriculture and government sectors are not likely to see any contraction. On 1 September 2020, the Ministry of Statistics and Programme Implementation released the GDP figures for the quarter April-June 2020, which showed a contraction of 23.9%, as mentioned earlier. Since then, however, in the quarter spanning October-December 2020 improvement in some of the clients and sectors was observed. The uncertainties associated with the reining in of COVID 19 pandemic are still significantly impacting many businesses and industries. While sectors like agriculture produce, FMCG, milk and milk produce, food, health care, medical equipment etc., providing products and services of an essential nature, have benefitted in the current environment, some of the sectors like aviation, construction, financial, real estate, hospitality, shipping etc. are affected in a major way and have still to show signs of recovery. It may also be noted that the RBI and Government of India have taken few steps like COVID restructuring and Emergency Credit Line funding against Government guarantee to support companies with COVID stress and mitigate the economic impact of the crisis in various ways. We are tracking our exposures regularly and are in touch with our customers, proactively assessing the situation. The business strategy is being dynamically managed in the evolving situation. The Bank has also carried out stress tests as per regulatory guidelines. Results of which have been separately provided.

1B. IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (India) Limited (Cont'd)

Investment Securities:

For investment securities (fixed income instruments) held in Available for Sale and Held for Trading category, the main impact of COVID-19 will be due to changes in market interest rates and any changes in the credit quality of the instruments. Most of these holdings are High Quality Liquid Assets (Securities issued by Government of India) and hence safeguarded against credit risk. A small portion of securities is also held in Non-Sovereign papers issued by issuers with highest credit ratings. Though the interest rate cycle is at its trough (bottomed out) long-term bond yields are expected to stay in a narrow band of 15 to 20 bp from current levels; as RBI will hold its grip on sovereign borrowing costs and ensure orderly rate environment. Adequate liquidity levels will stay for an extended period of time in CY 21. Hence, management expects the market value of these investments staying more or less stable.

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

Asset is considered as impaired when at the balance sheet date, there is indications that the assets may be impaired and the carrying amount of the asset, or where applicable, the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value-in-use). The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If such recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized as an expense in the Profit and Loss Account. Management is of the view that there will be not be material impairment which may require impact to be recognized in Profit and Loss account.

Deposits from non-bank customers and other borrowed funds:

Bank has been constantly monitoring the Deposits from non-Bank customers. The deposits from non-bank customers have increased between 31 March, 2020 and 31 December, 2020. There has been growth across segments like CASA and Term Deposits; only FCNRB Deposit balances decreased marginally in last quarter. There has been strong focus on liabilities during this period. This has also been supported to an extent by deposit rates being in line with peers at the higher end of the industry. The Bank has been dynamically moderating the interest rates keeping in view the liability strategy, liquidity management and industry trend. The Bank did not have any borrowings from Other Banks (other than RBI) as on 31st December, 2020. Borrowings availed from RBI under the various liquidity enhancement schemes introduced by the Central Bank, constitute collateralized term borrowings from the regulator under Long Term Repo Operations and Targeted Long Term Repo Operations amounting to MUR 113.7 million. Ninety per cent of this borrowing is for long term (3 years maturing in 2023) thus will not have any impact on liquidity movement in near future.

Furthermore, Bank has adequate excess Government Securities, over and above the SLR requirement that can be used to borrow under Liquidity Adjustment Facility of the Reserve Bank of India, if required.

Pension liabilities included in other liabilities:

The Bank does not provide any Pension plans to its employees; hence the same will not be impacted due to COVID-19 situation.

Going concern

In light of the witnessed and anticipated economic impact of COVID-19, Management had conducted a risk analysis and stress test again as at 31 December, 2020 (following earlier testing conducted as at 31 March, 2020 and 30 June, 2020) on the following elements:

1B. IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (India) Limited (Cont'd)

(i) Liquidity risks

Liquidity position of SBM Bank India was comfortable as at 31 March 2020, with Liquidity Coverage Ratio (LCR) at 248%, as against regulatory stipulation of LCR 100% (since reduced to 80%). The bank had High Quality Liquid Assets (HQLA) amounting to MUR 5,095.7 million as against total liability of MUR 13,542.6 million and Deposit of MUR 9,907.6 million as on 31 March 2020. Such HQLA, taken for LCR, are predominantly Government Securities denominated in INR. LCR declined to 143% as on 31 December, 2020, with growth in loan book, but was well above the regulatory requirement of 90% and BIS requirement of 100%. HQLA increased to MUR 5,737.2 million in December 2020 from MUR 5,095.7 million in March 2020 and MUR 5,155.8 million in June 2020.

Net Stable Funding Ratio remained above BIS stipulation of 100% at 154% as at 31 March 2020 and was at 113% as at 31 December, 2020 as the loan portfolio increased from March 2020 to December 2020. The increase in credit led to higher Required Stable Funding and lowered NSFR compared to March 2020. The Contingency Funding Plan, under assumed stress condition, did not require any additional funding as on 31st December 2020 for assumed stress under local problem. The excess liquidity, in form of cash and securities eligible for repo, available with the bank was expected to be sufficient to address probable outflows in event of local problem. Bank had positive cumulative gaps from overnight to two-month bucket, in the Structural Statement of Liquidity (SSL), on 31st December 2020, though there were negative mismatches from more than two months bucket to 5 years bucket these negative gaps were within the risk appetite of the bank. The bank has been monitoring its liquidity level regularly against the backdrop of COVID-19, there has been no significant/major outflows other than on account of loan growth. RBI has been pursuing easing liquidity policy to mellow the economic impact of COVID-19. Bank has conducted liquidity stress test for 30 September 2020 and 31 December 2020, in addition 31 March 2020 and 30 June 2020 on the basis on regulatory guidelines. Stress test results do not indicate major impact on cost or capital in a prescribed stress situation considering the level of extra liquidity available with the bank.

(ii) Interest rate risks

The Bank has assessed the impact, in line with Stress Test prescribed by RBI, that any adverse situation could have on its net interest income basis financial statements as at 31 December, 2020. In the prescribed stressed situation, the impact has been estimated to be MUR 102.9 million on account of Interest Rate Risk in the Banking Book and MUR 16.8 million on account of Interest Rate Risk in the Investment Portfolio. Bank has also calculated the Earnings at Risk at 200 basis point adverse movement of interest rate. The Earnings at Risk is within 25% of annualized NII as on 31 December, 2020 at MUR 74.2 million, which is within the risk appetite of the Bank. Bank maintained Modified Duration for the investment portfolio within its risk appetite as on 31 December, 2020. The Modified Duration of HTM portfolio is below the limit of 6.50 at 6.22 and Modified Duration of AFS is at 0.64 against the limit of 4. The Bank carries moderate interest risk in the trading book of its investment portfolio.

(iii) Capital risks

The Bank's current Capital Adequacy Ratio, as of 31 December 2020, stands at 26.14% compared to the regulatory requirement of 10.875%. The leverage ratio was at 12.70% above the regulatory floor of 3.50%.

Bank has conducted the stress test on Credit Risk, Forex Portfolio, Investment Book, Liquidity Risk, Interest Rate Risk in the Banking Book to assess the impact of Capital Adequacy under assumed stress situation, prescribed by RBI, for its book as on 31 December, 2020. Based on the regulatory stressed situation, the stressed CRAR, as on 31 December 2020, came to 14.62%. The result of stress test based on financials of 31 December 2020 is furnished below. Increase in advances portfolio during 2020 results in Stressed CRAR of 14.62%.

The results of stress test, based on regulatory prescription, indicate that in case such scenario materializes, we will be within regulatory requirement of CRAR; however, the capital of the Bank will fall below the minimum requirement of MUR 2.7 billion.

(iv) Credit risk

Basis financials as on 31 December, 2020, in its mild case scenario, the bank has factored worsening of credit ratings of all the high risk and medium risk clients by one notch. The resultant ECL is MUR 511.6 million (incremental component, over Base Case ECL, of MUR 77.9 million).

1B. IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (India) Limited (Cont'd)

(iv) Credit risk (cont'd)

In its medium risk scenario, the bank has considered two notch downgrades of rating for its high-risk accounts and one notch downgrade for medium risk accounts, with no downgrade for low-risk cases. The resultant total ECL is MUR 712.2 million (an incremental component of MUR 278.5 million).

While in a worst-case scenario, rating downgrade of two notches for high-risk accounts and two notches for medium risk accounts have been considered. The resultant total ECL is MUR 809.0 million (incremental ECL of MUR 375.3 million).

We are tracking our exposures regularly and are in touch with our customers, proactively assessing the situation. The business strategy is being dynamically managed in the evolving situation. The Bank has also carried out stress test as per regulatory guidelines. Results of which have been separately provided.

Banque SBM Madagascar S.A

Madagascar economy has come to a standstill with the spread of the Corona Virus 2019 disease (Covid-19), partly due to the lock down measures since March 2020 and also given that Madagascar is heavily dependent on the tourism sector and the export industry.

The Post COVID-19 impacts in Madagascar economy are also inevitable:
- The annual turnover of most business entities
- The purchasing power of the population has been impacted
- Several closure of business, increase of unemployment
- Depreciation of local currency following the drop in export business, the EURO has increased by 16% compared to the exchange rate prior COVID-19, whereas the USD has increased by 5%.

Impact on the bank following the pandemic COVID-19

The potential impact of COVID-19 pandemic on the balance sheet items of Bank SBM Madagascar are not as significant as we were expecting compared to the main players in the banking sector.

Total assets

The total assets have increased by MUR 0.1 billion from December-2019 to December 2020, representing 4%, mostly in Cash in hand and balance with Central Bank.

For the Loans & advances and T-bills, we note a slight decrease as compared to the Financial Year 2019. Our exposure/operations to the exports of local commodities/tourism/mining are very limited.

Deposits Growth

Deposits growth is almost stable. Deposits from customers are accounted for at amortised cost and therefore, their carrying values are not expected to be affected by Covid-19, except for any impact that the latter may have on the exchange rate of the Ariary vis à vis major currencies. The bank's customers are not so affected by the COVID-19 impact as their sector activities have not been affected considerably and are manageable.

Out total deposits have decreased by 3%, compared to the FY 2019, mainly in Special savings accounts and demand deposits.
We are closely following up for the parastatal deposits and government institutions.

Loans and advances

The Loans & advances have decreased on a yearly basis (2020 VS 2019) by 10% mainly due to the settlement of the liability of one of our main customer.

In line with the extension of the measures taken by the Malagasy authorities, and in order to support the national solidarity effort in the fight against the COVID-19, all the Banks in Malagasy Territory have committed to the following:

1B. IMPACT OF COVID-19 OUTBREAK (CONT'D)

Banque SBM Madagascar S.A (Cont'd)

Loans and advances(cont'd)

- To identify all individuals and companies directly affected by the crisis of COVID-19
- Support affected customers through, some exceptional measures such as deferred payments of loans, granting of special lines of credit.

Exceptional requests received by the Bank SBM Madagascar during last year 2020 do not relate mostly to the COVID-19 impact.

This does not constitute an indicator of deterioration of the Bank Portfolio, and does not require any additional provisions as at 31 December 2020.

Assets impairment

In terms of credit impairment, the bank has not recorded new impaired accounts especially due to the COVID-19.

We note a decrease in the amount of credit impairment from DEC-19 to DEC-20 followings the repayment of one of our big customer.

Going concern

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

Liquidity:

The bank's liquidity position has remained strong and as at 31 December 2020, Liquidity Coverage Ratio (LCR) stood at 113%. This is well above of 100% imposed by the Malagasy Central Bank.

This high level of Liquid Assets is comprised mostly the amount of the Local government securities (Treasury bill) and deposits of some customers.

The bank has been monitoring its liquidity level on a daily basis to ensure that with the impact of Covid-19, there is no significant outflow other than the business as usual.

Capital adequacy

The Bank's current Capital Adequacy Ratio as at December 2020 stands at 21.07% (following the Malagasy Central Bank format) compared to the regulatory requirement of 8%.

Our Capital adequacy ratio will be strengthen also with the reversal of Flamingo expenses & Telecommunications fees until December 2020 in our shareholder's funds (By MUR 0.1 billion), following the decision of the Board of SBM Holdings.

SBM Bank (Kenya) Limited

Initial cases of the COVID-19 (Corona Virus) infection were reported in China towards the end of 2019. The infection quickly spread to many other countries in the world and on 12th March 2020 the World Health Organization (WHO) stated that the global COVID-19 outbreak can be described as a pandemic. The first case of this infection was reported in Kenya on 13 March 2020 and since then other cases have been identified across the country. On overall, the pandemic has resulted in a global economic growth slowdown, with some regions registering negative Gross Domestic Product (GDP) growth in 2020.

Going forward, it is still uncertain as to when the impact of the pandemic will be brought under control and hence global economic re-bounce. Like any other player in the industry, the SBMK future operating income and costs is likely to be affected by the prevailing adverse economic environment arising from the pandemic. Over and above impact on the general business growth, the most substantial future impact that the Bank might encounter is increased credit risk, particularly due to the following:

1B. IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Kenya) Limited(cont'd)

- Declining performance in certain sectors of the economy like hospitality, trade, transport and education sectors hence increased possibility of default.
- Downward changes in credit ratings (both internal and external)
- Increased time to realization of collateral for some portfolios and sectors as well as reassessment of the quality of collateral
- Increased days past due for loans issued
- Macroeconomic factors that have impact on the forward-looking estimates
- Increased modification losses because of the restructurings.

During the reporting period, the Bank operations were normal and uninterrupted. Whereas the pandemic outbreak will have some effect on the future business performance, in consideration of the mitigating actions taken at both Bank and National level, the directors of SBMK are of the opinion that the effect will not be material.

Significant judgement and estimates impacted by COVID-19

a. Impairment provisions on advances

Incorporating forward-looking information

SBMK continuously conducts periodic stress tests on the loan assets to assess whether any conditions exist that confirms significant increase in credit risk arising from the impacts of the COVID-19. As of the date of approval of the financial statement of SBMK no significant increase in credit risk had been observed.

Significant judgement and estimates associated with the COVID-19 pandemic include impairment provision on advances. In determining the level of impairment required, SBMK took into account all current economic factors as well as forward looking information.

Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the forward-looking assumptions for the purposes of expected credit loss (ECL) calculation was availed and taken into account. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19, these scenarios represented reasonable and supportable forward-looking views as at SBMK reporting date.

The Credit model inputs and assumptions including forward looking macro-economic assumptions were adjusted in response to the COVID-19 pandemic with the fundamental credit model mechanics and methodology underpinning SBMK calculation of ECL remaining consistent with prior periods.

The Bank's lending to the top three sectors as at end of 2020 was as follows:
Trade sector at 23% same as 2019
Manufacturing sector at 18% compared to 2019 at 12%
Personal and household sector at 17% compared to 2019 at 20%

b. COVID-19 debt relief measures provided to customers

SBMK implemented support measures to customers impacted by COVID-19 through repayment deferral arrangements that were deemed continuation of customers' existing loans and were therefore accounted for as non-substantial loan modifications.

In consideration of the impact of the pandemic on customers' businesses, the Bank modified some of the loans from various sectors, at the request of the customers, totaling Mur 1.7 billion, which constituted 13.6% of the gross exposure as at 31^{st} December 2020. The modifications did not result in material change in present value of the future contractual cash flows. The Bank continues to monitor performance of the loans modified in consideration of the impact of the pandemic.

1B. IMPACT OF COVID-19 OUTBREAK (CONT'D)

SBM Bank (Kenya) Limited(cont'd)

c. ***Fair value measurement***

SBMK assessed valuation techniques for financial instruments to determine the impact that the market volatility introduced by COVID-19 has had on the fair valuation measurements of these instruments. In carrying out the assessment, inputs that are reflective of market participation were considered as opposed to Bank specific inputs.

Other subsidiaries

Impact on going concern

The management concludes that the impact of the COVID-19 on it other subsidiaries within the Group business, does not cast doubt upon the Group's ability to continue as going concern. The Group undertakes to inject any capital requirements to any other subsidiaries.

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

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

(a) New and revised IFRSs and IFRICs that are effective for the financial year

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 Group 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 Group 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 Group 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 Group.

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

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

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 January 2022)

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)

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

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

> The Group's internal credit grading model, which assigns PDs to the individual grades;
> The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a long term ECL basis and the qualitative assessment;
> The segmentation of financial assets when their ECL 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 Group'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. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.3 Other estimations

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

(i) Assessment of useful lives - Note 11
(ii) Pension benefits - Note 14
(iii) Fair value of other financial assets and liabilities - Note 40 (a)
(iv) Incremental borrowing rate used to determine the value of rights of use assets.-Note 11b

Judgement

3.4 Going Concern

Directors have made an assessment of the Group's and the Company's ability to continue as a going concern and are satisfied that the Group and the Company 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 Group's and the Company's ability to continue as a going concern. Hence, these financial statements continue to be prepared on the going concern basis.

3.5 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determine 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 and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of The Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid for to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. In estimating the fair value of an asset or liability the Group and the Company takes into account the characteristics of the asset or liability if market participants would take into account those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of 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

These 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 MauritiusCompanies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004.

(c) Basis of consolidation

The financial statements comprise the financial statements of SBM Holdings Ltd and its subsidiaries as at 31 December 2020 and with comparatives of 2019 and 2018.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

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

(c) Basis of consolidation(Cont'd)

The Company re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated on consolidation.

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

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

(d) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

(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 prevailing at that date.

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

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

(e) Foreign currency translation (Cont'd)

(iv) Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the statements of profit or loss and other comprehensive income ('OCI') for the year. When a gain or loss on a non-monetary item is recognised in equity, any exchange component of that gain or loss shall be recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the statements of profit or loss and other comprehensive income, any exchange component of that gain or loss shall be recognised in the statements of profit or loss and other comprehensive income.

(v) Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

(vi) On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupee at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

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

	31 December 2020	**31 December 2019**	31 December 2018
INR / MUR	**0.541**	**0.513**	0.491
100 MGA / MUR	**1.340**	**1.008**	0.988
KES/MUR	**0.362**	**0.362**	0.337
SCR/MUR	**1.891**	**2.6878**	-

The average rates for the following years are:

	31 December 2020	**31 December 2019**	31 December 2018
INR / MUR	**0.533**	**0.505**	0.497
100 MGA / MUR	**1.043**	**0.983**	1.0181
KES/MUR	**0.3708**	**0.348**	0.3393
SCR/MUR	**2.2352**	**2.6391**	-

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

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

(f) Financial instruments

Financial instruments - initial recognition

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

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 7, 8 and 9. Financial instruments are initially measured at their fair value (as defined in Note 7, 8 and 9), 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 Group 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 Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:
• Amortised cost, as explained in Note 8 and 9;
• FVTOCI, as explained in Note 8 and 9; and

The Group classifies and measures its derivative and trading portfolio at FVTPL as explained in Notes 7 and 9. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 9.

Business model assessment

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

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

4. SUMMARY OF SIGINIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Reclassifications

If the business model under which the entity holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the financial assets. During the current financial year there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made.

The solely payments of principal and interest (SPPI) test

As a second step of its classification process the Group 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 Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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

Other financial assets

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

(g) Derecognition of financial assets

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

(h) Impairment of financial assets

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

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

Cumulative gains or losses previously recognised in other comprehensive income are reclassified to the statements of profit or loss.

4. SUMMARY OF SIGINIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment of financial assets (Cont'd)

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

(i) Financial liabilities and equity instruments

(i) Classification as debt or equity

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

(ii) Equity instruments

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

(iii) Financial liabilities

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

(iv) Financial guarantee contract

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

(v) Derecognition of financial liabilities

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

(j) 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.

(k) Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements 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.

(m) 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.

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

5. PRIOR YEARS ADJUSTMENTS

The Group and the Company have restated their 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 these financial statements.

The Group
Impact as at 01 January

	01 January 2018		
	As previously reported	**Adjustments**	**As restated**
	MUR' 000	**MUR' 000**	**MUR' 000**
Shareholder's equity			
Retained earnings	1,919,447	(95,443)	1,824,004

Impact as at 31 December

	31 December 2019			31 December 2018		
	As previously reported	**Adjustments**	**As restated**	**As previously reported**	**Adjustments**	**As restated**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Assets						
Loans to and placements with banks	9,240,131	(2,297,386)	6,942,745	11,090,361	(2,507,947)	8,582,414
Derivative financial instruments	874,269	61,824	936,093	764,077	115,665	879,742
Loans and advances to non-bank customers	109,396,640	79,349	109,475,989	102,108,174	-	102,108,174
Property and equipment	4,088,213	(759,905)	3,328,308	3,153,914	-	3,153,914
Rights-of-use assets	-	759,905	759,905	-	-	-
Other assets	3,159,878	76,120	3,235,998	1,655,659	23,527	1,679,186
Liabilities						
Other borrowed funds	15,670,968	(2,297,935)	13,373,033	14,522,085	(2,557,497)	11,964,588
Derivative financial instruments	881,176	245,188	1,126,364	799,441	209,730	1,009,171
Lease liability	-	795,345	795,345	-	-	-
Pension liability	-	338,875	338,875	-	173,055	173,055
Current tax liabilities	536,283	175,788	712,071	495,964	6,145	502,109
Other liabilities	8,824,992	(1,367,590)	7,457,402	6,706,294	(205,056)	6,501,238
Shareholder's equity						
Retained earnings	1,107,260	7,095	1,114,355	2,270,280	4,774	2,275,054
Other reserves	(4,214,549)	23,141	(4,191,408)	(5,718,447)	-	(5,718,447)
Impact for the year ended 31 December						
Interest income	10,644,090	(10,644,090)	-	8,816,856	(8,816,856)	-
Interest income using the effective interest rate method	-	10,813,591	10,813,591	-	9,013,230	9,013,230
Other interest income	-	147,557	147,557	-	265,771	265,771
Interest expense	(4,156,726)	4,156,726	-	(2,971,513)	2,971,513	-
method	-	(4,155,476)	(4,155,476)	-	(2,949,881)	(2,949,881)
Other interest expense	-	(163,906)	(163,906)	-	(274,326)	(274,326)
Net interest income	6,487,364	154,402	6,641,766	5,845,343	209,451	6,054,794
Net fee and commission income						
Fees and commission income	1,616,807	(140,263)	1,476,544	1,307,329	(138,276)	1,169,053
Other income						
Profit arising from dealing in foreign currencies	381,611	(381,611)	-	758,677	(758,677)	-
Net gain from financial instruments	107,592	(107,592)	-	509,849	(509,849)	-
Net gain on sale of securities	665,904	(665,904)	-	204,458	(204,458)	-
Dividend income	223,076	(223,076)	-	110,051	(110,051)	-
Other operating income	4,493	223,076	227,569	1,073,651	116,115	1,189,766
Net trading income	-	1,234,987	1,234,987	-	1,634,949	1,634,949
Net losses from financial assets at FVTPL	-	(153,946)	(153,946)	-	(136,756)	(136,756)
Net gains on derecognition of financial assets measured at amortised cost	-	27,110	27,110	-	33,179	33,179
Net gains on derecognition of financial assets measured at FVTOCI	-	231,379	231,379	-	4,321	4,321
Non-interest expense						
Depreciation of property and equipment	(476,839)	207,872	(268,967)	(205,246)	-	(205,246)
Depreciation of right-of-use assets	-	(204,214)	(204,214)	-	-	-
Other expenses	(1,873,960)	(279,009)	(2,152,969)	(1,919,132)	(34,360)	(1,953,492)
Bank levy	(171,368)	171,368	-	-	-	-

5. PRIOR YEARS ADJUSTMENTS (Cont'd)

	31 December 2019			31 December 2018		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit/(loss) before credit loss expense	3,419,427	109,993	3,529,420	5,080,886	105,588	5,186,474
Credit loss (expense)/credit on financial assets and memorandum items	(2,996,142)	79,933	(2,916,209)	(3,559,350)	-	(3,559,350)
Profit before income tax	562,522	189,928	752,450	1,621,776	105,587	1,727,363
Tax expense/(credit)	(547,487)	(169,642)	(717,129)	(375,982)	(3,972)	(379,954)
Profit for the year	15,035	2,321	17,356	1,245,794	100,217	1,346,011
Total other comprehensive income	1,229,475	23,141	1,252,616	(874,361)	-	(874,361)
Total comprehensive income for the year	1,244,510	25,462	1,269,972	371,433	100,217	471,650

The Company

Impact as at 31 December	31 December 2019			31 December 2018		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Liabilities						
Derivative financial instruments	-	47,645	47,645	-	19,356	19,356
Pension liability	-	2,459	2,459	-	-	-
Other liabilities	117,340	(4,752)	112,588	91,777	(303)	91,474
Shareholder's equity						
Retained earnings	825,549	(45,352)	780,197	965,704	(19,053)	946,651
Impact for the year ended 31 December						
Interest income	68,079	(68,079)	-	77,913	(77,913)	-
Interest income using the effective interest rate method	-	77,863	77,863	-	84,566	84,566
Interest expense	(476,589)	476,589	-	(309,019)	309,019	-
Interest expense using the effective interest rate method	-	(476,589)	(476,589)	-	(309,019)	(309,019)
Other interest expense	-	(9,784)	(9,784)	-	(6,653)	(6,653)
Net interest income	(408,510)	-	(408,510)	(231,106)	-	(231,106)
Other income						
Profit arising from dealing in foreign currencies	(289,253)	289,253	-	(29,695)	29,695	-
Net gain from financial instruments	17,879	(17,879)	-	-	-	-
Net gain on sale of securities	6,767	(6,767)	-	27,614	(27,614)	-
Other operating income	-	1,570,456	1,570,456	-	1,233,068	1,233,068
Dividend income	1,570,456	(1,570,456)	-	1,233,068	(1,233,068)	-
Net losses from financial assets at FVTPL	-	(8,422)	(8,422)	-	(19,053)	(19,053)
Net gains on derecognition of financial assets measured at amortised cost	-	6,396	6,396	-	28,408	28,408
Net gains on derecognition of financial assets measured at FVTOCI	-	371	371	-	(794)	(794)
Other expenses	(49,096)	(289,251)	(338,347)	(253,729)	(29,695)	(283,424)
Profit for the year	763,477	(26,298)	737,178	627,235	(19,053)	608,182

5. PRIOR YEARS ADJUSTMENTS (Cont'd)

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

In prior years, one of the subsidiaries was accounting for cross currency swaps (CCS) on the statements of financial position on the basis that there was an exchange of principal at inception of those contracts. However, the subsidiary 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 5.3 million for 2019 and MUR 3.6 million was reclassified to derivative financial asset and interest payable on the CCS of MUR 5.3 million for 2019 and MUR 23.2 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 28 million for 2019 and MUR (119.3) million for 2018. An amount of MUR 95.4 million was adjusted against opening reserves at 01 January 2018 for 2017 impact.

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 66.5 million for 2019 and MUR 76.1 million has been reclassified from other assets to derivative financial assets.
- Interest payable on derivatives of MUR 23.5 million for 2019 and MUR 24.4 million has been reclassified from other liabilities to derivative financial liabilities.
- Interest payable on derivatives of MUR 144.1 million for 2019 and MUR 99.7 million has been reclassified from other assets to derivative financial liabilities.

The netting of interest receivable, payable and mark-to-market (MTM) on some of its derivatives was not being accounted properly. The subsidiary has reassessed the impact and a net of MUR (8.9) million in 2019 and MUR 15.0 million in 2018 was reclassified from derivative financial assets to derivative financial liabilities.

The subsidiary omitted to record MTM on its back to back collar option deals. The Group restated an MTM of MUR 42.8 million in 2019 and MUR 40.0 million in 2018 in derivative financial assets and liabilities respectively.

b. Change in the classification of investment in mutual funds

The subsidiary was classifying an investment in a mutual fund under the Fair Value Through Other Comprehensive Income (FVTOCI) category. The subsidiary 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 is now classified under the Fair Value Through Profit or Loss (FVTPL) category and the fair value movement from reserves to the statements of profit or loss. These financial statements have been restated accordingly. The amount of investments for 2019 was MUR 159.9 million and MUR 171.3 million for 2018 and the fair value movement amounted to MUR 23.1 million for 2019 and nil for 2018.

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 subsidiary 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 171.4 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. Reversal of excess expected credit losses

Another subsidiary has recognised a provision amounting to MUR 79.3 million on its loans and advances which was excess of the expected credit losses recognised under IFRS 9 in the Group's financial statements year ended 31 December 2019. Management has corrected the 2019 statements of profit or loss to reverse the excess provision.

e. Accounting for interest rate swap

The Company has entered into an interest rate swap contract with its subsidiary in 2018. The derivative contract was not fair valued as required by IFRS 9 at 31 December 2018 and 2019. The resulting fair value amounting to MUR 47.6 million at 31 December 2019 and MUR19.4 million at 31 December 2018 were adjusted in the statements of financial position as at these dates. The corresponding adjustment to the statements of profit or loss amount to MUR 26.3 million for the year 2019 and MUR 19.1 million for the year 2018. The Group figures were also restated as these were not eliminated on consolidation in 2018 and 2019.

f. Other reclassifications

The Group and the Company 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 between interest income and interest expense arising on derivatives used for risk management purpose following analysis made by deals.

(iii) Reclassifications of gain/loss on disposal of financial assets held for trading to net trading income.

(iv) Presentation of gain/loss on disposal of financial assets measured at amortised cost in a separate line item on the face of the statements of profit or loss.

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

(vi) Presentation of the financial performance of SBMBS as a separate line following the Management's decision to wind up the subsidiary.

6. CASH AND CASH EQUIVALENTS

Accounting policy

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

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

	The Group			The Company		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Cash in hand	**2,016,632**	2,884,293	3,211,813	**-**	-	-
Foreign currency notes and coins	**1,318,174**	33,579	293,161	**-**	-	-
Unrestricted balances with central banks [1]	**11,290,418**	4,480,589	1,830,100	**-**	-	-
Loans to and placements with banks[2]	**2,543,251**	2,215,105	3,563,925	**-**	-	-
Balances with banks	**4,410,441**	8,572,409	6,797,814	**304,473**	178,632	32,890
	21,578,916	18,185,975	15,696,813	**304,473**	178,632	32,890
Less: allowance for credit losses	**(1,671)**	(4,849)	(43,298)	**-**	-	-
	21,577,245	18,181,126	15,653,515	**304,473**	178,632	32,890

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

	THE GROUP		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
	Stage 1	Stage 1	Stage 1
ECL allowance as at 01 Janaury	**4,849**	43,298	-
Movement for the year	**1,671**	4,849	43,298
Assets repaid	**(4,849)**	(43,298)	-
ECL allowance as at 31 December	**1,671**	4,849	43,298

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

7. LOANS TO AND PLACEMENTS WITH BANKS

Accounting policy

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

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

	The Group		
		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**	2,482,043	5,039,036
- Outside Mauritius	**2,797,237**	4,486,183	3,580,345
	3,150,745	6,968,226	8,619,381
Less: allowance for credit losses	**(20,358)**	(25,481)	(36,967)
	3,130,387	6,942,745	8,582,414
Remaining term to maturity			
Up to 3 months	**47,293**	2,158,912	2,983,998
Over 3 months and up to 6 months	**1,257,394**	2,637,285	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	6,968,226	8,619,380

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

Credit loss allowance for loans to and placement with banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are explained in Note 40 and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 9.

	31 December 2020	31 December 2019	31 December 2018
	Total	Total	Total
	Stage 1	Stage 1	Stage 1
Internal rating grade	**MUR'000**	MUR'000	MUR'000
Performing			
High grade	-	2,003,522	342,903
Standard grade	**2,807,724**	3,719,888	5,039,802
Sub-standard grade	**343,021**	1,244,816	3,236,676
Total	**3,150,745**	6,968,226	8,619,381

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

	31 December 2020	31 December 2019	31 December 2018
	Total	Total	Total
	Stage 1	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 1 January	**6,968,226**	8,619,381	5,746,997
Financial assets originated or purchased	**2,698,297**	4,535,728	5,362,749
Financial assets derecognised or repaid	**(6,589,629)**	(6,342,254)	(2,488,856)
Foreign exchange adjustments	**73,851**	155,371	(1,509)
At 31 December	**3,150,745**	6,968,226	8,619,381

	31 December 2020	31 December 2019	31 December 2018
	Total	Total	Total
	Stage 1	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000
ECL allowance as at 1 January	**25,481**	36,967	16,091
New assets originated or purchased	**18,004**	5,801	54,984
Assets repaid (excluding write offs)	**(22,614)**	(17,394)	(34,108)
Discontinued operations of SBMBS	**(513)**	-	-
Foreign exchange adjustments	-	107	-
ECL allowance as at 31 December	**20,358**	25,481	36,967

8. DERIVATIVE FINANCIAL INTRUMENTS

Accounting policy

Derivative financial instruments

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

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

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

the Group and the Company 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 Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

8. DERIVATIVE FINANCIAL INTRUMENTS (CONT'D)

Accounting policy (Cont'd)

Fair value hedges

In accordance with its wider risk management, as set out in Note 40(d)(i), it is the Group's strategy to apply fair value hedge accounting to keep interest rate sensitivities within its established limits. Applying fair value hedge accounting enables the Group to reduce fair value fluctuations of fixed rate financial assets and liabilities as if they were floating rate instruments linked to the attributable benchmark rates. From a hedge accounting point of view, the Group designates the hedged risk as the exposure to changes in the fair value of a recognised financial asset or liability or an unrecognised firm commitment, or an identified portion of such financial assets, liabilities or firm commitments that is attributable to a particular risk and could affect profit or loss. The Group only hedges changes due to interest rates such as benchmark rates (e.g. LIBOR), which are typically the most significant component of the overall fair value change. The Group assesses hedge effectiveness by comparing fair value movements of the hedging instruments and the hedged items attributable to changes in these benchmark rates using the hypothetical derivative method as set out above.

In accordance with its hedging strategy, the Group matches the principal of the hedging instruments to the principal of the hedged items, including prepayment expectations. The Group uses pay fixed/receive floating interest rate swaps to hedge its fixed rate debt instruments and pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities. The Group applies only a micro fair value hedging strategy as set out under the relevant subheadings below.

Hedge ineffectiveness can arise from:
• Differences in timing of cash flows of hedged items and hedging instruments.
• Different interest rate curves applied to discount the hedged items and hedging instruments.
• Derivatives used as hedging instruments having a non-nil fair value at the time of designation.
• The effect of changes in counterparties' credit risk on the fair values of hedging instruments or hedged item.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the 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.

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

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

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Group decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Group discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit or loss.

For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at FVOCI, 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.

8. DERIVATIVE FINANCIAL INTRUMENTS (CONT'D)

	The Group		
	31 December 2020	Restated 31 December 2019	Restated 31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Assets			
Derivative assets	**809,379**	936,093	879,742
Liabilities			
Derivative liabilities	**1,279,984**	1,126,364	1,009,171

	The Company		
	31 December 2020	Restated 31 December 2019	Restated 31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Trading Liabilities			
Derivative liabilities	**41,524**	47,645	19,356

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

The Group	**Notional Principal Amount**	**Fair Values Assets**	**Fair Values Liabilities**
	MUR' 000	**MUR' 000**	**MUR' 000**
31 December 2020			
Derivatives held for trading			
Foreign exchange contracts*	**32,091,286**	**229,597**	**(242,497)**
Cross currency swaps	**5,050,377**	**241,609**	**(163,384)**
Other derivative contracts	**5,750,536**	**252,074**	**(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**	**85,954**	**(577,610)**
	66,978,012	**809,379**	**(1,279,984)**
31 December 2019 (As restated)			
Foreign exchange contracts*	42,455,045	631,353	(430,779)
Cross currency swaps	1,159,579	90,972	(56,421)
Other derivative contracts	17,682,461	179,057	(220,731)
Derivatives held for risk management purposes			
Foreign exchange contracts*	3,144,009	4,239	-
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	18,786,898	30,471	(418,433)
	83,227,992	936,092	(1,126,364)
31 December 2018 (As restated)			
Foreign exchange contracts*	32,522,758	258,257	(174,969)
Cross currency swaps	1,159,362	469,507	(419,291)
Other derivative contracts	23,896,447	152,938	(217,783)
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	16,623,585	(960)	(197,128)
	74,202,152	879,742	(1,009,171)
The Company			
31 December 2020			
Interest rate swap contracts	2,571,602	-	(41,524)
31 December 2019 (As restated)			
Interest rate swap contracts	2,380,835	-	(47,645)
31 December 2018 (As restated)			
Interest rate swap contracts	2,228,584	-	(19,356)

* Foreign exchange contracts include foreign swaps, forward and spot contracts.

9. LOANS AND ADVANCES TO NON-BANK CUSTOMERS

Accounting policy

The Group 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(e).
In cases where, as part of the Group'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.

	The Group		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000 *Restated*	MUR' 000
Retail customers	**41,555,983**	39,586,963	32,121,254
Credit cards	**510,114**	584,532	606,448
Mortgages	**27,601,971**	25,507,821	22,478,894
Other retail loans	**13,443,898**	13,494,610	9,035,912
Corporate customers	**47,903,770**	46,543,416	44,638,968
Governments	**7,705**	8,515	9,315
Entities outside Mauritius (including offshore / Global Business Licence Holders)	**46,515,477**	35,594,084	35,656,506
	135,982,935	121,732,978	112,426,043
Less allowance for credit impairment (Note9 (c))	**(15,743,574)**	(12,256,989)	(10,317,869)
	120,239,361	109,475,989	102,108,174

a. Remaining term to maturity

Up to 3 months	**12,112,549**	12,705,070	15,712,905
Over 3 months and up to 6 months	**4,181,785**	3,984,337	3,662,406
Over 6 months and up to 12 months	**10,873,328**	7,759,014	10,214,335
Over 1 year and up to 2 years	**12,481,660**	8,090,422	9,471,038
Over 2 years and up to 5 years	**25,591,882**	23,850,257	20,731,023
Over 5 years	**70,741,732**	65,343,878	52,634,336
	135,982,935	121,732,978	112,426,043

Out of the MUR 120.24 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 40(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 Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

The group acts as lessor of several items like car and equipment. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Group 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:-

	The Group			
	Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 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)**
				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	1,406,069
Credit loss expense				(45,769)
				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.

c. Credit losses on loans and advances to non-bank customers

Accounting policy

The Group recognises allowance for allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in note 40. The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

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

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

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

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

Accounting policy (Cont'd)

The calculation of ECLs

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

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
• PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in note 44.
• 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 40.
• LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 40.

When estimating the macro-economic variables used in ECL calculation, the Group 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 quarterly default rates. For the different segments, different features including macro-economic variables have been chosen for inclusion in the logit models based on their statistical significance in explaining defaults as well as intuitiveness of the coefficients.

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.

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 is used for the LGD parameter.

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

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

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

Stage 1:	The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3:	For loans considered credit-impaired , the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

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

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

Accounting policy (Cont'd)

Loan commitments and letters of credit:

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within other liabilities.

Financial guarantee contracts:

The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statements of profit or loss, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within other liabilities.

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 Group only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Credit cards and other revolving facilities

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

Forward looking information

In its ECL models, the Group 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 the Goup'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.

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

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

Accounting policy (cont'd)

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Group's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the consolidated statements of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

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

Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statements of financial position.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forborne and modified loans

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

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

When the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6-9 months probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:
• All of its facilities has to be considered performing
• The probation period of two years has passed from the date the forborne contract was considered performing
• Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
• 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 Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective

Statutory portfolio allowance

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

Allowance for credit losses in respect of on-balance sheet items is deducted from the applicable asset whereas the allowance for credit impairment in respect of off-balance sheet items is included in Other liabilities in the statements of financial position. Changes in the carrying amount of the allowance accounts are recognised in the statements 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 on financial assets and memorandum items" in the statements of profit or loss.

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

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

Significant accounting estimates and judgements

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

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

In relation to credit impaired facilities, the Group determines expected credit losses by estimating the shortfall between the present value of expected cash flows and the present value of contractual cash flows. The estimation of expected cash flows is inherently judgmental 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. Impairment losses 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 Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are set out in note 40 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in this same note above.

	31 December 2020			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	41,942,338	1,442,105	-	43,384,443
Standard grade	44,793,986	8,836,941	-	53,630,927
Sub-standard grade	11,176,371	7,333,128	-	18,509,499
Past due but not impaired	-	1,736,224	-	1,736,224
Non-performing				
Individually impaired	-	-	18,721,842	18,721,842
Total	97,912,695	19,348,398	18,721,842	135,982,935

	31 December 2019			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	38,369,120	858,047	239,536	39,466,703
Standard grade	34,933,187	5,950,770	293,978	41,177,935
Sub-standard grade	8,934,272	9,076,157	-	18,010,429
Past due but not impaired	-	7,064,523	-	7,064,523
Non-performing				
Individually impaired	-	167,848	15,845,540	16,013,388
Total	82,236,579	23,117,345	16,379,054	121,732,978

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

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

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

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

	31 December 2020			
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 1 January 2020	83,236,579	23,117,345	16,379,054	122,732,978
Financial assets originated or purchased	32,547,701	4,355,865	10,710	36,914,276
Assets derecognised or repaid (excluding write offs)	(22,146,087)	(5,223,549)	(9,790,782)	(37,160,418)
Assets impaired during the year	-	-	4,624,291	4,624,291
Transfers to Stage 1	5,469,560	(5,541,634)	72,074	-
Transfers to Stage 2	(5,841,320)	5,905,478	(64,158)	-
Transfers to Stage 3	(103,176)	(3,918,216)	4,021,392	-
Changes to contractual cash flows due to modifications not resulting in derecognition	2,110,013	(318,251)	2,475,216	4,266,978
Amounts written off			(8,904)	(8,904)
Foreign exchange adjustments	2,639,425	971,360	1,002,949	4,613,734
Gross carrying amount as at 31 December 2020	97,912,695	19,348,398	18,721,842	135,982,935

	31 December 2019			
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 1 January 2019	61,266,857	32,926,111	18,233,075	112,426,043
Financial assets originated or purchased	31,249,039	7,513,169	473,898	39,236,106
Assets derecognised or repaid (excluding write offs)	(16,923,064)	(11,415,773)	(3,118,382)	(31,457,219)
Assets impaired during the year	-	-	757,439	757,439
Transfers to Stage 1	11,357,786	(11,031,690)	(326,096)	-
Transfers to Stage 2	(5,950,563)	6,026,778	(76,215)	-
Transfers to Stage 3	(312,532)	(1,083,518)	1,396,050	-
Changes to contractual cash flows due to modifications not resulting in derecognition	498,461	(342,182)	(36,968)	119,311
Amounts written off	-	-	(1,438,755)	(1,438,755)
Foreign exchange adjustments	1,050,595	524,450	515,008	2,090,053
Gross carrying amount as at 31 December 2019	82,236,579	23,117,345	16,379,054	121,732,978

	31 December 2018			
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 1 January 2018	75,445,032	26,480,391	5,272,417	107,197,840
Financial assets originated or purchased	10,905,285	25,170,193	5,522,575	41,598,053
Assets derecognised or repaid (excluding write offs)	(16,425,767)	(15,837,821)	(1,442,658)	(33,706,246)
Transfers to Stage 1	12,724,891	(10,999,679)	(1,725,212)	-
Transfers to Stage 2	(8,476,034)	8,726,829	(250,795)	-
Transfers to Stage 3	(11,626,953)	(157,262)	11,784,215	-
Foreign exchange adjustments	(1,279,597)	(456,540)	(927,467)	(2,663,604)
Gross carrying amount as at 31 December 2018	61,266,857	32,926,111	18,233,075	112,426,043

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

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

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

	31 December 2020			
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2020	267,653	2,346,058	9,643,278	12,256,989
Movement for the year	373,556	726,757	3,755,116	4,855,429
Allowance on new financial assets	96,919	57,312		154,231
Assets derecognised or repaid (excluding write offs)	(471,231)	(275,146)	(1,036,393)	(1,782,770)
Transfers to Stage 1	234,020	(204,911)	(29,109)	-
Transfers to Stage 2	(56,878)	57,859	(981)	-
Transfers to Stage 3	2,344	(1,161,098)	1,158,754	-
Remeasurement of loss allowance	62,060	(62,046)	439,347	439,361
Impact of ECL on transfers	-	-	-	-
Recoveries			-	-
Amounts written off			(219,973)	(219,973)
Foreign exchange adjustments	(510)	8,342	32,475	40,307
At 31 December 2020	**507,933**	**1,493,127**	**13,742,514**	**15,743,574**

	31 December 2019			
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2019	147,612	1,634,218	8,536,039	10,317,869
Movement for the year	512,205	1,488,206	3,685,092	5,685,503
Assets derecognised or repaid (excluding write offs)	(400,042)	(279,836)	(643,564)	(1,323,442)
Transfers to Stage 1	425,462	(280,018)	(145,444)	-
Transfers to Stage 2	(73,746)	132,305	(58,559)	-
Transfers to Stage 3	(10,509)	(163,935)	174,444	-
Changes to contractual cash flows due to modifications not resulting in derecognition	27,370	(22,152)	231	5,449
Changes to models and inputs used for ECL calculations	(5,736)	(62,430)	(36,127)	(104,293)
Impact of ECL on transfers	(363,926)	(114,964)	116,623	(362,267)
Recoveries	-	-	(840,365)	(840,365)
Amounts written off	-	-	(1,423,620)	(1,423,620)
Foreign exchange adjustments	8,963	14,664	278,528	302,155
At 31 December 2019	**267,653**	**2,346,058**	**9,643,278**	**12,256,989**

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
ECL allowance	MUR'000	MUR'000	MUR'000	MUR'000
As at 1 January	25,083	1,302,777	2,741,142	4,069,002
Movement for the year	53,432	236,793	6,387,154	6,677,379
Assets derecognised or repaid (excluding write offs)	18,017	31,801	(724,703)	(674,885)
Transfers to Stage 1	6,558	(3,007)	(3,551)	-
Transfers to Stage 2	(1,000)	6,603	(5,603)	-
Transfers to Stage 3	(67,398)	(4,135)	71,533	-
Remeasurement of loss allowance	112,920	63,386	70,067	246,374
At 31 December	**147,612**	**1,634,218**	**8,536,039**	**10,317,869**

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

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

Group	Gross amount of loans (31 December 2020)	Impaired loans (31 December 2020)	Specific allowance for credit impairment (31 December 2020)	Portfolio allowance for credit impairment (31 December 2020)	Total allowances for credit impairment (31 December 2020)	31 December 2019 Total allowances for credit impairment	31 December 2018 Total allowances for credit impairment Restated
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	MUR' 000	MUR' 000
Agriculture and fishing	**4,884,288**	**916,528**	**407,510**	**35,988**	**443,498**	173,333	213,832
Manufacturing	**12,257,856**	**1,246,358**	**838,904**	**144,637**	**983,540**	1,059,951	1,545,056
of which EPZ	***1,778,560***	***26,531***	***3,942***	***22,840***	***26,782***	*35,333*	*17,118*
Tourism	**16,326,449**	**267,751**	**90,110**	**365,930**	**456,040**	274,924	292,249
Transport	**3,745,354**	**1,398,448**	**1,037,958**	**33,866**	**1,071,824**	1,159,502	1,139,307
Construction	**11,705,352**	**805,954**	**607,453**	**399,245**	**1,006,698**	441,145	617,914
Financial and business	**9,383,774**	**808,945**	**728,601**	**111,011**	**839,612**	630,641	406,414
Traders	**14,678,244**	**7,337,548**	**5,298,519**	**168,214**	**5,466,733**	4,736,893	3,482,486
Personal	**42,908,381**	**1,730,230**	**1,223,038**	**532,278**	**1,755,316**	1,641,672	1,768,163
of which credit cards	***577,282***	***65,439***	***64,140***	***6,202***	***70,341***	*48,255*	*93,484*
Professional	**379,839**	**82,718**	**82,718**	**8,913**	**91,631**	76,405	104,055
Global Business Licence holders	**8,565,272**	**1,248,424**	**1,096,615**	**14,089**	**1,110,705**	646,597	105,568
Others	**11,148,126**	**2,878,938**	**2,331,088**	**186,889**	**2,517,977**	1,415,926	642,825
	135,982,935	**18,721,842**	**13,742,514**	**2,001,060**	**15,743,574**	12,256,989	10,317,869

Total impaired loans for 2019 for the Group were MUR 16,379 million (2018: MUR 18,233 million).

10(a) INVESTMENTS 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 securities measured at FVTOCI; and
- Equity investments designated as FVTOCI.

Debt instruments at FVTPL

The Group 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. FVTPL assets are recorded and measured in the statements 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.

The Group also classifies assets with contractual cash flows that are not SPPI as financial assets at FVTPL.

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 Group 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.

Significant accounting estimates and judgements

The fair value of equity investments that are quoted on active markets are based on the quoted prices for these instruments. Valuation techniques used to estimate the fair value of unquoted equity investments include the dividend growth, discounted cash flows and net assets value.

10(a). INVESTMENTS SECURITIES (CONT'D)

Remaining term to maturity		31 December 2020										
	The Group	**Up to 3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**No specific maturity**	**Total**	31 December 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	29,632	628,729	611,381	89,897	7,061,189	9,374,063	13,247,337	-	31,042,228	24,694,470	20,135,511
	Treasury bills	938,378	1,684,042	180,685	-	-	-	-	-	2,803,105	701,300	9,804,650
	Bank of Mauritius bills	1,315	50,168	989,847	-	152,052	5,183,483	4,976,466	-	11,353,331	1,604,090	1,232,730
	Bank bonds	-	-	-	-	105,675	386,265	-	-	491,940	760,841	-
	Corporate bonds	-	41,127	-	-	135,996	33,519	-	-	210,642	-	695,990
		969,325	2,404,066	1,781,913	89,897	7,454,912	14,977,330	18,223,803	-	45,901,246	27,760,701	31,868,881
(b)	**Investment securities mandatorily measured at FVTPL**											
	Government bonds and treasury notes	15	-	-	-	-	-	706	-	721	2,459,716	765,118
	Treasury bills	799,645	876,539	1,976,073	-	-	-	-	-	3,652,258	4,019,870	5,142,257
	Bank of Mauritius bills / notes	1,537,842	1,498,127	541,717	-	-	762,825	-	-	4,340,511	4,252,324	3,107,186
	Bank bonds	-	-	-	-	-	-	-	-	-	493,666	-
	Corporate bonds	-	-	-	-	-	-	-	-	-	-	697,223
	Redeemable participating shares	-	-	-	-	-	-	-	-	-	-	351,187
	Other investment securities	-	-	-	-	-	230,749	-	-	230,749	220,233	-
	Bank bonds secured by government	-	-	-	-	-	-	-	1,356,130	1,356,130	549,308	-
		2,337,502	2,374,666	2,517,790	-	-	993,574	706	1,356,130	9,580,368	11,995,117	10,062,971
(c)	**Investment securities measured at FVTOCI (both equity and debt instruments)**											
	Government bonds	995,332	313,326	-	1,852,056	1,657,444	5,116,989	10,897,184	-	20,832,331	19,534,404	7,534,159
	Treasury bills / notes	9,242,582	-	528,846	1,756,622	-	-	-	-	11,528,050	12,744,147	10,575,017
	Bank of Mauritius bills	100	-	-	896,766	1,018,377	2,453,980	-	-	4,369,223	5,671,581	2,141,448
	Other investment	-	-	-	238,428	9,014	-	-	-	247,442	-	174,752
	Bank bonds	786,223	416,735	1,114,654	587,681	5,210,501	6,499,153	312,759	-	14,927,706	10,958,425	5,775,598
	Corporate paper and preference shares	43,250	174,219	39,943	203,803	738,559	3,609,441	1,872,842	-	6,682,057	375,346	109,589
	Corporate bonds	134,710	-	-	-	-	-	177,928	-	312,638	5,101,602	2,916,229
		11,202,197	904,280	1,683,443	5,535,356	8,633,895	17,679,563	13,260,713	-	58,899,447	54,385,505	29,226,792
	Total gross investment securities	14,509,024	5,683,012	5,983,146	5,625,253	16,088,807	33,650,467	31,485,222	1,356,130	114,381,061	94,141,323	71,158,644
	Less: allowance for credit losses									(131,871)	(166,435)	(62,554)
	Total gross investment securities after allowance for credit losses									114,249,190	93,974,889	71,096,090
	Equity investments											
	Equity shares of companies:											
	- Other equity investments measured at FVTOCI	-	-	-	-	-	-	-	5,181,355	5,181,355	6,316,046	6,251,067
	- Other equity investments measured at FVTPL								1,622,852	1,622,852	-	-
		-	-	-	-	-	-	-	6,804,207	6,804,207	6,316,046	6,251,067
	Total investment securities									121,053,397	100,290,935	77,347,157

10(a). INVESTMENTS SECURITIES (CONT'D)

Remaining term to maturity	31 December 2020										
The Company	**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	-	139,613	-	-	149,273	203,830	584,860	-	1,077,577	824,758	1,997,193
Bank of Mauritius bills / notes	-	-	-	-	-	-	-	-	-	239,844	610,387
	-	139,613	-	-	149,273	203,830	584,860	-	1,077,577	1,064,602	2,607,580
(b) Investment securities mandatorily measured at FVTPL											
Redeemable participating shares	-	-	-	-	-	-	-	661,057	661,057	598,699	351,187
(c) Investment securities measured at FVTOCI (both equity and debt instruments)											
Corporate bonds	-	-	-	-	-	8,637	-	-	8,637	7,738	-
	-	-	-	-	-	8,637	-	-	8,637	7,738	-
Total gross investment securities	-	139,613	-	-	149,273	212,468	584,860	661,057	1,747,271	1,671,039	2,958,767
Less: allowance for credit losses									(778)	(561)	(1,638)
Total gross investment securities after allowance for credit losses									1,746,494	1,670,478	2,957,129
The Company											
Investment Securities											
Equity shares of companies -measured at FVTOCI	-	-	-	-	-	-	-	3,636,307	3,636,307	4,227,683	4,375,880
Equity shares of companies -measured at FVTPL								1,622,331	1,622,331	-	-
	-	-	-	-	-	-	-	5,258,638	5,258,638	4,227,683	4,375,880
Total investment securities									7,005,132	5,898,161	7,333,009

10(a). INVESTMENT SECURITIES (CONT'D)

The Group

The table below shows gross balances under IFRS 9:

Debt investment securities at amortised cost	31 December 2020 Stage 1 12-month ECL MUR' 000	31 December 2020 Stage 2 Lifetime ECL MUR' 000	31 December 2020 Stage 3 Lifetime ECL MUR' 000	31 December 2020 Total MUR '000	31 December 2019 Stage 1 Total MUR '000	31 December 2018 Stage 1 Total MUR '000
High Grade	10,584,921	-	-	10,584,921	7,377,774	15,780,405
Standard Grade	33,636,087	-	-	33,636,087	19,681,628	15,766,803
Sub Standard Grade	1,680,238	-	-	1,680,238	701,299	321,673
Total gross carrying amount	45,901,246	-	-	45,901,246	27,760,701	31,868,881
Credit loss allowance	(131,871)	-	-	(131,871)	(166,338)	(62,554)
Carrying amount	45,769,375	-	-	45,769,375	27,594,363	31,806,327

	Stage 1 12-month ECL MUR'000	Stage 2 Lifetime ECL MUR'000	Stage 3 Lifetime ECL MUR'000	Total MUR'000	Total Stage 1 MUR'000	Total Stage 1 MUR'000
ECL allowance as at 1 January	166,338	-	-	166,338	60,916	23,149
New assets originated or purchased	63,235	-	-	63,235	31,724	8,674
Assets derecognised or repaid (excluding write offs)	(100,062)	-	-	(100,062)	(2,243)	(11,939)
Impact on year end ECL of exposures	-	-	-	-	5,102	
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	63,114	42,670
Foreign exchange adjustments	2,360	-	-	2,360	7,725	-
At 31 December	131,871	-	-	131,871	166,338	62,554

Debt investment securities at FVTOCI	31 December 2020 Stage 1 12-month ECL MUR' 000	31 December 2020 Stage 2 Lifetime ECL MUR' 000	31 December 2020 Stage 3 Lifetime ECL MUR' 000	31 December 2020 Total MUR '000	31 December 2019 Total Stage 1 MUR '000	31 December 2018 Total Stage 1 MUR '000
High Grade	38,093,070	-	-	38,093,070	30,942,979	13,463,797
Standard Grade	19,133,658	154,550	-	19,288,208	22,685,597	14,650,729
Sub Standard Grade	1,010,872	259,854	247,443	1,518,169	756,929	1,112,266
Total gross carrying amount	58,237,600	414,404	247,443	58,899,447	54,385,505	29,226,792
Credit loss allowance	-	-	-	-	(96)	-
Carrying amount	58,237,601	414,404	247,443	58,899,447	54,385,410	29,226,792

The Company

Debt investment securities at amortised cost	Stage 1 12-month ECL MUR' 000	Stage 2 Lifetime ECL MUR' 000	Stage 3 Lifetime ECL MUR' 000	Total MUR '000	Stage 1 Total MUR '000	Stage 1 Total MUR '000
Standard Grade	1,077,577	-	-	1,077,577	1,064,602	2,607,580
Credit loss allowance	(778)	-	-	(778)	(561)	(1,638)
Carrying amount	1,076,799	-	-	1,076,799	1,064,041	2,605,942

10(a). INVESTMENT SECURITIES (CONT'D)

The Group (cont'd)

	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000	Total Stage 1 MUR'000	Total Stage 1 MUR'000
ECL allowance as at 1 January						
At 1 January	561	-	-	561	1,638	-
New assets originated or purchased	217	-	-	217	-	1,638
Assets derecognised or repaid (excluding write offs)	-	-	-	-	(1,077)	-
At 31 December	778	-	-	778	561	1,638

Debt investment securities at FVTOCI	Stage 1 12-month ECL MUR' 000	Stage 2 Lifetime ECL MUR' 000	Stage 3 Lifetime ECL MUR' 000	Total MUR '000	Total Stage 1 MUR '000	Total Stage 1 MUR '000
Debt investment securities at FVTOCI						
Standard Grade	8,637	-	-	8,637	7,738	-
Total gross carrying amount	8,637	-	-	8,637	7,738	-

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

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

	31 December 2020			
	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance at FVOCI				
As at 1 January	53,308	-	-	53,308
Movement for the year	23,082	21,938	-	45,020
Assets derecognised or repaid (excluding write offs)	(44,545)	-	-	(44,545)
Transfers to stage 2	(2,727)	2,727	-	-
As at 31 December	29,118	24,665	-	53,783

	31 December 2019			
	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance at FVOCI				
As at 1 January	59,678	-	-	59,678
Movement for the year	44,533	-	-	44,533
Assets derecognised or repaid (excluding write offs)	(50,903)	-	-	(50,903)
As at 31 December	53,308	-	-	53,308

	31 December 2018			
	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance at FVOCI				
As at 1 January	34,993	-	-	34,993
Movement for the year	42,604	-	-	42,604
Assets derecognised or repaid (excluding write offs)	(17,919)	-	-	(17,919)
As at 31 December	59,678	-	-	59,678

10(b). INVESTMENT IN SUBSIDIARIES

Accounting policy

Financial statements of the Company

Subsidiaries are entities controlled by the Company. The Company 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

Investment in subsidiaries are carried at cost in the Company's separate financial statements which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquirer. Acquisition-related costs are generally recognized in profit or loss as incurred. The carrying amount is reduced to recognise any impairment in the value of individual investments. The impairment loss is

The Company	**31 December 2020**	31 December 2019	31 December 2018
Investment in subsidiaries	**MUR' 000**	MUR' 000	MUR' 000
Equity shares	**175**	175	150
Capital contribution	**29,523,568**	29,899,743	28,485,002
Total investment in subsidiaries	**29,523,743**	29,899,918	28,485,152

Investment reconciliation is as follows:	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Opening balance	**29,899,918**	28,485,152	24,665,178
Investments during the year	**-**	25	-
Capital contribution during the year	**97,825**	1,414,741	3,819,974
Redemption of capital contribution	**(350,000)**	-	-
Impairment losses	**(124,000)**	-	-
Closing balance	**29,523,743**	29,899,918	28,485,152

Details of subsidiaries are as follows:

	Country of Incorporation and Operation	**Business Activity**	**Effective % holding**	**Carrying Amount**		
				31 December 2020	31 December 2019	31 December 2018
				MUR' 000	MUR' 000	MUR' 000
SBM (NFC) Holdings Ltd [1]	Mauritius	Non-Financial Holding Company	100	**50**	50	25
SBM 3S Ltd	Mauritius	Training Services	100	**25**	25	25
SBM (Bank) Holdings Ltd	Mauritius	Bank Investment Holding	100	**75**	75	75
SBM (NBFC) Holdings Ltd	Mauritius	Non-Banking Financial Investments Holding Company	100	**25**	25	25
				175	175	150

[1]Following an assessment based on carrying value methodology, an impairment loss of MUR 124 million is recorded with respect to the investment in SBM (NFC) Holdings Ltd

[2]The investment in subsidiaries is classified as non current assets.

10(c). INVESTMENT IN ASSOCIATE

Accounting policy

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

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

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

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

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

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

	The Group 31 December 2019	The Group 31 December 2018	The Company 31 December 2019	The Company 31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January	1,308,157	1,336,902	1,272,977	1,272,977
Share of profit	139,237	100,240	-	-
Share of associate-	(31,105)	-	-	-
Share of other comprehensive income	76,112	(96,235)	-	-
Exchange differences	25,496	-	-	-
Dividend income from associate (Note29)	(38,849)	(32,750)	-	-
Carrying amount at 31	1,479,048	1,308,157	1,272,977	1,272,977

10(c). INVESTMENT IN ASSOCIATE (CONT'D)

	The Group 31 December 2019	The Group 31 December 2018
Summarised financial information in respect of the Group's associate is set out below:	MUR' 000	MUR' 000
Total assets	21,880,172	18,575,605
Total liabilities	15,684,648	13,055,152
Total revenue	1,238	1,033,239
Total profit for the period	696	501,200
Share of profit	139	100,240
Share of other comprehensive income	(26,944)	(96,235)
Share of net assets	1,239,105	1,104,091
Carrying amount at 31 December 2019	1,570,790	1,308,157

Effective 1 January 2020, SBM Holdings Ltd ceased to account for SICOM as an investment in associate following resignation of an ex director of SBM Holdings Ltd) from the Board of SICOM. The Group elected to account this investment as an equity investment at FVTPL. The movement is as per the table below.

		The Group 31 December 2020	**The Company 31 December 2020**
		MUR' 000	**MUR' 000**
Cost of investment as associate		**1,479,048**	**1,272,977**
Accounting of Revaluation gain in company on cessation of equity accounting		**-**	**206,071**
Cost of Equity as at 01 January 2020		**1,479,048**	**1,479,048**
Fair value movement through profit and loss		**143,283**	**143,283**
Carrying Amount at 31 December 2020	10(a)	**1,622,331**	**1,622,331**

** The financial year end of the Investment in Associate, ends as at 30 June. The information for capital commitment and contingent liability is available only at year end.

The investment in associate is classified as non current assets

11(a). PROPERTY AND EQUIPMENT

Accounting policy

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

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

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

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

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

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

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

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

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.

11(a). PROPERTY AND EQUIPMENT (CONT'D)

The Group	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total
Cost or valuation	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2018	1,033,626	1,665,206	1,879,791	28,545	4,607,168
Additions	56,948	870	167,230	9,973	235,021
Disposals	-	-	(59,861)	-	(59,861)
Write off	(108,078)	-	(557)	(1,297)	(109,932)
Revaluation Adjustment	(17,689)	-	-	-	(17,689)
Acquisition of new business	-	-	894,842	35,590	930,432
Translation adjustment	(6,388)	4,263	(8,107)	(390)	(10,622)
Transfers	94,532	(96,586)	2,054	-	-
At 31 December 2018	1,052,951	1,573,753	2,875,392	72,421	5,574,517
Additions	-	507	192,567	3,222	196,296
Disposals	-	-	-	(13,821)	(13,821)
Write off	(9,962)	-	(331)		(10,293)
Revaluation Adjustment	78,837	(153,210)	-	-	(74,373)
Translation adjustment	13,795	-	37,503	2,100	53,398
At 31 December 2019	**1,135,621**	**1,421,050**	**3,105,131**	**63,922**	**5,725,724**
Additions	**18**	**16,827**	**224,207**	**-**	**241,052**
Disposals	**(33,000)**	**-**	**(174,004)**	**(2,900)**	**(209,904)**
Write off	**-**	**-**	**(89)**	**-**	**(89)**
Revaluation Adjustment	**-**	**-**	**754**	**-**	**754**
Translation adjustment	**12,028**	**-**	**1,363**	**214**	**13,605**
At 31 December 2020	**1,114,667**	**1,437,877**	**3,157,362**	**61,236**	**5,771,141**

11(a). PROPERTY AND EQUIPMENT (CONT'D)

The Group	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accumulated depreciation					
At 01 January 2018	71,161	173,252	1,524,924	17,425	1,786,762
Charge for the year	14,736	51,998	131,340	7,172	205,246
Transfer	2,565	(2,565)	-	-	-
Acquisition of new business	-	-	559,491	14,737	574,228
Disposals	-	-	(30,841)	-	(30,841)
Translation adjustment	(1,965)	398	(2,442)	(229)	(4,238)
At 31 December 2018	86,497	223,083	2,182,472	39,105	2,531,157
Charge for the year	17,846	52,443	187,996	10,682	268,967
Discontinued operations	-	-	811	-	811
Write off	-	-	(170)	-	(170)
Disposals	-	-	-	(11,506)	(11,506)
Revaluation movement	(56,589)	(272,931)	-	-	(329,520)
Translation adjustment	178	-	15,512	885	16,575
At 31 December 2019	**47,932**	**2,595**	**2,386,621**	**39,166**	**2,476,314**
Charge for the year	**26,033**	**57,067**	**197,437**	**9,813**	**290,350**
Write off	**-**	**-**	**(52)**	**-**	**(52)**
Disposals	**(727)**	**-**	**(141,802)**	**(2,460)**	**(144,989)**
Discontinued operations	**-**	**-**	**1,597**	**-**	**1,597**
Translation adjustment	**1,808**	**-**	**989**	**4**	**2,801**
Transfer	**1,158**	**-**	**(1,157)**	**-**	**-**
At 31 December 2020	**76,205**	**59,662**	**2,443,633**	**46,523**	**2,626,021**
Net book value					
At 31 December 2020	**1,038,463**	**1,378,215**	**713,729**	**14,713**	**3,145,120**
Progress payments on tangible fixed assets					**61,914**
					3,207,034
At 31 December 2019	1,087,689	1,418,455	718,511	24,756	3,249,410
Progress payments on tangible fixed assets					78,898
					3,328,308
At 31 December 2018	966,454	1,350,670	692,920	33,316	3,043,360
Progress payments on tangible fixed assets					33,650
Acquisition of new business					76,904
					3,153,914

Other tangible fixed assets, included within property and equipment,furniture, fittings and computer equipment.

The Property, Equipment are Classified As Non Current Assets.

The Company

Cost or valuation	Other tangible fixed assets	Motor vehicles	Total
	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018	-	6,013	6,013
Additions	80	4,540	4,620
At 31 December 2018	80	10,553	10,633
Additions	**227**	**-**	**227**
At 31 December 2019	**307**	**10,553**	**10,860**
Additions	**-**	**-**	**-**
At 31 December 2020	**307**	**10,553**	**10,860**
Accumulated depreciation			
At 01 January 2018	-	2,907	2,907
Charge for the year	9	1,937	1,946
At 31 December 2018	9	4,844	4,853
Charge for the year	**32**	**2,110**	**2,142**
At 31 December 2019	**41**	**6,954**	**6,995**
Charge for the year	**61**	**1,610**	**1,671**
At 31 December 2019	**103**	**8,565**	**8,666**
Net book value			
At 31 December 2020	**205**	**1,989**	**2,194**
At 31 December 2019	266	3,599	3,865
At 31 December 2018	71	5,709	5,780

11(a). PROPERTY AND EQUIPMENT (CONT'D)

The directors have reviewed the carrying amount of the Group's and Company's property and equipment and are of the opinion that no impairment is required at the reporting date (2019 and 2018: Nil).

		The Group		
		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	**629,676**	650,638	620,259
Buildings on leasehold land	Level 3	**1,437,877**	1,421,050	1,573,753
		2,552,554	2,556,671	2,626,704

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

	The Group		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	**718,378**	779,955	499,869
leasehold building	**333,426**	347,500	360,873
	1,051,804	1,127,455	860,742

The freehold land and buildings are periodically valued based on market value by independent valuation surveyor. Buildings on leasehold land in Mauritius were revalued in December 2019 by an independent Chartered Valuation Surveyor, on an open market value basis. The freehold land and building in India were revalued in March 2019 by independent Chartered Valuation Surveyors on an open market value basis.The inputs used to revalue the PPE relate to unit prices of similar market transactions.

11(b) RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Group

Group as a lessee-as from 01 January 2019

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group 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 Group 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 Group's policy as described below. Type of right-to-use assets are land, plant and equipment and IT equipment. The average lease term is 5 years.

Lease liabilities

At the commencement date of the lease, the Group 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 Group 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 Group 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 Group 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 Group '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 Group estimates the IBR using observable inputs which has been derived from local Government Treasury Bond yield rates for different maturities and the issued SBM Bond yield rates in order to account for entity-specific adjustments namely the risk premium.

Right-of-Use Assets

	Land and buildings	Other tangible fixed assets	Total
Cost	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2019	559,599	206,167	765,766
Additions	132,079	81,485	213,564
Termnation	(8,434)	-	(8,434)
At 31 December 2019	**683,244**	**287,652**	**970,896**
Additions	**146,438**	**38,189**	**184,627**
Disposals	**(69,936)**	**(8,733)**	**(78,670)**
Discontinued operations	**(6,009)**	**-**	**(6,009)**
Translation adjustment	**11,029**	**-**	**11,029**
At 31 December 2020	**764,766**	**317,108**	**1,081,874**
Accumulated Depreciation			
At 01 January 2019	-	-	-
Charge for the year	158,762	45,452	204,214
Discontinued operations	-	2,847	2,847
Translation adjustment	3,956	(26)	3,930
At 31 December 2019	**162,718**	**48,273**	**210,991**
Charge for the year	**164,386**	**19,094**	**183,480**
Disposals	**(113,380)**	**(8,759)**	**(122,139)**
Discontinued operations	**2,277**	**-**	**2,277**
Translation adjustment	**35**	**-**	**35**
At 31 December 2020	**216,036**	**58,608**	**274,644**
Net book value			
At 31 December 2020	**520,526**	**239,379**	**807,230**
At 31 December 2019	520,526	239,379	759,905

11(b) RIGHT OF USE ASSETS AND LEASE LIABILITIES(CONT'D)

Right-of-Use Assets (Cont'd)

The following are the amounts recognised in profit or loss:	**31 December 2020 MUR' 000**	31 December 2019 MUR' 000
Depreciation expense on right-of-use assets	**183,481**	204,214
Interest expense on lease liability (Note 27)	**60,093**	57,750
Expense relating to leases of low-value assets (included in other operating expenses)	**7,156**	6,801
Discontinued operations of SBMBS	**2,277**	2,847
Gain on contract termination of right-of-use asset	**-**	(344)
Total amount recognised in profit or loss	**253,007**	271,268

Lease Liabilities

Maturity analysis of lease liability are as follows:

	31 December 2020 MUR' 000	31 December 2019 MUR' 000
Up to 1 year	**237,099**	238,254
1 to 5 years	**699,057**	755,584
5 to 25 years	**28,414**	140,234
	964,570	1,134,072
Further analysed into:		
Non current	**699,257**	694,245
Current	**105,150**	101,100
	804,407	795,345

The Group had a total cash outflow for leases of MUR 266.9 million (2019:MUR 229 million)

At 31 December 2020, the group does not have any commitment for short term leases

There are no variable lease payment in the lease contracts of the Group

The directors have reviewed the carrying amount of the Group's right of use assets and are of the opinion that no impairment is required at the reporting date(2019:nil)

12. GOODWILL AND OTHER INTANGIBLE ASSETS

Accounting policy

Goodwill

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

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

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

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

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

Intangible assets

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

Significant accounting estimates and judgements

Assessment of useful lives

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

(b) *Intellectual property rights*

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

(c) *WIP Software*

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

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

The Group	Software	WIP Software	Intellectual Property	Goodwill	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cost					
At 01 January 2018	4,537,221	84,612	322,775	401,556	5,346,164
Translation adjustment	(992)	(1,795)	-	16,158	13,371
Additions	215,787	70,971	-	-	286,758
Write off	(41,334)	(2,653)	(37,860)	-	(81,847)
Impairment	-	-	-	(417,714)	(417,714)
Disposal	(611,464)	-	-	-	(611,464)
Scrapping of assets	(1,741)	-	-	-	(1,741)
Acquisition of new business	528,498	-	-	-	528,498
Transfer	51,660	(51,660)	-	-	-
At 31 December 2018	4,677,635	99,475	284,915	-	5,062,025
Translation adjustment	45,248	935	-	-	46,183
Additions	49,034	76,661	-	-	125,695
Write off	(4,430)	(9,882)	-	-	(14,312)
Scrapping of assets	-	(928)	-	-	(928)
Transfer	78,175	(78,175)	-	-	-
At 31 December 2019	**4,845,662**	**88,086**	**284,915**	**-**	**5,218,663**
Translation adjustment	**7,406**	**709**	**-**	**-**	**8,115**
Additions	**36,067**	**117,482**	**-**	**-**	**153,549**
Write off	**(13,973)**	**(767)**	**-**	**-**	**(14,740)**
Disposal	**(110,156)**	**-**	**-**	**-**	**(110,156)**
Transfer	**96,561**	**(96,561)**	**-**	**-**	**-**
At 31 December 2020	**4,861,567**	**108,949**	**284,915**	**-**	**5,255,431**
Accumulated amortisation					
At 01 January 2018	1,356,585	-	113,966	-	1,470,551
Translation adjustment	11,993	-	-	-	11,993
Charge for the year	564,968	-	56,983	-	621,951
Reversal of accumulated amortisation	(1,741)	-	-	-	(1,741)
Acquisition of new business	344,320	-	-	-	344,320
Disposal adj	(611,366)	-	-	-	(611,366)
At 31 December 2018	1,664,759	-	170,949	-	1,835,708
Translation adjustment	35,648	-	-	-	35,648
Discontinued operations	910				910
Charge for the year	559,939	-	56,983	-	616,923
At 31 December 2019	**2,261,257**	**-**	**227,932**	**-**	**2,489,189**
Translation adjustment	**4,960**	**-**	**-**	**-**	**4,960**
Charge for the year	**518,403**	**-**	**56,983**	**-**	**575,386**
Write off	**(641)**	**-**	**-**	**-**	**(641)**
Disposal adj	**(110,157)**	**-**	**-**	**-**	**(110,157)**
At 31 December 2020	**2,673,821**	**-**	**284,915**	**-**	**2,958,737**
Net book value					
At 31 December 2020	**2,187,746**	**108,949**	**-**	**-**	**2,296,694**
At 31 December 2019	2,584,405	88,086	56,983	-	2,729,474
At 31 December 2018	3,012,876	99,476	113,966	-	3,226,318

The directors have reviewed the carrying amount of the Group's and Company's intangible assets and are of the opinion that no impairment is required at the reporting date (2019 and 2018: Nil). The intangible assets are non-current assets whose maturity are more than one year.

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

The Company

Cost or valuation	Software	Total
	MUR' 000	MUR' 000
Additions	50	50
At 31 December 2018	50	50
Additions	1,321	1,321
At 31 December 2019	1,421	1,421
Additions	-	-
At 31 December 2020	**1,371**	**1,371**
Accumulated depreciation		
At 01 January 2017	-	-
Charge for the year	6	6
At 31 December 2018	6	6
Charge for the year	208	208
At 31 December 2019	214	214
Charge for the year	**274**	**274**
At 31 December 2020	**488**	**488**
Net book value		
At 31 December 2020	**883**	**883**
At 31 December 2019	1,157	1,157
At 31 December 2018	44	44

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 when the recognition of interest would be immaterial.

	The Group			The Company		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
		Restated	*Restated*			
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Accounts receivable[1]	**2,548,401**	2,689,697	1,263,320	**48,900**	231,000	153,108
Balances due in clearing	**121,987**	118,917	96,629	**-**	-	-
Tax paid in advance[2]	**106,316**	97,127	96,416	**-**	-	-
Dividend receivable	**-**	62,092	-	**-**	-	-
Prepayment[3]	**223,411**	187,255	80,694	**513**	509	-
Others	**221,193**	81,290	142,222	**306**	5	201
	3,221,308	3,236,378	1,679,281	**49,719**	231,515	153,309
Less: allowance for credit losses[4]	**(16,414)**	(380)	(95)	**-**	-	-
	3,204,894	3,235,998	1,679,186	**49,719**	231,515	153,309

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

	THE GROUP		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
	Stage 1	Stage 1	Stage 1
ECL allowance as at 01 Janaury	**380**	(95)	-
Movement for the year	**16,414**	380	(95)
Assets repaid	**(380)**	95	-
ECL allowance as at 31 December	**16,414**	380	(95)

13. OTHER ASSETS (CONT'D)

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

[2] The tax paid in advance is incurred by the Indian Operations and Kenyan Operations and SBM (Bank) Holdings Ltd . The amount is shown net of current tax payable.

[3] 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.

[4] The allowance for impairment losses relates only to Stage 1

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 Statements of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in the Statements of profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The retirement benefit obligation recognised in the statements of financial position represents the actual deficit or surplus in the Group's defined benefits plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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

(ii) 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 statements of profit or loss in the period in which they fall due. The defined contribution benefit replaced the defined benefit pension plan as from 01 January 2005. Employees who were initially in the defined benefit pension plan remained in the said plan

(iii) Travel tickets/allowances

Employees are periodically entitled to reimbursements of overseas travelling and allowances up to a certain amount depending on their grade. The expected costs of these benefits are recognised in the Statementss of profit or loss on a straight-line and undiscounted basis over the remaining periods until the benefits are payable.

14. PENSION LIABILITY (CONT'D)

Significant accounting estimates and judgements

The Group operates a defined benefit pension plan for its employees. The amount shown in the statements 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.

	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000
Defined benefit plan (note 14 (a))	**579,836**	241,628	109,621	**2,231**	1,363
Residual retirement gratuities (note 14 (b))	**163,971**	97,247	63,434	**4,683**	1,096
	743,807	338,875	173,055	**6,914**	2,459

(a) Defined benefit plans

The amount included in the consolidated statements of financial position arising from the Group's and the company's obligation in respect of its defined benefit plans

	The Group			**The Company**	
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019
Reconciliation of net defined benefit liability	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000
Present value of funded defined benefit obligation	**1,944,808**	1,315,862	1,044,716	**11,137**	7,425
Fair value of planned assets	**(1,364,972)**	(1,074,234)	(935,095)	**(8,906)**	(6,062)
Net liability arising from defined benefit obligation	**579,836**	241,628	109,621	**2,231**	1,363
Reconciliation of net defined benefit liability					
Balance at start of the year	**241,628**	109,621	91,752	**1,363**	-
Amount recognised in statements of profit or loss (Note32)	**39,545**	34,166	30,274	**292**	1,363
Amount recognised in other comprehensive income	**601,282**	204,365	33,496	**3,189**	-
Less employer contributions	**(302,619)**	(106,524)	(45,901)	**(2,613)**	-
Balance at end of the year	**579,836**	241,628	109,621	**2,231**	1,363
Reconciliation of fair value of planned assets					
Balance at start of the year	**1,074,234**	935,095	946,010	**6,062**	-
Interest income	**60,273**	59,075	52,493	**361**	-
Employer contributions	**299,815**	106,524	45,901	**2,612**	-
Transfer from another entity	**-**	-	-	**-**	6,062
Benefits paid	**(46,149)**	(38,813)	(28,872)	**(8)**	-
Return on planned assets excluding interest income	**(23,201)**	12,353	(80,437)	**(121)**	-
Balance at end of the year	**1,364,972**	1,074,234	935,095	**8,906**	6,062
Reconciliation of present value of defined benefit obligation					
Balance at start of the year	**1,315,862**	1,044,716	1,037,762	**7,425**	-
Current service cost	**31,285**	30,680	26,473	**260**	-
Past service cost	**-**	-	-	**-**	1,363
Interest expense	**68,533**	62,561	56,294	**393**	-
Other benefits paid	**(46,149)**	(38,813)	(28,872)	**(8)**	-
Transfer from another entity	**-**	-	-	**-**	6,062
Liability experience loss	**-**	226,181	-	**-**	-
Liability loss /(gain) due to change in financial assumptions	**575,277**	(9,463)	(46,941)	**3,067**	-
Balance at end of the year	**1,944,808**	1,315,862	1,044,716	**11,137**	7,425

14. PENSION LIABILITY (CONT'D)

(a) Defined benefit plans (Cont'd)

	The Group			The Company	
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019
Components of amount recognised in statements of profit or loss	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000
Service cost	**31,285**	30,680	26,473	**260**	1,363
Net interest on net employee defined benefit liability	**8,260**	3,486	3,801	**32**	-
Total expense (Note 32)	**39,545**	34,166	30,274	**292**	1,363
Components of amount recognised in other comprehensive income					
Return on planned assets below / (above) interest income	**23,201**	(12,353)	80,437	**121**	-
Liability experience loss	**-**	226,181	-	**-**	-
Change in effect of asset ceiling	**578,081**	-	-	**-**	-
Liability experience (gain) / loss due to change in financial assumptions	**-**	(9,463)	(46,941)	**3,067**	-
Total	**601,282**	204,365	33,496	**3,188**	-

	The Group			The Company	
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019
Allocation of plan assets at end of year	**%**	%	%	**%**	%
Equity - Overseas quoted	**26**	23	18	**26**	23
Equity - Overseas unquoted	**5**	8	10	**5**	8
Equity - Local quoted	**25**	26	28	**25**	26
Equity - Local unquoted	**5**	7	7	**5**	7
Debt - Overseas quoted	**-**	1	1	**0**	1
Debt - Overseas unquoted	**-**	-	6	**-**	-
Debt - Local quoted	**6**	6	4	**6**	6
Debt - Local unquoted	**10**	15	23	**10**	15
Cash and other	**23**	14	3	**23**	14
Total	**100**	100	100	**100**	100

	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019
Allocation of planned assets at end of year					
Reporting entity's own transferable financial instruments	**2%**	3%	4%	**2%**	3%
Principal assumptions used at end of year					
Discount rate based on government bonds	**2.9%**	5.3%	6.1%	**2.9%**	5.3%
Rate of salary increases	**2.6%**	3.1%	4.0%	**5.0%**	3.1%
Rate of pension increases	**1.0%**	0.8%	1.6%	**1.0%**	0.8%
Average retirement age (ARA)	**65**	65	65	**65**	65
Average life expectancy for:					
- Male at ARA	**15.9 years**	15.9 years	15.9 years	**15.9 years**	15.9 years
- Female at ARA	**20.0 years**	20.0 years	20.0 years	**20.0 years**	20.0 years

	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019
Sensitivity Analysis on defined benefit obligation at end of year	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000
Increase due to 1% decrease in discount rate	**350,141**	205,990	184,915	**1,782**	1,157
Decrease due to 1% increase in discount rate	**272,348**	167,365	148,350	**1,448**	962

14. PENSION LIABILITY (CONT'D)

(a) Defined benefit plans (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 actuaries.

The Group expects to make a contribution of around MUR 48.07 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 15-33 years.

The Company expects to make a contribution of around MUR 419,000 to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 15 years.

Pension amounts and disclosures have been based on the report dated 23 March 2021 submitted by an independent firm of Actuaries and Consultants.

The Group sponsors a final salary defined benefit pension plan for a category of its employees. The Group has recognised a net defined benefit liability of MUR 579.84 million as at 31 December 2020 for the plan (31 December 2019: MUR 241.63 million;31 December 2018: MUR 109.62 million).

The Company sponsors a final salary defined benefit pension plan for a category of its employees. The Company has recognised a net defined benefit liability of MUR 2.23 million as at 31 December 2020 for the plan (31 December 2019: MUR 1.36 million).

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

Investment risk

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

Interest risk

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

Longevity risk

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

Salary risk

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

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

(b) Residual retirement gratuities

The amount included in the statements of financial position arising from the Group's and the Company's obligation in respect their residual retirement gratuities is as follows:

	The Group			The Company	
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019
Reconciliation of net defined benefit liability	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000
Balance at start of the year	**97,247**	63,434	-	**1,096**	-
Amount recognised in statements of profit or loss (Note 32)	**(79,331)**	34,313	63,434	**(515)**	1,096
Amount recognised in other comprehensive income	**146,055**	(500)	-	**4,102**	-
Balance at end of the year	**163,971**	97,247	63,434	**4,683**	1,096
Reconciliation of present value of defined benefit obligation					
Balance at start of the year	**97,247**	63,434	-	**1,096**	-
Current service cost	**7,525**	3,700	-	**523**	-
Interest expense	**5,155**	3,869	-	**58**	-
Past service cost	**(92,011)**	26,744	63,434	**(1,096)**	1,096
Liability experience (gain) /loss	**(1,594)**	2,612	-	**(122)**	-
Liability loss / (gain) due to change in financial assumptions	**147,649**	(3,112)	-	**4,224**	-
Balance at end of the year	**163,971**	97,247	63,434	**4,683**	1,096

14. PENSION LIABILITY (CONT'D)

(b) Residual retirement gratuities (Cont'd)

	The Group			The Company	
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000
profit or loss					
Service cost	**(84,486)**	30,444	63,434	**(573)**	1,096
Net interest on net defined benefit liability/(asset)	**5,155**	3,869	-	**58**	-
Total expense as Above	**(79,331)**	34,313	63,434	**(515)**	1,096
Components of amount recognised in other comprehensive income					
Liability experience (gain)/loss	**(1,594)**	2,612	-	**(122)**	-
Liability loss/(gain) due to change in financial assumptio	**147,649**	(3,112)	-	**4,224**	-
Total	**146,055**	(500)	-	**4,102**	-

	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019
Principal assumptions used at end of year					
Discount rate	**2.9%**	5.3%	6.1%	**2.9%**	5.3%
Rate of salary increases	**5.0%**	3.1%	4.0%	**5.0%**	3.1%
Rate of pension increases	**1.0%**	0.8%	1.6%	**0.0%**	0.8%
Average retirement age (ARA)	**60/65**	60/65	60/65	**60/65**	60/65
Sensitivity Analysis on defined benefit obligation at end of year					
Increase due to 1% decrease in discount rate	**55,857**	13,458	19,090	**1,797**	471
Decrease due to 1% increase in discount rate	**44,150**	9,002	8,686	**1,419**	271

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

Share of contributions	**(146,763)**	(179,276)	(140,696)	**(2,401)**	(6,719)

Future cashflows

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

The Group expects to make a contribution of around MUR 12.61 million to the SBM Group DC Fund 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 group is exposed to normal risks associated with residual retirement gratuities such as interest and salary rise risks.

Interest risk

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

Salary risk

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

15. DEPOSITS FROM BANKS

Accounting policy

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

	The Group		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	**1,403,315**	907,521	716,702

16. DEPOSITS FROM NON-BANK CUSTOMERS

Accounting policy

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

	The Group		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
(i) Retail customers			
Current accounts	**23,620,520**	19,411,521	15,873,186
Savings accounts	**62,410,927**	55,538,113	52,327,187
Time deposits with remaining term to maturity:			
- Up to 3 months	**6,086,658**	4,687,493	3,805,778
- Over 3 months and up to 6 months	**2,795,976**	2,146,348	2,799,551
- Over 6 months and up to 12 months	**4,056,610**	4,464,390	6,666,258
- Over 1 year and up to 5 years	**5,404,438**	5,033,085	2,379,746
- Over 5 years	**12,571**	2,297,269	81,228
Total time deposits	**18,356,253**	18,628,585	15,732,561
Total deposits from retail customers	**104,387,700**	93,578,219	83,932,934
(ii) Corporate customers			
Current accounts	**72,477,613**	56,596,878	46,012,337
Savings accounts	**4,538,500**	3,993,407	4,655,279
Time deposits with remaining term to maturity:			
- Up to 3 months	**15,889,458**	12,901,434	10,966,221
- Over 3 months and up to 6 months	**3,898,494**	4,306,609	2,138,845
- Over 6 months and up to 12 months	**8,192,992**	5,780,107	7,952,025
- Over 1 year and up to 5 years	**1,534,469**	2,607,327	474,641
- Over 5 years	**1,024**	1,033	942
Total time deposits	**29,516,437**	25,596,510	21,532,674
Total deposit from corporate customers	**106,532,550**	86,186,795	72,200,290
(iii) Government			
Current accounts	**8,639,186**	8,756,331	6,167,370
Savings accounts	**3,855,442**	3,441,526	4,090,841
Time deposits with remaining term to maturity:			
- Up to 3 months	**43,313**	6,918,163	1,622,363
- Over 3 months and up to 6 months	**130,443**	1,600	619,611
- Over 6 months and up to 12 months	**3,273,488**	260,191	745,285
- Over 1 year and up to 5 years	**99**	254,363	5,786
Total time deposits	**3,447,343**	7,434,317	2,993,045
Total deposit from the Government	**15,941,971**	19,632,174	13,251,256
Total deposit from non-bank customers	**226,862,221**	199,397,188	169,384,480

17. OTHER BORROWED FUNDS

Accounting Policy

Loans and borrowing are recognised initally 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

	The Group		
	31 December 2020	31 December 2019	31 December 2018
		Restated	Restated
	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks			
- For refinancing	**5,558,836**	3,334,663	2,868,023
Other financial institutions			
- For refinancing	**3,518,739**	2,718,585	1,312,137
Borrowings from banks			
- In Mauritius	**3,927,866**	2,448,757	2,132,609
- Abroad	**2,011,736**	4,871,028	5,651,819
	15,017,177	13,373,033	11,964,588
Remaining term to maturity			
Up to 3 months	**4,750,571**	7,901,991	4,295,009
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	**5,742,128**	3,611,155	3,400,366
Over 5 years	**485,523**	661,329	728,797
	15,017,177	13,373,033	11,964,588

18. TAXATION

Accounting policy

Income tax

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

Corporate social responsibility (CSR)

Corporate social responsibility (CSR) was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Group is required to allocate 2% of its Segment A chargeable income of the preceding financial year to government approved CSR NGOs. As from July 2017, following amendments to the Finance Act 2017, the Group will now be required as from 01 January 2017 to 31 December 2018 to remit to the Director General at least 50% of the CSR contribution. After 01 January 2019, the Group will be required to remit to the Director General at least 75% of the CSR contribution. This is recorded as part of income tax expense.

Bank levy

SBM (Bank) Mauritius Ltd, a subsidiary of SBM Holdings Ltd, is liable to pay a special levy as a percentage of its leviable income from residents excluding Global Business Licence holders (the special levy was paid as a percentage of its segmental chargeable income for the year 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 in Mauritius. Mauritian 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. The applicable tax rate for India is 43.26% (2019: 43.26% and 2018: 43.26%), whereas that of Madagascar is 20% (2019: 20% and 2018: 20%) and Kenya is 30% (2019: 30% and 2018: 30%).

18 a CURRENT TAX LIABILITIES

Current tax liabilities can be analysed as follows:

	The Group			The Company		
Statement of financial position	**31 December 2020**	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
At 01 January	**712,071**	502,109	126,371	**-**	503	1,005
Income tax expenses	**421,064**	784,562	600,962	**-**	0	357
Corporate Social Responsibility contribution	**70,257**	43,597	24,362	**-**	860	860
Underprovision / (overprovision) in prior years	**24,948**	3,940	40,862	**(336)**	(503)	503
Paid during the year	**(1,140,644)**	(800,502)	(290,447)	**336**	(860)	(2,222)
Exchange difference	**1,161**	6,997	-	**-**	-	-
Bank levy	**171,368**	171,368	-			
At 31 December	**260,225**	712,071	502,109	**-**	-	503

Current tax liabilities will repay within the next one year and is classified as a current liabilities.

18. TAXATION (CONT'D

18 b. TAX EXPENSE

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

	The Group			The Company		
Statement of financial position	**31 December 2020**	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
In Mauritius	**191,465**	1,069,241	305,944	**(336)**	357	10,867
Overseas	**108,660**	(352,112)	74,009	**-**	-	-
Total tax expense	**300,126**	717,129	379,954	**(336)**	357	10,867
Income tax expense	**445,615**	803,719	5,761	**(336)**	(503)	10,251
Special levy on banks	**171,368**	171,211	184,345			
Deferred income tax (Note 18b)	**(398,481)**	(301,792)	153,822	**-**	-	(64)
Corporate Social Responsibility contribution	**70,266**	43,597	24,362	**-**	860	680
Withholding tax	**11,358**	394	11,664	**-**	-	-
Total tax expense	**300,126**	717,129	379,954	**(336)**	357	10,867

18 c. Tax reconciliation

	The Group			The Company		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit/(loss) before income tax from continuing operations	**1,313,230**	752,450	1,727,363	**(501,768)**	737,535	619,049
Tax on accounting profit at applicable tax rates	**210,194**	102,216	364,628	**(75,265)**	110,630	92,857
Under / (Over) provision in previous periods	**26,111**	10,396	83,920	**(337)**	(503)	10,188
Non allowable expenses	**153,114**	679,277	1,425,202	**101,024**	122,863	87,501
Exempt income	**(205,341)**	(351,277)	(771,214)	**(41,425)**	(235,229)	(186,253)
Corporate Social Responsibility contribution	**70,266**	43,597	24,362	**-**	860	679
Special levy on banks	**171,368**	171,211	184,345	**-**	-	-
Deferred tax assets not recognised	**(153,781)**	95,676	(327,747)	**15,667**	1,736	5,894
Deferred tax on bargain purchase	**-**	-	(355,833)	**-**	-	-
Effect of tax rates in foreign jurisdiction	**16,837**	16,937	43,167	**-**	-	-
Tax loss utilised	**-**	(1,787)	(212)	**-**		
Withholding tax	**11,358**	394	11,664	**-**	-	-
	300,126	766,640	682,282	**(336)**	357	10,866
Foreign tax credit	**-**	(49,511)	(302,328)	**-**	-	-
Total tax expense / (income)	**300,126**	717,129	379,954	**(336)**	357	10,867

For the year ended 31 December 2020, the Company had accumulated tax losses of MUR 67.3 Million (2019: MUR 63.2 Million and 2018: 56.7 MUR), which can be carried forward and offset against future taxable income up to 31 December 2023.

18. TAXATION (CONT'D)

18 d. DEFERRED TAX ASSETS/(LIABILITIES)

Accounting policy

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

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

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

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

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

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

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

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

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

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

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

Change in tax rate of SBM Bank (Mauritius) Ltd

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

Reconciliation of deferred tax assets/(liabilities)

	The Group	The Company
	MUR' 000	**MUR' 000**
At 01 January 2018	75,444	-
Exchange difference	7,711	-
Deferred income tax (Note18a)	153,822	-
Deferred tax on retirement benefit obligations	(5,694)	-
Underprovision of deferred tax liability in prior years	(161,246)	-
At 31 December 2018	70,037	-
At 01 January 2019	70,037	-
Exchange difference	(9,447)	-
Deferred income tax (Note 18a)	(189,205)	
Deferred tax on retirement benefit obligations	(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 18a)	(112,587)	-
At 31 December 2019	(355,992)	-
At 01 January 2019	**(355,992)**	**-**
Exchange difference	**(5,440)**	**-**
Deferred income tax (Note 18a)	**(398,481)**	**-**
Deferred tax on retirement benefit obligations	**(51,409)**	**-**
Underprovision of deferred tax assets in prior years	**5,212**	**-**
At 31 December 2020	**(806,110)**	**-**

18. TAXATION (CONT'D)

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

	The Group			The Company		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Deferred tax assets	**806,110**	355,992	89,440	**-**	-	-
Deferred tax liabilities	**-**	-	(159,477)	**-**	-	-
	806,110	355,992	(70,037)	**-**	-	-
Analysed as follows:						
Mauritius Operations	**497,123**	219,302	163,996	**-**	-	-
Indian Operations	**308,987**	136,690	(93,959)	**-**	-	-
	806,110	355,992	70,037	**-**	-	-
Analysed as resulting from:						
Accelerated capital allowances	**(142,376)**	(201,527)	555,146	**-**	-	-
Allowances for credit impairment	**667,424**	525,758	(581,192)	**-**	-	-
Carried forward losses	**(459,521)**	137,828	(137,810)	**-**	-	-
Revaluation of property	**-**	(160,247)	261,785			
Defined benefit plans and retirement residual gratuity	**50,686**	23,380	(13,470)			
Bargain purchase	**3,821**	(374,805)	-			
Other provisions	**686,076**	405,605	(14,422)	**-**	-	-
	806,110	(355,992)	70,037	**-**	-	-

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.

	The Group			The Company		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000 *Restated*	MUR' 000 *Restated*	**MUR' 000**	MUR' 000	MUR' 000
Bills payable	**230,908**	381,142	237,305	**-**	-	-
Accruals for expenses	**1,086,191**	953,880	726,976	**14,502**	16,516	12,307
Accounts payable	**3,578,027**	4,578,845	4,027,707	**196,704**	96,072	79,167
Deferred income	**277,275**	109,318	41,505	**-**	-	-
Balance due in clearing	**473**	15,762	318,669	**-**	-	-
Balances in transit	**862,905**	899,888	772,878	**-**	-	-
ECL on memorandum Items (Note23)	**368,723**	160,022	179,700	**-**	-	-
Others	**307,342**	358,545	196,498	**-**	-	-
	6,711,844	7,457,402	6,501,238	**211,206**	112,588	91,474

Deferred income has a maturity of over more than one year and is treated as non-current liabilities.

20. SUBORDINATED DEBTS

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

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

	The Group and the Company		
	31 December 2020	31 December 2019	31 December 2018
Subordinated Bonds:	**MUR' 000**	MUR' 000	MUR' 000
Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024	**1,514,667**	1,521,542	1,522,229
Class B 1 series bond of USD floating interest rate senior unsecured bonds maturing in 2021	**2,575,899**	2,388,057	2,237,195
Class A 2 series bond of MUR fixed interest rate senior unsecured bonds maturing in 2028	**3,060,520**	3,060,520	3,060,520
Class B 2 series bond of USD fixed interest rate senior unsecured bonds maturing in 2025	**2,991,700**	2,769,862	2,592,733
	10,142,786	9,739,981	9,412,677

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

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

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

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

The Class B 1 Series bond amounting to USD 65 million willl mature in May 2021. As such SBMH has already initiated discussion for a private placement of the approximate amount in MUR to ensure that our capital and liquidity is not affected.

21. STATED CAPITAL AND TREASURY SHARES

Accounting policy

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

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

(ii) ***Treasury shares***

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

	The Group		The Company	
Authorised, issued and paid up share capital	**Number**	**MUR' 000**	**Number**	**MUR' 000**
At 31 December 2020	**3,037,402,230**	**32,500,204**	**3,037,402,230**	**32,500,204**
At 31 December 2019	3,037,402,230	32,500,204	3,037,402,230	32,500,204
At 31 December 2018	3,037,402,230	32,500,204	3,037,402,230	32,500,204
Treasury shares held				
At 31 December 2020	**455,610,330**	**4,875,031**	**455,610,330**	**4,875,031**
At 31 December 2019	455,610,330	4,875,031	455,610,330	4,875,031
At 31 December 2018	455,610,330	4,875,031	455,610,330	4,875,031

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

22. DIVIDEND

Accounting policy

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

	The Group			The Company		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
Dividend declared after the reporting date:	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
2020: nil ;2019: nil ; 2018: 5 cents per share of nominal 10 cents	**-**	-	129,090	**-**	-	129,090
Dividend declared in preceeding year and paid in current year:						
2019: nil 2018: 5 cents; 2017: 10 cents	**-**	129,090	258,179	**-**	129,090	258,179
Dividend declared and paid in current year:						
2020:nil; 2019:30 cents; 2018:25 cents	**-**	774,542	645,453	**-**	774,542	645,453
	-	903,632	903,632	**-**	903,632	903,632
Less dividend declared and paid during the year	**-**	(903,632)	(903,632)	**-**	(903,632)	(903,632)
Dividend payable	**-**	-	-	**-**	-	-

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

23. MEMORANDUM ITEMS

Accounting policy

Acceptances

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

Contingent liabilities

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

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. Financial guarantee contracts are accounted for as off-balance sheet items and are disclosed under memorandum items.

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

	The Group		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Acceptances on account of customers	**361,590**	792,774	435,096
Guarantees on account of customers	**11,433,868**	8,037,776	8,285,833
Letters of credit and other obligations on account of customers	**3,974,549**	760,345	861,137
Other contingent items	**202,295**	185,584	-
	15,972,302	9,776,479	9,582,066
b. Commitments			
Undrawn credit facilities	**15,342,522**	13,675,505	9,071,296
c. Other			
Inward bills held for collection	**227,129**	195,680	303,789
Outward bills sent for collection	**1,584,874**	982,276	1,497,623
	1,812,003	1,177,956	1,801,412
Total Note (40 b(i))	**33,126,827**	24,629,940	20,454,774

23. MEMORANDUM ITEMS (CONT'D)

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

	31 December 2020			
Internal rating grade	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Performing				
High grade	**16,897,993**	**8,047**	**-**	**16,906,040**
Standard grade	**8,939,807**	**334,060**	**-**	**9,273,867**
Sub-standard grade	**5,652,054**	**1,050,224**	**-**	**6,702,278**
Past due but not impaired	**-**	**54,140**	**-**	**54,140**
Non-performing				
Individually impaired	**-**	**-**	**190,503**	**190,503**
Total Note(40 b(i))	**31,489,854**	**1,446,471**	**190,503**	**33,126,828**

	31 December 2019			
Internal rating grade	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Performing				
High grade	10,172,295	73,281	-	10,245,576
Standard grade	4,891,646	1,196,573	-	6,088,219
Sub-standard grade	7,306,494	988,646	-	8,295,140
Non-performing				
Individually impaired	-	-	1,005	1,005
Total Note(40 b(i))	22,370,435	2,258,500	1,005	24,629,940

	31 December 2018			
Internal rating grade	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Performing				
High grade	4,738,147	70,095	-	4,808,242
Standard grade	6,775,947	5,413,008	-	12,188,955
Sub-standard grade	3,419,089	34,990	-	3,454,079
Non-performing				
Individually impaired	-	-	3,498	3,498
Total	14,933,183	5,518,093	3,498	20,454,774

23. MEMORANDUM ITEMS (CONT'D)

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

	31 December 2020			
Outstanding exposures	**Stage 1 Individual MUR'000**	**Stage 2 Individual MUR'000**	**Stage 3 MUR'000**	**Total MUR'000**
As at 1 January	**22,370,435**	**2,258,500**	**1,005**	**24,629,940**
New exposures	**21,648,167**	**617,553**	**62,859**	**22,328,579**
Exposures derecognised or matured/lapsed	**(12,474,154)**	**(1,471,906)**	**(8,107)**	**(13,954,167)**
Transfers to Stage 1	**211,246**	**(211,246)**	**-**	**-**
Transfers to Stage 2	**(387,022)**	**387,022**	**-**	**-**
Transfers to Stage 3	**-**	**(134,746)**	**134,746**	**-**
Foreign exchange adjustments	**121,182**	**1,294**	**-**	**122,476**
At 31 December Note(40 b(i))	**31,489,854**	**1,446,471**	**190,503**	**33,126,828**

	31 December 2019			
Outstanding exposures	**Stage 1 Individual MUR'000**	**Stage 2 Individual MUR'000**	**Stage 3 MUR'000**	**Total MUR'000**
As at 1 January	14,933,183	5,518,093	3,498	20,454,774
New exposures	12,657,043	1,167,803	-	13,824,846
Exposures derecognised or matured/lapsed	(7,714,536)	(2,090,913)	(2,533)	(9,807,982)
Transfers to Stage 1	2,424,141	(2,424,141)	-	-
Transfers to Stage 2	(87,122)	87,242	(120)	-
Transfers to Stage 3	(160)	-	160	-
Foreign exchange adjustments	157,886	416	-	158,302
At 31 December Note(40 b(i))	22,370,435	2,258,500	1,005	24,629,940

	31 December 2018			
Outstanding exposures	**Stage 1 Individual MUR'000**	**Stage 2 Individual MUR'000**	**Stage 3 MUR'000**	**Total MUR'000**
As at 1 January	26,847,705	9,126	-	26,856,831
New exposures	11,759,160	637,436	3,498	12,400,094
Exposures derecognised or matured/lapsed	(23,673,682)	4,871,531	-	(18,802,151)
As at 31 December	14,933,183	5,518,093	3,498	20,454,774

23. MEMORANDUM ITEMS (CONT'D)

	31 December 2020			
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2020	**136,059**	**15,508**	**8,455**	**160,022**
New exposures	**76,231**	**107,555**	**144,625**	**328,411**
Exposured derecognised or repaid	**(104,183)**	**(13,361)**	**(2,692)**	**(120,236)**
Transfers to Stage 1	**559**	**(559)**	**-**	**-**
Transfers to Stage 2	**(2,688)**	**2,688**	**-**	**-**
Transfers to Stage 3	**-**	**(424)**	**424**	**-**
Foreign exchange adjustments	**526**	**-**	**-**	**526**
At 31 December 2020	**106,504**	**111,407**	**150,812**	**368,723**

	31 December 2019			
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2019	161,446	13,664	4,590	179,700
New exposures	78,232	10,082	-	88,314
Exposured derecognised or repaid	(139,701)	(22,593)	(994)	(163,288)
Transfers to Stage 1	25,545	(25,545)	-	-
Transfers to Stage 2	(248)	248	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	3,468	39,652	4,761	47,881
Foreign exchange adjustments	7,317	-	98	7,415
At 31 December 2019	136,059	15,508	8,455	160,022

	31 December 2018			
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2018	172,837	26	-	172,863
New exposures	35,015	23,544	4,590	63,149
Exposures derecognised or matured/lapsed	(46,406)	(9,906)	-	(56,312)
At 31 December 2018	161,446	13,664	4,590	179,700

The Group is subject to various legal claims from former employees and customers with claims totaling MUR 724.8 million (2019: MUR 978.58 million; 2018: MUR 1,381.75 million). The Group has not made any provision for those claims on the basis that it is not probable that these actions will succeed.

24. ASSETS PLEDGED

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

	The Group		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Treasury bills / Government bonds	**9,470,767**	3,638,940	7,512,485
Other	**5,704,231**	-	-
	15,174,998	3,638,940	7,512,485
Analysed as:			
- In Mauritius	**6,555,000**	70,000	3,542,550
- Overseas	**8,619,998**	3,568,940	3,969,935
	15,174,998	3,638,940	7,512,485

25. CAPITAL COMMITMENTS

	The Group		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Approved and contracted for	**101,081**	187,111	116,213
Approved and not contracted for	**282,953**	402,998	72,333

26. OPERATING LEASE

Accounting policy

Rentals payable under operating leases are charged to the Statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.
From 01 January 2019
Refer to note 11(b) Right-of-use assets.

	The Group
	31 December 2018
	MUR' 000
Leasing arrangements - The Group as lessee	
Operating lease expense	155,277

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

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

	The Group
	31 December 2018
	MUR' 000
Up to 1 year	96,724
After 1 year and before 5 years	219,441
After 5 years and up to 25 years	121,239
	437,404

27. NET INTEREST INCOME / (EXPENSES)

Accounting policy

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

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

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

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

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

	The Group			The Company		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000 *Restated*	MUR' 000 *Restated*	**MUR' 000**	MUR' 000	MUR' 000
Interest Income using the effective interest method						
Cash and cash equivalents	**120,984**	264,649	344,291	**-**	-	-
Loans to and placements with banks	**133,551**	229,843	134,339	**-**	-	-
Loans and advances to non-bank customers	**6,782,849**	6,592,597	6,596,267	**-**	-	-
Investment securities at amortised cost	**2,942,378**	2,529,391	1,114,846	**51,929**	76,627	77,172
Investment securities at FVTOCI	**1,051,956**	1,197,111	810,360	**357**	1,236	7,394
Other	**22,672**	-	13,127	**-**	-	-
	11,054,390	10,813,591	9,013,230	**52,286**	77,863	84,566
Interest income on financial instruments at fair value						
Investment securities	**13,591**	24,771	133,525	**-**	-	-
Derivative financial instruments	**188,422**	122,786	132,246	**-**	-	-
	202,013	147,557	265,771	**-**	-	-
Total interest income	**11,256,403**	10,961,148	9,279,001	**52,286**	77,863	84,566
Interest expense using the effective interest method						
Deposits from non-bank customers	**(2,450,927)**	(2,971,139)	(2,179,998)	**-**	-	-
Other borrowed funds	**(669,903)**	(650,468)	(460,864)	**-**	-	-
Subordinated debts	**(444,508)**	(476,589)	(309,019)	**(444,508)**	(476,589)	(309,019)
Interest expense on lease liabilities	**(60,093)**	(57,280)	-	**-**	-	-
Total interest expense	**(3,625,431)**	(4,155,476)	(2,949,881)	**(444,508)**	(476,589)	(309,019)
Other interest expense						
Derivatives	**(434,831)**	(163,906)	(274,326)	**(50,728)**	(9,784)	(6,653)
Total interest expense	**(4,060,262)**	(4,319,382)	(3,224,207)	**(495,236)**	(486,373)	(315,672)
Net interest income / (expense)	**7,196,141**	6,641,766	6,054,794	**(442,950)**	(408,510)	(231,106)

28. NET FEE AND COMMISSION INCOME/(EXPENSE)

Accounting policy

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

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

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

	The Group			The Company		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000 *Restated*	MUR' 000 *Restated*	**MUR' 000**	MUR' 000	MUR' 000
Fee and commission income						
Retail banking customer fees	**331,815**	340,641	210,648	**-**	-	-
Corporate banking customer fees	**461,586**	472,319	386,726	**-**	-	-
Brokerage income	**43,213**	44,272	42,920	**-**	-	-
Asset management fees	**40,684**	42,956	64,772	**-**	-	-
Card income	**370,742**	411,385	353,263	**-**	-	-
Other	**203,331**	164,971	110,724	**-**	-	-
Total fee and commission income	**1,451,371**	1,476,544	1,169,053	**-**	-	-
Fee and commission expense						
Interbank transaction fees	**(37,467)**	(2,344)	(17,002)	**-**	-	-
Brokerage	**(1,042)**	(18,719)	(1,139)	**-**	-	-
Other	**(18,803)**	(22,445)	(12,778)	**(13)**	(150)	(199)
Total fee and commission expense	**(57,312)**	(43,508)	(30,919)	**(13)**	(150)	(199)
Net fee and commission income/(expense)	**1,394,059**	1,433,036	1,138,134	**(13)**	(150)	(199)

* Out of the other fee and commission income (2019: MUR'000 164,971) and ((2018: MUR'000 93,590) an amount of MUR'000 103,284 and MUR'000 60,688 pertain to revenue from contract with customers disclosed in note 28.a.(i).

28.a REVENUE FROM CONTRACTS WITH CUSTOMERS

Significant accounting estimates and judgements

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Accounting policy

Identify the performance obligations

SBM Mauritius Asset Managers Ltd

The Company provides asset management services. Revenue from contracts with customers is recognised when the services are rendered to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that management fees, retrocession fees, arranger fees, entry and exit fees and commission from structured products are capable of being distinct since they are different services being provided and the contracts are separate.

SBM Capital Markets Ltd

The Company provides corporate finance advisory services and stock broking services. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

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

Identify the performance obligations (cont'd)

SBM Capital Markets Ltd (cont'd)

The Company determined that commission from local equity, commission from local bonds, commission from international equity, commission from international bonds, management fees, retrocession fees, arranger fees, entry and exit fees and commission from structured products are capable of being distinct since they are different services being provided and the contracts are separate.

SBM Fund Services Ltd

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

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

SBM Factors Ltd

The Company provides factoring services. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

SBM Insurance Agency Ltd

The Company acts as an agent between various insurance companies and customers who want to take up an insurance policy. The Company operates three agency business lines which are General Insurance, Life Insurance and Decreasing Term Assurance. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that commission from general insurance, commission from life insurance and commission from Decreasing Term Assurance (DTA) are capable of being distinct since they are different services being provided and the contracts are separate.

Determine the transaction price

SBM Mauritius Asset Managers Ltd

Management fees are generated through investment management agreements and are generally based on an agreed percentage of the valuation of the assets under management (AUM). Management fees are recognised as the service is provided and it is probable that the fee will be received.

Retrocession fees are based on an agreed percentage of the management fees charged to the third party funds. The fees are recognised when they are probable to be received

Entry and exit fees represent variable consideration based on the amount invested / disinvested by the customer.

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

Commission from structured products on the other hand represents a fixed consideration on the amount invested by third parties.

SBM Securities Ltd

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

SBM Fund Services Ltd

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

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

28.a REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting policy (cont'd)

SBM Capital Markets Ltd

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

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

Management fees are generated through investment management agreements and are generally based on an agreed percentage of the valuation of the assets under management (AUM). Management fees are recognised as the service is provided and it is probable that the fee will be received.

Retrocession fees are based on an agreed percentage of the management fees charged to the third party funds. The fees are recognised when they are probable to be received.

Entry and exit fees represent variable consideration based on the amount invested / disinvested by the customer.

Commission from structured products on the other hand represents a fixed consideration on the amount invested by third parties.

Commission received from trading services provided is allocated to each trading activity (equity and bond trading) as and when it is due as per the agreement.

SBM Factors Ltd

The Company finances its clients a fixed percentage of the invoices and a factoring fee is charged on the invoices being financed as per the agreement in place.

Signing fee is charged upon onboarding of a new client.

SBM Insurance Agency Ltd

Commission from life insurance represents a fixed consideration which is based on a percentage of the total premium amount and in some cases, on the sum assured. The percentage varies in the case of an initial policy and in the case of a renewal. The commission is recognised as the service is provided and it is probable that the commission will be received.

Commission from general insurance represents a fixed consideration which is based on a percentage of the gross premium amount. For each insurer and for every type of insurance, a specific commission rate is applied. The amount of commission received is calculated based on the commission rate multiplied by the gross premium amount. The commission is recognised as the service is provided and it is probable that the commission will be received.

For DTA commission, the policy is subscribed per client. A percentage is retained as commission prior to payment to insurer. DTA commission are recognised as the service is provided and it is probable that the commission will be received.

Allocate the transaction price to the performance obligations

SBM Mauritius Asset Managers Ltd

The transaction price which comprises the variable consideration related to the management fee is allocated to each individual month as management fee relates specifically to the entity’s efforts to provide management services during the month.

Retrocession fees are allocated to each third party Fund on a monthly basis as per the respective agreement.

The entry and exit fees are allocated to each client investing or disinvesting from the Funds managed by the Company.

Arranger fees are allocated as per the agreement in place between the Company and the client.

Commission received from structured products is allocated to each product as and when it is due as per the agreement.

SBM Fund Services Ltd

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

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

SBM Capital Markets Ltd

The corporate finance advisory fees are allocated to each client once the assignment has been completed.

Arranger fees are allocated as per the agreement in place between the Company and the client.

Commission received from trading services provided is allocated to each trading activity (equity and bond trading) as and when it is due as per the agreement.

28.a REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting policy (cont'd)

SBM Factors Ltd

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

SBM Insurance Agency Ltd

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

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

Satisfaction of performance obligations

SBM Mauritius Asset Managers Ltd

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

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

SBM Fund Services Ltd

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

SBM Capital Markets Ltd

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

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

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

The Company concluded that the corporate finance advisory fees and arranger fees are recognised at a point in time upon completion of assignment.

SBM Factors Ltd

The Company concluded that the factoring fees are recognised at a point in time upon financing of each batch of invoices. Signing fee is also recognised at a point in time upon onboarding of new client.

SBM Insurance Agency Ltd

The Company concluded that all the commissions are recognised at a point in time upon collection of premium by the Insurance Companies.

Principal versus agent considerations

SBM Mauritius Asset Managers Ltd

The Company determined that it is a principal in the contracts as it is primarily responsible for fulfilling the promise to provide the specified service.

SBM Fund Services Ltd

The Company determined that it is a principal in the contracts as it is primarily responsible for fulfilling the promise to provide the specified service.

SBM Capital Markets Ltd

The Company determined that it is a principal in the contracts as it is primarily responsible for fulfilling the promise to provide the specified service.

28.a REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting policy (cont'd)

SBM Factors Ltd

The Company determined that it is a principal in the contracts since it is primarily responsible for fulfilling the promise to provide the specified service.

SBM Insurance Agency Ltd

The Company determined that it is an agent in the contracts as it is not primarily responsible for fulfilling the promise to provide the specified service. The Company has no discretion in establishing the premium for the policies. The Company's consideration in these contracts is only based on a percentage of the premium being received by the Insurance Companies.

28.a .(i) Disaggregated revenue information

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

	THE GROUP		
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
	MUR'000	MUR'000	MUR'000
SBM Mauritius Asset Managers Ltd			
Management fees	**37,444**	36,781	47,432
Retrocession fees	**-**	2,682	4,978
Entry and exit fees	**2,628**	3,387	6,575
Arranger fees	**612**	-	-
Commission from structured products	**-**	106	5,787
Asset management fees	**40,684**	42,956	64,772
SBM Capital Markets Ltd			
Commission income - Local equity	**5,709**	21,597	11,997
Commission income - Foreign equity	**26,299**	9,421	4,542
Commission income - Local bonds	**1,180**	793	3,179
Commission income - Foreign bonds	**10,025**	12,461	23,202
Brokerage income	**43,213**	44,272	42,920
SBM Capital Markets Ltd			
Entry and exit fees	**1,822**	612	-
Management fees	**12,488**	2,871	-
Retrocession fees	**5,469**	1,659	322
Advisory fees	**4,121**	8,596	-
SBM Fund Services Ltd			
Registry fees from Funds	**4,784**	3,569	3,267
Registry fees from other clients	**4,886**	4,357	3,854
Trustee fees	**903**	942	859
Debenture holder representative fees	**-**	-	255
Administrative fees	**5,455**	5,176	6,251
SBM Factors Ltd			
Factoring fees	**21,055**	17,862	2,327
Signing fees	**75**	96	190
SBM E-Business Ltd			
Setup fee	**296**	-	-
SBM Insurance Agency Ltd			
Life commission	**12,797**	12,845	19,223
General commission	**2,741**	2,394	2,713
DTA commission	**26,392**	23,103	21,427
Others	**103,284**	84,082	60,688
Total revenue from contracts with customers	**187,181**	171,310	168,381
Geographical markets			
Mauritius	**145,092**	145,090	137,607
Europe	**5,469**	12,399	14,480
US	**21,972**	8,538	10,064
Asia Pacific	**6,225**	2,244	2,646
Africa	**8,423**	3,039	3,583
Total revenue from contracts with customers	**187,181**	171,310	168,380
Timing of revenue recognition			
Services transferred at a point in time	**115,752**	111,158	134,070
Services transferred over time	**71,429**	60,152	34,310
Total revenue from contracts with customers	**187,181**	171,310	168,380

29. 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.

	THE GROUP			THE COMPANY		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000 *Restated*	MUR' 000 *Restated*	**MUR' 000**	MUR' 000 *Restated*	MUR' 000 *Restated*
Profit arising from dealing in foreign currencies	**734,553**	641,117	911,612	**-**	-	-
Debt securities	**177,802**	440,810	221,077	**-**	-	-
Other interest rate instruments	**137,119**	153,060	502,260	**-**	-	-
	1,049,474	1,234,987	1,634,949	**-**	-	-

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

	THE GROUP			THE COMPANY		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000 *Restated*	MUR' 000 *Restated*	**MUR' 000**	MUR' 000	MUR' 000
Financial assets mandatorily measured at fair value through profit or loss	**(13,377)**	(94,902)	(46,472)	**-**	-	-
Financial assets designated at fair value through profit or loss	**18,086**	(59,043)	(90,284)	**376,448**	(8,422)	(19,053)
	4,708	(153,946)	(136,756)	**376,448**	(8,422)	(19,053)

30 (b). NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	THE GROUP			THE COMPANY		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000 *Restated*	MUR' 000 *Restated*	**MUR' 000**	MUR' 000	MUR' 000
Net gains on derecognition of financial assets measured at amortised cost	**180,325**	27,110	33,179	**2,372**	6,396	28,408
	180,325	27,110	33,179	**2,372**	6,396	28,408

30 (c) NET GAINS /(LOSSES) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	THE GROUP			THE COMPANY		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000 *Restated*	MUR' 000 *Restated*	**MUR' 000**	MUR' 000	MUR' 000
Net gains /(losses) on derecognition of financial assets measured at fair value	**1,245,740**	231,379	4,321	**-**	371	(794)
	1,245,740	231,379	4,321	**-**	371	(794)

The Group sold some assets measured at fair value through other comprehensive income in 2020 as these assets were no longer in line with the Group's policy due to risks associated with these assets.

31. OTHER OPERATING INCOME

	THE GROUP			THE COMPANY		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000 *Restated*	MUR' 000 *Restated*	**MUR' 000**	MUR' 000	MUR' 000
Bargain purchase	**-**	-	957,942	**-**	-	-
Gain on disposal of property and equipment	**(4,017)**	4,493	121,773	**-**	-	-
Dividend income from financial assets	**133,255**	220,652	110,051	**54,467**	187,581	82,568
Dividend income from financial assets measured at FVTPL	**1,920**	2,424	-	**-**	-	-
Dividend income from investment in subsidiaries	**-**	-	-	**220,000**	1,382,875	1,150,500
Others	**19,956**	-	-	**-**	-	-
	151,114	227,569	1,189,766	**274,467**	1,570,456	1,233,068

Accounting policy

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

32. PERSONNEL EXPENSES

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

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

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

	The Group			The Company		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000 *Restated*	MUR' 000 *Restated*	**MUR' 000**	MUR' 000	MUR' 000
Wages and salaries	**2,351,532**	2,318,390	1,564,000	**48,566**	67,826	77,618
Other social security obligations	**20,214**	31,130	1,950	**652**	831	799
Contributions to defined contribution plans	**181,161**	187,188	108,674	**3,359**	7,117	6,176
Increase in liability for defined benefit plans (Notes 14 (a))	**39,545**	34,166	30,274	**(223)**	1,363	-
Residual retirement gratuities (Notes 14 (b))	**(79,331)**	34,313	63,434	**-**	-	-
Staff welfare cost	**135,409**	116,286	54,759	**264**	215	153
Management and professional charges	**-**	-	-	**-**	-	-
Security and cleaning services	**-**	-	-	**-**	-	-
Others	**211,020**	147,933	128,134	**3,964**	5,642	19,507
	2,859,550	2,869,406	1,951,225	**56,583**	82,994	104,253

33. OTHER EXPENSES

	The Group			The Company		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000 *Restated*	MUR' 000 *Restated*	**MUR' 000**	MUR' 000	MUR' 000
Software licensing and other information technology cost	**783,999**	692,661	538,223	**2,571**	73	75,151
Utilities	**71,470**	88,161	69,863	**185**	-	-
Professional charges	**192,302**	222,634	175,946	**14,478**	22,420	50,869
Marketing costs	**84,403**	124,161	77,260	**1,563**	6,555	7,669
Rent, repairs and maintenance	**193,090**	168,030	236,324	**-**	-	-
Licence and other registration fees	**37,334**	60,332	36,733	**8,188**	15,249	12,951
Impairment of goodwill	**-**	-	417,715	**-**	-	-
Other*	**879,565**	796,990	401,428	**502,362**	294,050	136,784
	2,242,163	2,152,969	1,953,492	**529,347**	338,347	283,424

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

34. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND MEMORANDUM ITEM

Accounting policy

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

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

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

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

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

Credit-impaired financial asset

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

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

34. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND MEMORANDUM ITEM (CONT'D)

Accounting policy

Credit-impaired financial asset (cont'd)

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

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

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

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

Definition of default and cure

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

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

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

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

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

34. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND MEMORANDUM ITEM(CONT'D)

The table below shows the impairment charges recorded in the statements of profit or loss under IFRS 9 during 2020:

The Group

	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	**240,789**	**(861,268)**	**4,286,735**	**3,666,256**
Loans and placements with banks*	**(7,732)**	**-**	**-**	**(7,732)**
Debt instruments measured at amortised cost and FVTOCI**	**(36,353)**	**-**	**-**	**(36,353)**
Other receivables	**13,338**	**-**	**-**	**13,338**
Loan commitments	**(18,351)**	**-**	**-**	**(18,351)**
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	**(11,730)**	**95,898**	**142,355**	**226,523**
Total credit loss expense under IFRS 9	**179,961**	**(765,370)**	**4,429,090**	**3,843,682**
Write off	**-**	**-**	**-**	**185,371**
Bad debts recovered	**-**	**-**	**-**	**(271,651)**
	179,961	**(765,370)**	**4,429,090**	**3,757,402**

The Company

	31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Debt instruments measured at amortised cost	**217**	**-**	**-**	**217**
Total credit loss expense under IFRS 9	**217**	**-**	**-**	**217**

The Group

	31 December 2019 *Restated*			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Loans and advances to non-bank customers	83,706	719,328	3,092,465	3,895,499
Loans and placements with banks*	(50,625)	-	-	(50,625)
Debt instruments measured at amortised cost**	28,126	-	-	28,126
Other receivables	284	-	-	284
Loan commitments	42,834	-	-	42,834
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(78,973)	(37,840)	(994)	(117,807)
Total credit loss expense under IFRS 9	25,352	681,488	3,091,471	3,798,311
Write off	-	-	-	-
Bad debts recovered	-	-	-	(882,102)
	25,352	681,488	3,091,471	2,916,209

The Company

	31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Debt instruments measured at amortised cost	(1,085)	-	-	(1,085)
Total credit loss expense under IFRS 9	(1,085)	-	-	(1,085)

34. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND MEMORANDUM ITEM(CONT'D)

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

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

The Group

	At 31 December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Loans and advances to non-bank customers	(164,345)	358,377	3,517,715	3,711,747
Loans and placements with banks*	47,975	-		47,975
Debt instruments measured at amortised cost**	28,445	-	17,565	46,010
Loan commitments	(19,832)	-		(19,832)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(26,733)	-	4,590	(22,143)
Total credit loss expense under IFRS 9	(134,490)	358,377	3,539,870	3,763,757
Bad debts recovered	-	-	-	(204,407)
	(134,490)	**358,377**	**3,539,870**	**3,559,350**

The Company

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

	31 December 2018
	MUR' 000
Portfolio and specific provisions:	
- On-balance sheet advances *(Note 8c)*	1,101,435
Bad debts written off for which no provisions were made	8,720
Recoveries of advances written off	(142,873)
Other	147,998
	1,115,280
Of which:	
Credit exposure	967,282
Other financial assets	147,998
	1,115,280

35. EARNINGS PER SHARE

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

	The Group		
	31 December 2020	31 December 2019 Restated	31 December 2018 Restated
Profit for the year from continuing operations	**1,013,104**	35,322	1,347,409
Profit attributable to equity holders of the parent	**1,021,010**	17,356	1,346,011
Number of shares entitled to dividend (thousands)	**2,581,792**	2,581,792	2,581,792
From continuing operations			
Basic and Diluted Earnings per share (cents)	**39.24**	1.37	52.19
From continuing and discontinued operations			
Basic and Diluted Earnings per share (cents)	**39.55**	0.67	52.13

36. NET CASH FROM OPERATING ACTIVITIES

		The Group			**The Company**		
			Restated	*Restated*		*Restated*	*Restated*
	Notes	**31 December 2020**	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
Cash flows from operating activities		**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit for the year		**1,021,010**	17,356	1,346,011	**(501,432)**	737,178	608,182
Adjustments to determine net cash flows:							
Depreciation of property and equipment	11(a)	**290,350**	268,967	205,246	**1,671**	2,142	1,946
Depreciation of right of use assets	11(b)	**183,480**	204,214	-	**-**	-	-
Amortisation of intangible assets	12	**575,386**	616,923	620,210	**274**	208	6
Impairement of Equity investment		**-**	-	-	**124,000**	-	-
Write off of property plant and equipment	11(a)	**37**	10,293	109,932	**-**	-	-
Pension expense	32	**(39,786)**	68,479	93,708	**(223)**	-	-
Net impairment loss on financial assets		**3,757,402**	2,916,209	3,559,350	**217**	(1,085)	-
Write off of Intangible assets	12	**14,099**	15,240	81,847	**-**	-	-
Bargain Gain		**-**	-	(957,940)	**-**	-	-
Impairement of Goodwill		**-**	-	417,714	**-**	-	-
Exchange difference		**481,977**	640,881	(170,516)	**369,617**	335,822	52,803
Net (gain) / loss from dealings in trading securities	30 (a)	**(1,049,474)**	(1,234,987)	(1,634,949)	**-**	19,532	19,053
Net (gain) / loss on disposal of property and equipment	31	**4,017**	(4,493)	(121,773)		-	-
Net gain on financial assets at amortised cost	30 (b)	**(180,325)**	(27,110)	(33,179)	**(2,372)**	-	(27,614)
Fair Value Movement in FVOCI Investment		**-**	-	-	**-**	(9,145)	-
Investment securities at fair value through profit or loss		**(18,086)**	59,043	90,284	**(376,448)**	8,422	-
Interest income		**(11,256,403)**	(10,666,034)	(9,279,000)	**(52,286)**	(68,079)	(77,913)
Interest expense		**4,000,169**	4,319,382	3,224,207	**444,508**	476,589	309,019
Interest on lease liabilities	11(b)	**60,093**	57,750	-	**-**	-	-
Tax expense	18 a	**300,126**	717,129	379,955	**(336)**	357	10,867
Share of profit of associate	10(a)	**-**	(139,237)	(100,240)	**-**	-	-
Dividend income	31	**(135,175)**	(223,076)	(110,051)	**(274,467)**	(1,570,456)	(1,233,068)
Operating profit / (loss) before working capital changes		**(1,991,102)**	(2,383,069)	(2,279,184)	**(267,278)**	(68,514)	(336,719)
Change in operating assets and liabilities							
(Decrease) / increase in trading assets		**1,176,189**	1,178,636	2,022,262	**(6,121)**	-	-
Decrease in loans to and placements with banks		**3,816,911**	1,728,743	5,253,053	**-**	-	-
(Increase) / decrease in loans and advances to non bank customers		**(14,343,348)**	(10,387,568)	(161,774)	**-**	-	-
(Increase) / decrease in gilt-edged investment securities		**(18,839,350)**	(22,308,819)	(28,707,650)	**(17,218)**	1,431,820	(1,466,430)
Decrease / (increase) in other investment securities		**-**	-		**-**	-	(178,348)
(Decrease) / Increase in mandatory balances with central banks		**(610,076)**	(703,027)	10,708,544	**-**	-	-
(Increase) / decrease in other assets		**17,766**	(1,495,004)	(221,497)	**181,796**	(78,206)	(82,862)
Increase / (decrease) in trading liabilities		**153,620**	117,193	(303,487)	**-**	-	-
(Decrease) / increase in deposits from banks		**495,793**	190,819	27,437	**-**	-	-
Increase in deposits from non-bank customers		**27,465,033**	30,012,707	4,926,494	**-**	-	-
Increase / (decrease) in other liabilities		**(957,165)**	1,015,681	1,464,854	**98,618**	25,564	86,275
Pension contribution paid		**(302,619)**	(106,524)	(45,901)	**(2,613)**	-	-
Interest received		**11,256,403**	10,666,034	9,279,000	**22,997**	70,537	77,804
Interest paid		**(4,000,169)**	(4,319,382)	(3,224,207)	**(411,318)**	(485,108)	(306,567)
Income tax (paid)/received	18 c	**(1,140,644)**	(800,502)	(290,447)	**336**	(860)	(10,363)
Net cash from / (used in) from operating activities		**2,197,241**	2,405,917	(1,552,503)	**(400,801)**	895,232	(2,217,210)

37. RELATED PARTY DISCLOSURES

Accounting policy

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

The Group

		Key management personnel including directors			Associates and other entities in which the Group has significant influence			Entities under common control		
		31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
(a)	Credit facilities									
(i)	*Loans*									
	Balance at beginning of year	**137,288**	209,711	170,942	**2,828,699**	2,589,191	2,868,421	**1,417,901**	1,687,766	5,450,405
	Loans to directors / entities who ceased to be related parties during the year	**(56,568)**	(49,167)	(23,513)	**-**	-	(391,377)	**(1,417,901)**	(256,891)	(3,365,943)
	Existing loans of new related parties	**34,669**	24,067	23,208	**-**	-	-	**-**	-	-
	Exchange difference	**25**	3,578	-	**-**	-	-	**-**	-	-
	Other net movements	**115,216**	11,709	39,074	**(2,828,699)**	239,508	112,147	**(12,974)**	(12,974)	(396,696)
	Balance at end of year	**230,630**	199,898	209,711	**-**	2,828,699	2,589,191	**(12,974)**	1,417,901	1,687,766
(ii)	*Off-balance sheet obligations*									
	Balance at end of year	**-**	-	50	**-**	720,982	678,424	**42,235**	42,235	34,535
(b)	Deposits at end of year	**242,961**	225,959	237,401	**-**	2,031,404	1,566,800	**696,682**	696,682	2,765,967
(c)	Interest income	**7,432**	11,904	9,317	**-**	84,331	84,922	**73,085**	73,085	70,609
(d)	Interest expense	**1,692**	1,720	1,791	**-**	29,358	19,934	**968**	968	5,461
(e)	Other income	**186**	51	32	**-**	12,548	13,908	**29,876**	29,876	32,153
(f)	Dividend income	**-**	-	-	**-**	-	-	**-**	-	-
(g)	Purchase of goods and services	**-**	12,549	8,943	**-**	-	-	**-**	-	-
(h)	Emoluments	**53,096**	166,466	91,380	**-**	-	-	**-**	-	-

Short term benefits amounted to MUR 59.3 million at the reporting date (2019: MUR 56.8 million and 2018: MUR 76 million) and long term benefits was nil at the reporting date(2019 and 2018:

The Company

		Entities in which the company has control		
		31 December 2020	31 December 2019	31 December 2018
		MUR'000	MUR'000	MUR'000
(a)	Cash and Cash Equivalents at year end	**304,473**	178,632	32,890
(b)	Derivative financial liability	**41,524**	47,645	19,356
(c)	Payables	**168,468**	75,026	75,000
(d)	Interest expense	**50,728**	9,784	6,653
(e)	Dividend income	**220,000**	1,382,875	1,150,500
(f)	Services recharged	**90,007**	1,314	1,078

37. RELATED PARTY DISCLOSURES (CONT'D)

	The Group		
	31 Dec 2020	31 Dec 2019	31 Dec 2018
Related party transactions in relation to Post Employment Benefit Plans are as follows:	**MUR' 000**	MUR' 000	MUR' 000
Deposits at end of year	**188,549**	211,640	97,051
Interest expense	**1**	216	-
Other income	**4**	-	-
Contributions paid	**132,322**	172,701	170,970

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.

38. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern and maximise returns to shareholders. It also ensures that adequate capital is maintained to support its growth strategies, its risk appetite and depositors' confidence, while complying with statutory and regulatory requirements. The capital resources of the Group are disclosed in the Statement of changes in equity.

All entities within the Group have met the respective minimum capital requirements set out by the relevant regulatory body and, where applicable, appropriate transfers have also been made to statutory reserves, ranging from 10% to 25% of annual profits.

Banks in Mauritius are required to maintain a ratio of eligible capital to risk weighted assets of at least 13.875%, whereas for India,Kenya and Madagascar, the minimum ratio is set at 11.5%,14.5% and 8% respectively.

	The Group		
	31 December 2020	31 December 2019	31 December 2018
		Restated	*Restated*
	MUR' 000	MUR' 000	MUR' 000
Tier 1 Capital	**20,626,490**	19,944,878	19,722,261
Eligible capital	**30,669,954**	30,175,351	30,047,298
Risk weighted assets	**148,284,367**	136,015,554	120,820,021
Capital adequacy ratio (%)	**20.68**	22.19	24.87

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 going concern basis includes 45% revaluation reserves on fixed assets and allowances for credit losses (restricted to 1.25% of total credit risk weighted assets).

39. OTHER RESERVES

The Group	Net unrealised investment fair value reserve	Net translation reserve	General reserve	Net other reserve	Earnings reserve	Restructure reserve	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018	(280,870)	109,847	-	1,566	2,935,807	(8,316,147)	(5,549,797)
Other comprehensive loss for the year	(556,262)	(176,373)	-	(96,235)	-	-	(828,870)
At 31 December 2018	(837,132)	(66,526)	-	(94,669)	2,935,807	(8,316,147)	(6,378,667)
At 01 January 2019	(837,132)	(66,526)	-	(94,669)	2,935,807	(8,316,147)	(6,378,667)
Other comprehensive income for the year	764,774	352,875	-	-	-	-	1,117,648
Reclassification of associate to their respective reserve	(76,785)	(17,884)	-	94,669	-	-	-
Transfer to retained earnings	-	(1,078)	-	-	-	-	(1,078)
At 31 December 2019	(149,143)	267,387	-	-	2,935,807	(8,316,147)	(5,262,097)
At 01 January 2020	**(149,143)**	**267,387**	**-**	**-**	**2,935,807**	**(8,316,147)**	**(5,262,097)**
Other comprehensive income for the year	**209,300**	**113,072**	**-**	**-**	**-**	**-**	**322,372**
Reclassification of reserves	**-**	**-**	**590,372**	**-**	**-**	**-**	**590,372**
At 31 December 2020	**60,157**	**380,459**	**590,372**	**-**	**2,935,807**	**(8,316,147)**	**(4,349,353)**

Restructuring reserve

Restructuring reserve includes net unrealized investment fair value reserve of MUR 5,401 million, net translation reserve of MUR 646 million and net property revaluation reserve of MUR 1,063 million and shall not be reclassified to the statement of profit or loss upon disposal of the related asset.

Fair value reserve on financial instruments recognised in OCI

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

Net translation reserve

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

General reserve

The General reserve relate to SBMBK where impairment losses required by legislation exceed those computed under IFRS, the excess is recognised as a general reserve and acccounted for as an appropriation of retained profits and the reserve for reduction.

40. RISK MANAGEMENT

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

a (i) Classification of financial assets and financial liabilities

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

THE GROUP	New classification under IFRS 9	31 December 2020	31 December 2019	31 December 2018
			Restated	Restated
Financial assets		**MUR' 000**	MUR' 000	MUR' 000
Cash and cash equivalents	Amortised cost	**21,577,245**	18,181,126	15,653,515
Mandatory balances with central banks	Amortised cost	**11,290,363**	10,680,287	9,977,260
Derivative financial instruments	Fair value through P&L	**809,379**	936,093	879,742
Loans to and placements with banks	Amortised cost	**3,130,387**	6,942,745	8,582,414
Loans and advances to non-bank customers	Amortised cost	**120,239,361**	109,475,989	102,108,174
Investment securities	Amortised cost	**45,769,375**	27,594,266	31,806,327
Investment securities	Fair value through OCI	**58,899,447**	54,687,283	29,724,989
Investment securities	Fair value through P&L	**9,580,368**	11,995,117	10,062,971
Equity investment	Fair value through OCI	**5,181,355**	6,014,270	5,752,870
Equity investment	Fair value through P&L	**1,622,852**	-	-
Other assets	Amortised Cost	**2,650,217**	2,797,855	1,365,912
Total financial assets		**280,750,349**	249,305,031	215,914,174
Financial liabilities				
Deposits from banks	Amortised Cost	**1,403,315**	907,521	716,702
Deposits from non-bank customers	Amortised Cost	**226,862,221**	199,397,188	169,384,480
Derivative financial instruments	Fair value through P&L	**1,279,984**	1,126,364	1,009,171
Other borrowed funds	Amortised Cost	**15,017,177**	13,373,033	11,964,588
Lease liabilities	Amortised Cost	**804,407**	795,345	-
Other liabilities	Amortised Cost	**6,009,465**	7,191,434	6,307,973
Subordinated debts	Amortised Cost	**10,142,786**	9,739,981	9,412,677
Total financial liabilities		**261,519,355**	232,530,866	198,795,591
THE COMPANY				
Financial assets				
Cash and cash equivalents	Amortised cost	**304,473**	178,632	32,890
Investment securities	Amortised cost	**1,076,798**	1,071,779	2,605,942
Investment securities	Fair value through P&L	**661,057**	598,699	351,187
Investment securities	Fair value through OCI	**8,637**	7,737	148,197
Equity investment	Fair value through OCI	**3,636,307**	4,227,683	4,227,683
Equity investment	Fair value through P&L	**1,622,331**	-	-
Other assets	Amortised Cost	**48,900**	231,000	153,309
Total financial assets		**7,358,503**	6,315,530	7,519,208
Financial liabilities				
Derivative financial instruments	Fair value through OCI	**41,524**	47,645	19,356
Other liabilities	Amortised Cost	**211,206**	112,588	91,474
Subordinated debts	Amortised Cost	**10,142,786**	9,739,981	9,412,677
Total financial liabilities		**10,395,516**	9,900,214	9,523,507

40. RISK MANAGEMENT (CONT'D)

a (i) 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
THE GROUP	**MUR' 000**	**MUR' 000**	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets			Restated	Restated	Restated	Restated
Cash and cash equivalents	**21,577,245**	**21,577,245**	18,181,126	18,181,126	15,653,515	15,653,515
Mandatory balances with central banks	**11,290,363**	**11,290,363**	10,680,287	10,680,287	9,977,260	9,977,260
Loans to and placements with banks	**3,130,387**	**3,130,387**	6,942,745	6,942,745	8,582,414	8,582,414
Derivative financial instruments	**809,379**	**809,379**	936,093	936,093	879,742	879,742
Loans and advances to non-bank customers	**120,239,361**	**120,051,834**	109,475,989	109,231,315	102,108,174	102,636,234
Investment securities	**121,053,397**	**123,216,788**	100,290,935	100,937,032	77,347,157	81,249,132
Other assets	**2,650,217**	**2,650,217**	2,797,855	2,797,855	1,365,912	1,365,912
	280,750,349	**282,726,213**	249,305,030	249,706,453	215,914,174	220,344,209
Financial liabilities						
Deposits from banks	**1,403,315**	**1,403,315**	907,521	907,521	716,702	716,702
Deposits from non-bank customers	**226,862,221**	**226,889,978**	199,397,188	199,396,303	169,384,480	169,505,655
Other borrowed funds	**15,017,177**	**15,017,177**	13,373,033	13,373,033	11,964,588	11,964,588
Derivative financial instruments	**1,279,984**	**1,279,984**	1,126,364	1,126,364	1,009,171	1,009,171
Lease liabilities	**804,407**	**804,407**	795,345	795,345	-	-
Other liabilities	**6,009,465**	**6,009,465**	7,191,434	7,191,434	6,307,973	6,307,973
Subordinated debts	**10,142,786**	**10,142,786**	9,739,981	9,739,981	9,412,677	9,412,677
	261,519,355	**261,547,112**	232,530,866	232,529,981	198,795,591	198,916,766
COMPANY						
Financial assets						
Cash and cash equivalents	**304,473**	**304,473**	178,632	178,632	32,890	32,890
Investment securities	**7,005,132**	**7,519,611**	5,898,161	6,298,302	7,333,009	7,554,716
Other assets	**48,900**	**48,900**	231,000	231,000	153,309	153,309
	7,358,505	**7,872,984**	6,307,793	6,707,934	7,519,208	7,740,915
Financial liabilities						
Derivative financial instruments	**41,524**	**41,524**	47,645	47,645	19,356	19,356
Other liabilities	**211,206**	**211,206**	112,588	112,588	91,474	91,474
Subordinated debts	**10,142,786**	**10,142,786**	9,739,981	9,739,981	9,412,677	9,412,677
	10,395,516	**10,395,516**	9,900,214	9,900,214	9,523,507	9,523,507

Loans and advances to non- bank customers

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

Investment securities and equity investments

All government bonds and BOM bonds have been fair valued based on the latest weighted yield rate. The equity investments has been fair valued at year end based on the market price ot net assets value of the investees.

Derivative Financial Instruments

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

Deposits from non-bank customers

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

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

40. RISK MANAGEMENT (CONT'D)

a (ii) Fair value measurement hierarchy

Accounting policy

The Group measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 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 Group.The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Significant accounting estimates and judgements

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

	The Group				The Company			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020								
Derivative financial assets	-	809,379	-	809,379	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	9,589,006	-	-	9,589,006	661,057	-	-	661,057
Equity securities	-	1,622,852	-	1,622,852		1,622,331		1,622,331
Investments at FVTOCI (debt and equity instruments)								
Debt securities	58,644,453	-	254,994	58,899,447	8,637	-	-	8,637
Equity securities	70,959	695,204	4,415,192	5,181,355	-	-	3,636,307	3,636,307
Total assets	68,304,418	3,127,435	4,670,186	76,102,038	669,694	1,622,331	3,636,307	5,928,332

40. RISK MANAGEMENT (CONT'D)

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

	The Group				The Company			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020 (Cont'd)								
Derivative financial liabilities	**-**	**1,279,984**	**-**	**1,279,984**	**-**	**41,524**	**-**	**41,524**
Total liabilities	**-**	**1,279,984**	**-**	**1,279,984**	**-**	**41,524**	**-**	**41,524**
31 December 2019 (Restated)								
Derivative financial assets	-	936,093	-	936,093	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	11,445,809	-	549,308	11,995,117	-	-	-	-
Equity securities	-	-	-	-	-	-	-	-
Investments at FVTOCI (debt and equity instruments)								
Debt securities	54,062,817	-	624,466	54,687,283	7,737	598,699	-	606,436
Equity securities	83,111	802,826	5,128,333	6,014,270	-	-	4,227,683	4,227,683
Total assets	65,591,737	1,738,919	6,302,107	73,632,763	7,737	598,699	4,227,683	4,834,119
Derivative financial liabilities	-	1,126,364	-	1,126,364	-	47,645	-	47,645
Total liabilities	-	1,126,364	-	1,126,364	-	47,645	-	47,645
31 December 2018 (Restated)								
Derivative financial assets	-	879,742	-	879,742	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	8,946,666	1,116,305	-	10,062,971	-	-	-	-
Investments at FVTOCI (debt and equity instruments)								
Debt securities	21,763,456	7,501,944	459,589	29,724,989	148,197	680,639	-	828,836
Equity securities	111,702	631,655	5,009,513	5,752,870	-	-	4,227,683	4,227,683
Total assets	30,821,824	10,129,646	5,469,102	46,420,572	148,197	680,639	4,227,683	5,056,519
Derivative financial liabilities	-	1,009,171	-	1,009,171	-	19,356	-	19,356
Total liabilities	-	1,009,171	-	1,009,171	-	19,356	-	19,356

40. RISK MANAGEMENT (CONT'D)

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

Fair Value through other comprehensive income

Valuation technique	Significant unobservable inputs	Range of input
Discounted projected cash flow	Weighted Average Cost of Capital (WACC)	9.28%

	Favourable changes	Unfavourable changes
0.25% change in WACC (MUR'000)	335,857,747	(335,857,747)

Reconciliation of level 3 assets:

	The Group			The Company		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Balance at start of year	**6,302,107**	5,469,102	5,834,145	**4,227,683**	4,227,683	4,292,925
Additions	**1,027,949**	714,183	-	**-**	-	-
Disposals	**(159,896)**	-	(683,731)	**-**	-	-
Exchange difference	**-**	-	341,939	**-**	-	-
Movement in fair value	**(2,499,974)**	118,822	(23,251)	**(591,376)**	-	(65,242)
Balance at end of year	**4,670,186**	6,302,107	5,469,102	**3,636,307**	4,227,683	4,227,683

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

b Credit risk

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

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure

The maximum exposure to credit risk at the reporting date without taking account of any collateral held and other credit enhancements is as disclosed below:

	THE GROUP			THE COMPANY		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000 Restated	MUR' 000 Restated	**MUR' 000**	MUR' 000 Restated	MUR' 000 Restated
Fund-based exposures:						
Cash and cash equivalents	**18,244,110**	15,268,102	12,191,837	**304,473**	178,632	32,890
Mandatory balances with Central Banks	**11,290,363**	10,680,287	9,977,260	**-**	-	-
Loans to and placements with banks	**3,150,745**	6,968,226	8,619,380	**-**	-	-
Derivative financial instruments	**809,379**	936,093	879,742	**-**	-	-
Loans and advances to non-bank customers	**135,982,935**	121,732,978	112,426,043	**-**	-	-
Investment securities (excluding equity investments)	**114,381,061**	94,443,100	71,614,171	**1,738,633**	1,671,039	7,333,009
Other assets	**2,650,217**	2,797,855	1,365,912	**48,900**	231,000	153,309
	286,508,810	252,826,641	217,074,345	**2,092,006**	2,080,671	7,519,208
Non-fund based exposures:						
Acceptances, guarantees, letters of credit, endorsements and other obligations on account	**17,582,011**	10,954,435	11,383,478	**-**	-	-
Credit commitments	**15,544,817**	13,675,505	9,071,296	**-**	-	-
	33,126,828	24,629,940	20,454,774	**-**	-	-

An analysis of the Group's maximum exposure to credit risk per class of financial asset, internal rating and 'stage', at the reporting date, without taking account of any collateral held and other credit enhancements have been disclosed in Notes 7 and 9.

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

An analysis of credit exposures, including non-fund based facilities, for loans and advances to non-bank customers that are neither past due nor impaired using the Group'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	**29,605,582**	43,942,917	43,961,314
4 to 6 - Standard	**43,604,083**	46,220,106	35,196,815
7 to 10 (including unrated) - Sub standard	**73,785,457**	31,136,274	34,593,279
	146,995,122	121,299,297	113,751,408

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.

Overview of modified loans

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

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 Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their defree of risk of default. The Group's credit risk grading framework comprises different categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Group's exposures:

- Payment record and ageing analysis;
- Extent of utilisation of granted limit;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies; and
- For retail exposures internally generated data of customer behaviour or other metrics.

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings

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

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

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

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

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

2. Significant increase in credit risk

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Goup compares the risk of a default occuring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of deafult that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

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

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

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

The PDs used are forward looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL.
The qualitative factors that indicate a significant increase in credit risk are reflected in PD models on a timely basis. However the Group still considers separately some qualitative factors to assess if credit risk has increased significantly, such as, creditworthiness of counterparty which has deteriorated as unemployment, bankruptcy or death.

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

3. Modified financial asset

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

When the terms of a financial asset are modified and the modifcation does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:
- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

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

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

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

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

3. Modified financial asset

Where the restructuring occurs prior to the classification of a loan as impaired, the restructured loan is classified as impaired when, in the aggregate, the period of time the loan is in arrears before and after restructuring is 90 days or more.

Where the restructuring occurs after a loan has been classified as impaired, the restructured loan is continued to be classified as impaired until repayments have been received by the Group, in amount and in such stipulated time, for a continuous period of six months, strictly in accordance with the terms and conditions of the restructured loan.

Where the loan has been restructured more than once, the restructured loan shall continue to be classified as impaired until repayments have been received by the financial institutions in amount and in such stipulated time, for a continuous period of nine months, at a minimum, strictly in accordance with the terms and conditions of the restructured loan.

4. Incorporation of forward-looking information

The Group incorporates forward looking information that is available without undue cost and effort into both its assessment of whether the credit risk of an instrument has increased significantly since its intial recognition and its measurement of ECL. Based on analysis from the Group's Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.
The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The following key indicators were considered for year ended 31 December 2020: GDP, interest rates.

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

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

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

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

5. Measurement of ECL

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

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

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

However, for loans with a funded component, the Group measures ECL over a period longer than the maximum contractual period if the Group’s contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

40. 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 Group Credit Risk policy. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types taken include:

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

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

Type of credit exposure	31 December 2020	31 December 2019	31 December 2018	Principal Type of collateral held
	MUR' 000	MUR' 000	MUR' 000	
Fund-based exposures:		Restated	Restated	
Cash and cash equivalents	**18,244,110**	15,268,102	12,191,837	*Unsecured*

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Collateral and other credit enhancements (Cont'd)

Type of credit exposure (Cont'd)	31 December 2020	31 December 2019	31 December 2018	Principal Type of collateral held
	MUR' 000	MUR' 000	MUR' 000	
		Restated	Restated	
Mandatory balances with Central Banks	**11,290,363**	10,680,287	9,977,260	*Unsecured*
Loans to and placements with banks	**3,150,745**	6,968,226	8,619,380	*Unsecured*
Derivative financial instruments	**809,379**	936,093	879,742	*Unsecured*
Loans and advances to non-bank customers	**135,982,935**	121,732,978	112,426,043	*Property, equity instruments, cash deposits and other guarantees*
Investment securities	**114,381,061**	94,443,100	71,614,171	*Unsecured*
Other assets	**2,650,217**	2,797,855	1,365,912	*Unsecured*
Non-fund based exposures:				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	**17,582,011**	10,954,435	11,383,478	*Property, equity instruments, cash deposits and other guarantees*
Credit commitments	**15,544,817**	13,675,505	9,071,296	*Unsecured*

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Collateral and other credit enhancements (Cont'd)

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

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

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

	THE GROUP		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Up to 1 month	**233,890**	183,537	393,924
Over 1 month and up to 3 months	**579,223**	389,921	600,625
	813,113	573,458	994,549

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

	31 December 2020	
	Gross Carrying Amount	Loss Allowance
	MUR' 000	MUR' 000
0-30 days (Stage 1)	97,912,695	951,035
31-89 days (Stage 2)	19,348,397	1,050,024
Total	117,261,092	2,001,059

40. 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, indicate that the account may be impaired.

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

	THE GROUP		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 8d)	**18,721,843**	16,379,054	18,233,076
Specific allowance held in respect of impaired advances (Note 8d)	**11,127,083**	9,666,309	8,536,038
Fair value of collaterals of impaired advances	**8,176,210**	7,461,298	11,018,417

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

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

	THE GROUP		
	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Portfolio			
Agriculture	**3,227,632**	2,319,392	5,603,930
Traders	**8,042,135**	9,646,283	15,920,016
Real estate	**5,704,924**	5,150,442	3,168,948
Financial Institutions	**2,397,744**	2,201,073	-
Services	**-**	2,543,437	2,357,501
Tourism	**8,389,473**	4,889,755	2,850,973
	27,761,908	26,750,382	29,901,368

c Liquidity risk

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

40. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

(i) The tables below show the expected timing of cash flows for financial assets and liabilities of the Group, slotted as per the rules defined by the Bank of Mauritius.

Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket *	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020								
Financial assets								
Cash and cash equivalents	21,559,196	19,719	-	-	-	-	(1,670)	21,577,245
Mandatory balances with central banks	3,178,071	536,542	252,663	701,226	337,968	6,283,893	-	11,290,363
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	-	-	-	-	-	-	809,379	809,379
Loans and advances to non-bank customers	4,888,018	6,749,608	7,552,598	10,249,836	32,906,239	56,812,399	1,080,663	120,239,361
Investment securities	34,145,958	1,112,125	5,749,689	5,815,198	17,021,764	50,590,975	6,617,688	121,053,397
Other assets	-	-	-	-	-	-	2,650,217	2,650,217
	63,771,243	8,463,994	14,815,541	17,774,545	50,859,080	113,930,027	11,135,919	280,750,349
Financial liabilities								
Deposits from banks	1,004,821	-	398,494	-	-	-	-	1,403,315
Deposits from non-bank customers	30,952,096	15,111,610	8,088,167	18,463,886	9,933,096	144,313,366	-	226,862,221
Other borrowed funds	1,268,589	2,039,641	2,225,506	1,062,055	7,769,690	651,696	-	15,017,177
Derivative financial instruments	-	-	-	-	-	-	1,279,984	1,279,984
Subordinated debts	-	-	2,575,899	-	-	7,566,887	-	10,142,786
Lease liabilities	-	-	-	99,727	-	704,680	-	804,407
Other liabilities	-	-	-	-	-	-	6,009,465	6,009,465
Total financial liabilities	33,225,506	17,151,251	13,288,066	19,625,668	17,702,786	153,236,629	7,289,449	261,519,355
Liquidity Gap	30,545,738	(8,687,257)	1,527,475	(1,851,123)	33,156,294	(39,306,602)	3,846,470	19,230,994

40. 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
Group	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019 (Restated)								
Financial assets								
Cash and cash equivalents	18,181,480	4,496	-	-	-	-	(4,850)	18,181,126
Mandatory balances with central banks	3,592,349	300,317	197,619	457,473	329,940	5,537,396	265,193	10,680,287
Loans to and placements with banks	1,832,440	395,111	2,728,703	1,249,520	762,453	-	(25,482)	6,942,745
Derivative financial instruments	-	-	-	-	-	-	936,093	936,093
Loans and advances to non-bank customers	5,710,068	6,105,555	5,326,436	10,118,903	28,698,900	50,154,607	3,361,520	109,475,989
Investment securities	30,349,176	4,222,832	3,565,739	6,216,733	12,155,524	37,203,340	6,577,591	100,290,935
Other assets	-	-	-	-	-	-	2,797,855	2,797,855
	59,665,513	11,028,311	11,818,497	18,042,629	41,946,817	92,895,343	13,907,920	249,305,030
Financial liabilities								
Deposits from banks	871,688	23,747	12,086	-	-	-	-	907,521
Deposits from non-bank customers	27,658,415	10,660,621	7,613,939	12,384,050	7,165,911	128,249,279	5,664,973	199,397,188
Other borrowed funds	7,901,991	43,307	1,272,535	146,271	2,398,950	1,609,979	-	13,373,033
Derivative financial instruments	-	-	-	-	-	-	1,126,364	1,126,364
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	-	9,739,981
Lease liabilities						795,345		795,345
Other liabilities	-	-	-	-	-	-	7,191,434	7,191,434
Total financial liabilities	36,432,094	10,727,675	8,927,324	12,530,321	11,945,696	137,984,985	13,982,771	232,530,866
Liquidity Gap	23,233,419	300,636	2,891,173	5,512,308	30,001,121	(45,089,642)	(74,851)	16,774,164

40. 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
Group	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2018 (Restated)								
Financial assets								
Cash and cash equivalents	14,536,882	1,159,932	-	-	-	-	(43,299)	15,653,515
Mandatory balances with central banks	3,323,940	349,823	187,544	454,851	430,880	5,230,222	-	9,977,260
Loans to and placements with banks	421,405	2,479,307	2,495,283	553,723	2,669,663	-	(36,967)	8,582,414
Derivative financial instruments	-	-	-	-	-	-	879,742	879,742
Loans and advances to non-bank customers	5,668,063	8,194,649	4,400,516	9,768,676	23,517,096	46,027,502	4,531,672	102,108,174
Investment securities	24,062,494	3,281,361	2,624,198	11,085,242	11,727,931	17,839,048	6,726,883	77,347,157
Other assets	-	-	-	-	-	-	1,365,912	1,365,912
	48,012,784	15,465,072	9,707,541	21,862,492	38,345,570	69,096,772	13,423,943	215,914,174
Financial liabilities								
Deposits from banks	697,414	19,288	-	-	-	-	-	716,702
Deposits from non-bank customers	26,726,407	9,681,266	5,900,702	10,819,633	8,005,193	108,251,279	-	169,384,480
Other borrowed funds	3,809,441	1,264,267	3,628,680	163,906	2,582,886	515,408	-	11,964,588
Derivative financial instruments	-	-	-	-	-	-	1,009,171	1,009,171
Subordinated debts	-	-	-	-	2,236,443	7,176,234	-	9,412,677
Other liabilities	-	-	-	-	-	-	6,307,973	6,307,973
Total financial liabilities	31,233,262	10,964,821	9,529,382	10,983,539	12,824,522	115,942,921	7,317,144	198,795,591
Liquidity Gap	16,779,522	4,500,251	178,159	10,878,953	25,521,048	(46,846,149)	6,106,799	17,118,583

40. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity *	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Company								
31 December 2020								
Financial assets								
Cash and cash equivalents	**304,473**	**-**	**-**	**-**	**-**	**-**	**-**	**304,473**
Investment securities	**661,058**	**-**	**179,306**	**-**	**157,908**	**749,000**	**5,257,860**	**7,005,132**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**48,900**	**48,900**
	965,531	**-**	**179,306**	**-**	**157,908**	**749,000**	**5,306,760**	**7,358,505**
Financial liabilities								
Derivative financial instruments							**41,524**	**41,524**
Subordinated debts	**-**	**-**	**2,575,899**	**-**	**-**	**7,566,887**	**-**	**10,142,786**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**211,206**	**211,206**
	-	**-**	**2,575,899**	**-**	**-**	**7,566,887**	**252,730**	**10,395,516**
Liquidity Gap	**965,531**	**-**	**(2,396,593)**	**-**	**157,908**	**(6,817,887)**	**5,054,030**	**(3,037,011)**

* 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

40. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity *	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Company								
31 December 2019 (Restated)								
Financial assets								
Cash and cash equivalents	178,632	-	-	-	-	-	-	178,632
Investment securities	239,844	-	26,674	-	353,500	452,321	4,825,822	5,898,161
Other assets	-	-	-	-	-	-	231,000	231,000
	418,476	-	26,674	-	353,500	452,321	5,056,822	6,307,793
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	47,645	47,645
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	-	9,739,981
Other liabilities	-	-	-	-	-	-	112,588	112,588
	-	-	28,764	-	2,380,835	7,330,382	160,233	9,900,214
Liquidity Gap	418,476	-	(2,090)	-	(2,027,335)	(6,878,061)	4,896,589	(3,592,421)
31 December 2018 (Restated)								
Financial assets								
Cash and cash equivalents	32,890	-	-	-	-	-	-	32,890
Investment securities	181,334	-	52,754	698,500	1,080,000	1,092,738	4,227,683	7,333,008
Other assets	-	-	-	-	-	-	153,309	153,309
	214,224	-	52,754	698,500	1,080,000	1,092,738	4,380,992	7,519,208
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	19,356	19,356
Subordinated debts	-	-	-	-	2,236,443	7,176,234	-	9,412,677
Other liabilities	-	-	-	-	-	-	91,474	91,474
	-	-	-	-	2,236,443	7,176,234	110,830	9,523,507
Liquidity Gap	214,224	-	52,754	698,500	(1,156,443)	(6,083,496)	4,270,162	(2,004,299)

40. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

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

Group	On Demand	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Total
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Financial liabilities							
Deposits	**176,942,836**	**22,650,827**	**7,137,145**	**15,090,185**	**5,673,965**	**770,578**	**228,265,536**
Derivative financial instruments	**1,279,984**	**-**	**-**	**-**		**-**	**1,279,984**
Other borrowed funds	**-**	**732,331**	**4,801,404**	**1,062,055**	**202,804**	**8,218,583**	**15,017,177**
Subordinated debts	**-**	**2,575,899**	**-**	**-**	**7,566,887**	**-**	**10,142,786**
Lease liabilities	**-**	**-**	**-**	**99,727**	**-**	**704,680**	**804,407**
Other liabilities	**6,009,465**	**-**	**-**	**-**	**-**	**-**	**6,009,465**
31 December 2020	**184,232,285**	**25,959,057**	**11,938,549**	**16,251,967**	**13,443,656**	**9,693,841**	**261,519,355**
Financial liabilities							
Deposits	149,121,514	23,787,816	5,921,274	9,885,889	8,922,818	2,665,398	200,304,709
Derivative financial instruments	1,126,364	-		-		-	1,126,364
Other borrowed funds	85	7,945,298	1,272,450	146,271	2,398,950	1,609,979	13,373,033
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	9,739,981
Lease liabilities	-	-	-	-	-	795,345	795,345
Other liabilities	7,191,434	-	-	-	-	-	7,191,434
31 December 2019 (Restated)	157,439,397	31,733,114	7,222,488	10,032,160	13,702,603	12,401,104	232,530,866
Deposits	130,395,125	16,566,948	5,244,485	9,460,009	8,287,698	146,917	170,101,182
Derivative financial instruments	1,009,171	-		-	-	-	1,009,171
Other borrowed funds	-	5,073,708	3,628,680	163,906	2,582,886	515,408	11,964,588
Subordinated debts	-	-	-	-	2,236,443	7,176,234	9,412,677
Other liabilities	6,307,973	-	-	-	-	-	6,307,973
31 December 2018 (Restated)	137,712,269	21,640,656	8,873,165	9,623,915	13,107,027	7,838,559	198,795,591

40. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

	On Demand	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Company	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Financial liabilities							
Derivative financial instruments						**41,524**	**41,524**
Subordinated debts	**-**	**2,575,899**	**-**	**-**	**7,566,887**	**-**	**10,142,786**
Other liabilities	**211,206**	**-**	**-**	**-**	**-**	**-**	**211,206**
31 December 2020	**211,206**	**2,575,899**	**-**	**-**	**7,566,887**	**41,524**	**10,395,516**
Financial liabilities							
Derivative financial instruments	47,645	-	-	-	-	-	47,645
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	9,739,981
Other liabilities	112,588	-	-	-	-	-	112,588
31 December 2019 (Restated)	160,233	-	28,764	-	2,380,835	7,330,382	9,900,214
Financial liabilities							
Derivative financial instruments						19,356	19,356
Subordinated debts	-	-	-	2,236,443	7,176,234	-	9,412,677
Other liabilities	-	-	-	-	-	91,474	91,474
31 December 2018 (Restated)	-	-	-	2,236,443	7,176,234	110,830	9,523,507

d Market risk

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

40. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk

The Group's interest rate risk arises mostly from mismatches in the repricing of its assets and liabilities. The Group uses an interest rate gap analysis to measure and monitor the interest rate risk. Prudential limits for currency wise gaps, expressed as a percentage of assets, have been set for specific time buckets and earnings at risk is calculated based on different shock scenarios across major currencies.

The table below analyses the Group's interest rate risk exposure in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is the earlier. The 'up to 3 months' column include the financial assets and liabilities which have floating rates of interest that do not reprice at set dates, but rather reprice whenever the underlying interest rate index changes.

Group	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**Non-interest sensitive**	**Total**
31 December 2020	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Assets								
Cash and cash equivalents	2,543,035	-	-	-	-	-	19,034,210	21,577,245
Mandatory balances with central banks	-	-	-	-	-	-	11,290,363	11,290,363
Loans to and placements with banks	1,890,154	1,243,992	-	-	-	-	(3,759)	3,130,387
Derivative financial instruments	-	-	-	-	-	-	809,379	809,379
Loans and advances to non-bank customers	97,667,632	7,072,318	6,612,937	6,640,456	4,422,759	4,604,186	(6,780,927)	120,239,361
Investment securities	15,453,258	5,676,749	11,269,902	15,654,077	32,128,390	30,035,697	10,835,324	121,053,397
Other assets	-	-	-	-	-	-	2,650,217	2,650,217
Total assets	**117,554,079**	**13,993,059**	**17,882,839**	**22,294,533**	**36,551,149**	**34,639,883**	**37,834,807**	**280,750,349**
Liabilities								
Deposits from banks	-	398,494	-	-	-	-	1,004,821	1,403,315
Deposits from non-bank customers	96,025,962	6,722,207	14,890,715	5,288,749	2,015,407	719	101,918,462	226,862,221
Other borrowed funds	10,974,971	417,841	-	3,462,912	102,866	-	58,587	15,017,177
Derivative financial instruments	-	-	-	-	-		1,279,984	1,279,984
Lease liabilities							804,407	804,407
Subordinated debts	1,514,667	2,575,899	-	-	-	6,052,220	-	10,142,786
Other liabilities	-	-	-	-	-	-	6,009,465	6,009,465
Total liabilities	**108,515,600**	**10,114,441**	**14,890,715**	**8,751,661**	**2,118,273**	**6,052,939**	**111,075,726**	**261,519,355**
On balance sheet interest rate sensitivity gap	9,038,479	3,878,618	2,992,124	13,542,872	34,432,876	28,586,944	(73,240,919)	19,230,994
Off balance sheet interest rate sensitivity gap	8,793,601	(3,568,124)	(838,111)	(2,510,099)	(951,516)	(921,239)	-	4,512
	17,832,080	310,494	2,154,013	11,032,773	33,481,360	27,665,705	(73,240,919)	19,235,506

40. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

31 December 2019 (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	2,158,613	-	-	-	-	-	16,022,513	18,181,126
Mandatory balances with central banks	-	-	-	-	-	-	10,680,287	10,680,287
Loans to and placements with banks	4,575,917	1,651,268	334,335	346,000	-	-	35,225	6,942,745
Derivative financial instruments	-	-	-	-	-	-	936,093	936,093
Loans and advances to non-bank customers	91,066,455	4,414,910	7,969,455	4,609,525	6,068,393	3,347,879	(8,000,628)	109,475,989
Investment securities	20,505,890	5,066,964	8,838,982	5,580,124	31,538,981	21,328,297	7,431,697	100,290,935
Other assets	-	-	-	-	-	-	2,797,855	2,797,855
Total assets	118,306,875	11,133,142	17,142,772	10,535,649	37,607,374	24,676,176	29,903,042	249,305,030
Liabilities								
Deposits from banks	59,317	11,830	-	-	-	-	836,374	907,521
Deposits from non-bank customers	104,842,582	6,199,031	9,734,316	3,799,708	2,571,496	14,906	72,235,149	199,397,188
Other borrowed funds	8,359,654	1,650,689	-	-	1,098,810	-	2,263,880	13,373,033
Derivative financial instruments	-	-	-	-	-	-	1,126,364	1,126,364
Subordinated debts	1,500,000	2,380,835	-	-	-	5,830,382	28,764	9,739,981
Lease liabilities	-	-	-	-	-	-	795,345	795,345
Other liabilities	-	-	-	-	-	-	7,191,434	7,191,434
Total liabilities	114,761,553	10,242,385	9,734,316	3,799,708	3,670,306	5,845,288	84,477,310	232,530,866
On balance sheet interest rate sensitivity gap	3,545,322	890,757	7,408,456	6,735,941	33,937,068	18,830,888	(54,574,268)	16,774,164
Off balance sheet interest rate sensitivity gap	11,685,641	1,841,883	3,852,369	(1,187,222)	(3,001,308)	(2,169,370)	-	11,021,993
	15,230,963	2,732,640	11,260,825	5,548,719	30,935,760	16,661,518	(54,574,268)	27,796,157

40. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

31 December 2018 (Restated)	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	3,561,137	-	-	-	-	-	12,092,378	15,653,515
Mandatory balances with central banks	-	40,000	-	-	-	-	9,937,260	9,977,260
Loans to and placements with banks	5,712,065	2,697,971	82,560	-	-	-	89,818	8,582,414
Derivative financial instruments	-	-	-	-	-	-	879,742	879,742
Loans and advances to non-bank customers	82,880,313	4,535,007	2,228,944	5,135,766	5,292,272	7,020,775	(4,984,903)	102,108,174
Investment securities	14,798,692	7,398,165	14,099,461	6,701,127	16,006,898	11,575,502	6,767,312	77,347,157
Other assets	-	-	-	-	-	-	1,365,912	1,365,912
Total assets	106,952,207	14,671,143	16,410,965	11,836,893	21,299,170	18,596,277	26,147,519	215,914,174
Liabilities								
Deposits from banks	62,791	-	-	-	-	-	653,911	716,702
Deposits from non-bank customers	83,108,627	4,913,600	8,626,656	6,335,444	166,850	1,612	66,231,691	169,384,480
Other borrowed funds	4,780,234	4,330,762	-	2,817,025	-	-	36,567	11,964,588
Derivative financial instruments	-	-	-	-	-	-	1,009,171	1,009,171
Subordinated debts	1,522,229	2,236,443	-	-	-	5,623,165	30,840	9,412,677
Other liabilities	-	-	-	-	-	-	6,307,973	6,307,973
Total liabilities	89,473,881	11,480,805	8,626,656	9,152,469	166,850	5,624,777	74,270,153	198,795,591
On balance sheet interest rate sensitivity gap	17,478,326	3,190,338	7,784,309	2,684,424	21,132,320	12,971,500	(48,122,634)	17,118,583
Off balance sheet interest rate sensitivity gap	12,457,497	(1,420,568)	927,465	(1,297,880)	(893,463)	(2,880,652)	-	6,892,399
	29,935,823	1,769,770	8,711,774	1,386,544	20,238,857	10,090,848	(48,122,634)	24,010,982

40. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

The Company	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
31 December 2020	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Assets								
Cash and cash equivalents	**-**	**-**	**-**	**-**	**-**	**-**	**304,473**	**304,473**
Investment securities	**-**	**138,500**	**-**	**150,000**	**204,908**	**552,000**	**5,959,724**	**7,005,132**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**48,900**	**48,900**
Total assets	**-**	**138,500**	**-**	**150,000**	**204,908**	**552,000**	**6,313,097**	**7,358,505**
Liabilities								
Derivative financial instruments							**41,524**	**41,524**
Subordinated debts	**1,514,667**	**2,575,899**	**-**	**-**	**-**	**6,052,220**	**-**	**10,142,786**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**211,206**	**211,206**
Total liabilities	**1,514,667**	**2,575,899**	**-**	**-**	**-**	**6,052,220**	**252,730**	**10,395,516**
On balance sheet interest rate sensitivity gap	**(1,514,667)**	**(2,437,399)**	**-**	**150,000**	**204,908**	**(5,500,220)**	**6,060,367**	**(3,037,011)**
Off balance sheet interest rate sensitivity gap	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	(1,514,667)	**(2,437,399)**	**-**	**150,000**	**204,908**	**(5,500,220)**	**6,060,367**	**(3,037,011)**
31 December 2019 (Restated)								
Assets								
Cash and cash equivalents	-	-	-	-	-	-	178,632	178,632
Investment securities	240,000	15,000	-	203,500	182,321	420,000	4,837,340	5,898,161
Other assets	-	-	-	-	-	-	231,000	231,000
Total assets	240,000	15,000	-	203,500	182,321	420,000	5,246,972	6,307,793
Liabilities								
Derivative financial instruments							47,645	47,645
Subordinated debts	1,500,000	2,380,835	-	-	-	5,830,382	28,764	9,739,981
Other liabilities	-	-	-	-	-	-	112,588	112,588
Total liabilities	1,500,000	2,380,835	-	-	-	5,830,382	188,997	9,900,214
On balance sheet interest rate sensitivity gap	(1,260,000)	(2,365,835)	-	203,500	182,321	(5,410,382)	5,057,975	(3,592,421)
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	(1,260,000)	(2,365,835)	-	203,500	182,321	(5,410,382)	5,057,975	(3,592,421)

40. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2018 (Restated)								
Assets								
Cash and cash equivalents	-	-	-	-	-	-	32,890	32,890
Investment securities	181,611	38,500	698,500	15,000	1,215,000	445,000	4,739,398	7,333,009
Other assets	-	-	-	-	-	-	153,309	153,309
Total assets	181,611	38,500	698,500	15,000	1,215,000	445,000	4,925,597	7,519,208
Liabilities								
Derivative financial instruments							19,356	19,356
Subordinated debts	1,522,229	2,236,443	-	-	-	5,623,165	30,840	9,412,677
Other liabilities	-	-	-	-	-	-	91,474	91,474
Total liabilities	1,522,229	2,236,443	-	-	-	5,623,165	141,670	9,523,507
On balance sheet interest rate sensitivity gap	(1,340,618)	(2,197,943)	698,500	15,000	1,215,000	(5,178,165)	4,783,927	(2,004,299)
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	(1,340,618)	(2,197,943)	698,500	15,000	1,215,000	(5,178,165)	4,783,927	(2,004,299)

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 in profit	**341,700**	249,404	589,558

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

Interest rate sensitivity

The following table demontrates the sensitivity of a 2% change in interest rates in the different countries:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Mauritius	520,801	(340,216)	(514,568)
India	68,681	(154,673)	(53,750)
Madagascar	(2,080)	(2,414)	(4,646)
Kenya	(173,454)	80,371	(92,596)
Others	(72,251)	59,929	49,030
	341,697	(357,003)	(616,530)

(ii) Fair value hedges

At 31 December 2020:	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
Fixed rate corporate loans	6,213,147	-	215,796	-
Fixed rate debt instrument	2,398,849	-	21,439	-
Fixed rate non-bank deposits	-	135,996	-	-

At 31 December 2019:	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
Fixed rate corporate loans	8,179,583	-	145,936	-
Fixed rate debt instrument	2,220,898	-	51,242	-
Fixed rate non-bank deposits	-	153,751	-	122

At 31 December 2018:	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
Fixed rate corporate loans	4,670,782	-	115,028	-
Fixed rate debt instrument	3,163,303	-	6,271	-
Fixed rate non-bank deposits	-	143,919	-	2,030

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

	31 December 2020			31 December 2019		
	Notional Amount	Carrying Amount		Notional Amount	Carrying Amount	
Micro fair value hedges	MUR' 000	Assets MUR' 000	Liabilities MUR' 000	MUR' 000	Assets MUR' 000	Liabilities MUR' 000
Interest rate swaps	7,084,396	393	235,903	12,577,020	367	280,993

The below table sets out the outcome of the Group's hedging strategy, set out in Notes 8 and 9, in particular, to changes in the fair value of the hedged items and hedging instruments in the current year and the comparative year, used as the basis for recognising ineffectiveness:

		31 December 2020			31 December 2019		
		Gain / (loss) attributable to the hedged risk			Gain / (loss) attributable to the hedged risk		
Hedged items	Hedging instruments	Hedged items	Hedging instruments	Hedge ineffectiveness	Hedged items	Hedging instruments	Hedge ineffectiveness
Micro fair value hedge relationships hedging assets							
Fixed rate corporate loans	Interest rate swaps	215,796	(214,464)	1,332	145,936	(263,848)	(117,912)
Fixed rate debt instrument	Interest rate swaps	21,439	(21,439)	-	51,242	(17,145)	34,098
Micro fair value hedge relationships hedging liabilities							
Fixed rate non-bank deposits	Interest rate swaps	-	393	393	(122)	367	244
Total micro fair value hedge relationship		237,235	(235,510)	1,726	197,056	(280,626)	(83,570)

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

At 31 December 2020:	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	135,996	3,811,151	2,277,768	859,481	7,084,396

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

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

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk

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

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

Group	**MUR**	**USD**	**GBP**	**EURO**	**INR**	**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	12,634,383	3,798,574	362,261	398,703	2,427,738	925,573	1,030,013	21,577,245
Mandatory balances with Central Banks	8,628,978	807,233	83,389	211,255	411,067	841,797	306,644	11,290,363
Loans to and placements with banks	270,345	2,616,008	-	244,034	-	-	-	3,130,387
Derivative financial instruments	279,262	389,614	1,571	10,327	118,868	-	9,737	809,379
Loans and advances to non-bank customers	60,271,170	24,875,118	1,083,035	15,883,046	11,898,970	5,721,187	506,835	120,239,361
Investment securities	61,535,323	38,721,218	-	493,439	4,631,678	14,844,150	827,589	121,053,397
Other assets	539,546	806,769	1,572	598,464	130,163	555,140	18,563	2,650,217
Total monetary financial assets	144,159,007	72,014,534	1,531,828	17,839,268	19,618,484	22,887,847	2,699,381	280,750,349
LIABILITIES								
Deposits from banks	244,708	484,545	2,013	92,660	546,473	5,465	27,451	1,403,315
Deposits from non-bank customers	106,889,917	71,801,463	2,850,787	13,547,684	12,387,937	16,651,909	2,732,524	226,862,221
Other borrowed funds	-	10,008,035	-	1,048,793	118,240	3,842,109	-	15,017,177
Derivative financial instruments	202,942	928,603	1,075	41,797	85,559	-	20,008	1,279,984
Subordinated debts	4,575,167	5,567,619	-	-	-	-	-	10,142,786
Lease liabilities	804,407	-	-	-	-	-	-	804,407
Other liabilities	1,435,214	93,110	(1,098,171)	4,162,608	516,516	1,219,878	(319,690)	6,009,465
Total monetary financial liabilities	114,152,355	88,883,375	1,755,704	18,893,542	13,654,725	21,719,361	2,460,293	261,519,355
On balance sheet position	30,006,652	(16,868,841)	(223,876)	(1,054,274)	5,963,759	1,168,486	239,088	19,230,994
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	30,006,652	(16,281,966)	(223,876)	(1,054,274)	5,376,884	1,168,486	239,088	19,230,994

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

Group	MUR	USD	GBP	EURO	INR	KES	OTHER	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	7,123,704	6,998,246	605,988	1,397,285	204,115	982,331	869,457	18,181,126
Mandatory balances with Central Banks	8,231,853	972,536	94,288	26,276	215,539	910,454	229,341	10,680,287
Loans to and placements with banks	2,431,333	1,637,371	-	1,237,890	1,636,151	-	-	6,942,745
Derivative financial instruments	347,822	452,420	3	10,312	108,729	-	16,807	936,093
Loans and advances to non-bank customers	60,162,176	27,064,201	802,901	12,203,995	4,655,125	3,884,398	703,193	109,475,989
Investment securities	55,663,578	24,225,476	-	1,040,942	3,161,825	15,525,268	673,846	100,290,935
Other assets	957,062	159,478	607	39,289	50,531	813,115	777,773	2,797,855
Total monetary financial assets	134,917,528	61,509,728	1,503,787	15,955,989	10,032,015	22,115,566	3,270,417	249,305,030
LIABILITIES								
Deposits from banks	437,123	294,898	7,176	47,341	114,482	4,163	2,338	907,521
Deposits from non-bank customers	102,865,291	61,831,066	2,184,904	11,176,989	3,746,439	15,481,465	2,111,034	199,397,188
Other borrowed funds	-	6,084,400	3,254	4,052,113	-	3,232,817	449	13,373,033
Derivative financial instruments	76,816	871,392	2	65,874	93,067		19,213	1,126,364
Subordinated debts	4,582,051	5,157,930	-	-	-	-	-	9,739,981
Lease liabilities	795,345	-	-	-	-	-	-	795,345
Other liabilities	1,678,923	3,760,306	(561,503)	1,123,475	1,746	1,327,272	(138,785)	7,191,434
Total monetary financial liabilities	110,435,549	77,999,992	1,633,833	16,465,792	3,955,734	20,045,717	1,994,249	232,530,866
On balance sheet position	24,481,979	(16,490,264)	(130,046)	(509,803)	6,076,281	2,069,849	1,276,168	16,774,164
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	24,481,979	(15,903,389)	(130,046)	(509,803)	5,489,406	2,069,849	1,276,168	16,774,164

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

Group	**MUR**	**USD**	**GBP**	**EURO**	**INR**	**KES**	**OTHER**	**TOTAL**
31 December 2018(Restated)	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
ASSETS								
Cash and cash equivalents	4,099,617	6,416,239	479,846	805,454	820,147	2,223,739	808,473	15,653,515
Mandatory balances with Central Banks	7,803,233	823,330	92,565	47,674	180,242	853,936	176,280	9,977,260
Loans to and placements with banks	5,195,708	2,128,235	-	1,174,062	-	-	84,409	8,582,414
Derivative financial instruments	219,506	605,286	4,630	2,588	21,358	-	26,374	879,742
Loans and advances to non-bank customers	59,261,154	24,050,589	828,678	9,975,722	3,207,614	4,110,699	673,718	102,108,174
Investment securities	54,453,412	18,068,902	-	398,186	2,599,960	14,587,705	(12,761,008)	77,347,157
Other assets	921,309	10,718	(181)	34,471	173,517	198,361	27,717	1,365,912
Total monetary financial assets	131,953,939	52,103,299	1,405,538	12,438,157	7,002,838	21,974,440	(10,964,037)	215,914,174
LIABILITIES								
Deposits from banks	700,289	-	-	-	14,574	-	1,839	716,702
Deposits from non-bank customers	89,027,387	46,587,864	2,842,161	8,911,815	3,244,643	16,953,706	1,816,904	169,384,480
Other borrowed funds	1,355	6,157,731	284,044	1,637,762	249,571	2,817,025	817,100	11,964,588
Derivative financial instruments	274,268	199,452	8	-	523,958	-	11,485	1,009,171
Subordinated debts	4,582,749	4,829,928	-	-	-	-	-	9,412,677
Other liabilities	1,522,583	2,560,363	50,352	399,893	241,224	1,140,750	392,808	6,307,973
Total monetary financial liabilities	96,108,631	60,335,338	3,176,565	10,949,470	4,273,970	20,911,481	3,040,136	198,795,591
On balance sheet position	35,845,308	(8,232,039)	(1,771,027)	1,488,687	2,728,868	1,062,959	(14,004,173)	17,118,583
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	35,845,308	(7,645,164)	(1,771,027)	1,488,687	2,141,993	1,062,959	(14,004,173)	17,118,583

The Company is exposed to currency risk only in USD in relation to cash and cash equivalents and investment securities (financial assets) amounting to MUR 916.33 million (2019 : MUR 616.18 million and 2018 MUR181.26) and subordinated debts (financial liabilities) amounting to MUR 5,760.82 million (2019: MUR 5,157.93 million and 2018: MUR 4,829.93 million).

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

	Impact on Group's profit after tax and Equity					
	USD	**GBP**	**EURO**	**INR**	**KES**	**OTHER**
31 December 2020	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
5%	**(843,442)**	**(11,194)**	**(52,714)**	**298,188**	**58,424**	**11,954**
-5%	**843,442**	**11,194**	**52,714**	**(298,188)**	**(58,424)**	**(11,954)**
31 December 2019 (Restated)						
5%	1,224,099	(824,513)	(6,502)	(25,490)	303,814	103,492
-5%	(1,224,099)	824,513	6,502	25,490	(303,814)	(103,492)
31 December 2018(Restated)						
5%	1,792,265	(411,602)	(88,551)	74,434	136,443	53,148
-5%	(1,792,265)	411,602	88,551	(74,434)	(136,443)	(53,148)

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

Value-at-Risk Analysis

The Group uses Value-at-Risk (VAR) to estimate the potential foreign exchange loss arising from adverse movements in an ordinary market environment. To calculate VAR, the Group uses the historical method which assumes that historical changes in market values are representative of future changes. The VAR is based on the previous 12 months data. The Group calculates VAR using 10 days holding period and an expected tail-loss methodology, which approximates a 99% confidence level. This would mean that only once in every 100 trading days, The group would expect to incur losses greater than the VAR estimates, or about two to three times a year. The use of 10 days holding period and a one-year historical observation period are in line with the Basel II recommendation.

The Group's VAR amounted to:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	**580,912**	850	1,095
Maximum for the year	**9,792,592**	19,588	22,309
Year end	**2,231,943**	3,271	6,186

(iv) Equity price sentivity analysis

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

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

	The Group			The Company		
	31 December 2020	31 December 2019	31 December 2018	**31 December 2020**	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Statements of comprehensive income	**259,068**	300,713	287,643	**181,815**	211,384	211,384
	259,068	300,713	287,643	**181,815**	211,384	211,384

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 (summary of accounting policies).

41. SEGMENT INFORMATION - THE GROUP

Accounting policy

Segmental reporting is based on the internal reports regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess their performance. The operating segments are the banking, the non-bank financial institution, the non-financial institutions and the other institutions segments. Only the banking segment is a reportable segment.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker i.e the Group Chief Executive Officer in order to allocate resources to the segments and to assess their performance.

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

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

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

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

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020						
Interest income from external customers	11,077,176	104,269	22,672	52,286	-	11,256,403
Non-interest income from external customers	3,641,940	39,011	4,852	396,930	-	4,082,733
Revenue from external customers	14,719,116	143,281	27,524	449,216	-	15,339,136
Interest income from internal customers	81,294	-	-	-	(81,294)	-
Non interest income from internal customers	80	398,178	-	260,000	(658,258)	-
Revenue from other segments of the entity	81,374	398,178	-	260,000	(739,552)	-
Total gross revenue	14,800,490	541,459	27,524	709,216	(739,552)	15,339,136
Interest and fee and commission expense to external customers	(3,670,532)	(2,521)	-	(444,521)	-	(4,117,574)
Interest expense to internal customers	(301)	(30,516)	-	(50,728)	81,545	-
	(3,670,833)	(33,037)	-	(495,249)	81,545	(4,117,574)
Operating income	11,129,657	508,422	27,524	213,966	(658,007)	11,221,562
Depreciation and amortisation	(1,035,564)	(11,075)	(557)	(2,019)	-	(1,049,215)
Other non-interest expenses	(4,384,275)	(168,465)	(3,311)	(591,899)	46,236	(5,101,714)
Net impairment loss on financial assets	(3,743,848)	(13,338)	-	(217)	-	(3,757,402)
Operating profit	1,965,969	315,543	23,656	(380,168)	(611,772)	1,313,231
Share of profit of associate	-	-	-	-	-	-
Profit before income tax	1,965,969	315,543	23,656	(380,168)	(611,772)	1,313,231
Tax expense	(291,634)	(4,941)	(3,887)	336	(1)	(300,126)
Profit for the year	1,674,335	310,604	19,770	(379,833)	(611,772)	1,013,105
Segment assets	307,642,895	3,981,468	169,995	36,889,453	(60,261,717)	288,422,094
Segment liabilities	253,740,549	1,432,582	3,853	10,403,064	(2,354,282)	263,225,766
Additions to tangible and intangible assets	383,278	11,323	-	-	-	394,601

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

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

	Banking	**Non-bank financial institutions**	**Non financial institutions**	**Other institutions**	**Intersegment adjustments**	**Group Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
31 December 2019 *(Restated)*						
Interest income from external customers	10,800,473	82,812	-	77,863	-	10,961,148
Non-interest income from external customers	2,659,848	224,223	3,621	155,951	-	3,043,643
Revenue from external customers	13,460,321	307,034	3,621	233,814	-	14,004,791
Interest income from internal customers	38,251	-	-	-	(38,251)	-
Non interest income from internal customers	1,327,881	121,277	-	1,412,849	(2,862,007)	-
Revenue from other segments of the entity	1,366,132	121,277	-	1,412,849	(2,900,257)	-
Total gross revenue	14,826,453	428,311	3,621	1,646,664	(2,900,257)	14,004,791
Interest and fee and commission expense to external customers	(3,882,224)	5,857	-	(486,523)	-	(4,362,890)
Interest expense to internal customers	(8,011)	(30,240)	-	-	38,251	-
	(3,890,233)	(24,383)	-	(486,523)	38,251	(4,362,890)
Operating income	10,936,220	403,928	3,621	1,160,140	(2,862,007)	9,641,901
Depreciation and amortisation	(1,076,807)	(10,476)	(396)	(2,424)	-	(1,090,103)
Other non-interest expenses	(4,441,128)	(152,519)	(2,763)	(421,546)	(4,418)	(5,022,375)
Net impairment loss on financial assets	(2,917,193)	-	(284)	1,085	183	(2,916,210)
Operating profit	2,501,090	240,932	178	737,255	(2,866,243)	613,213
Share of profit of associate	-	-	-	139,237	-	139,237
Profit before income tax	2,501,090	240,932	178	876,491	(2,866,243)	752,450
Tax expense	(694,805)	(21,797)	(169)	(357)	(1)	(717,129)
Profit for the year	1,806,285	219,136	9	876,134	(2,866,243)	35,321
Segment assets	276,134,138	4,159,936	650,743	37,486,471	(60,035,387)	258,395,901
Segment liabilities	224,306,386	1,590,353	213	9,903,341	(1,952,510)	233,847,783
Additions to tangible and intangible assets	383,278	11,323	-	-	-	394,601

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2018(Restated)						
Interest income from external customers	9,188,387	90,613	-	-	-	9,279,000
Non-interest income from external customers	1,975,036	5,592,952	225	(3,673,700)	-	3,894,513
Revenue from external customers	11,163,424	5,683,565	225	(3,673,700)	-	13,173,515
Interest income from internal customers	-	10,436	-	-	(10,436)	-
Non interest income from internal customers	1,100,500	156,436	-	3,717,942	(4,974,878)	-
Revenue from other segments of the entity	1,100,500	166,872	-	3,717,942	(4,985,314)	-
Total gross revenue	12,263,924	5,850,437	225	44,242	(4,985,314)	13,173,515
Interest and fee and commission expense to external customers	(2,947,552)	(307,567)	-	-	-	(3,255,120)
Interest expense to internal customers	(10,436)	-	-	-	10,436	-
	(2,957,988)	(307,567)	-	-	10,436	(3,255,120)
Operating income	9,305,936	5,542,870	225	44,241	(4,974,878)	9,918,395
Depreciation and amortisation	(823,428)	(3,691)	(68)	(10)	-	(827,197)
Other non-interest expenses	(3,083,637)	(484,869)	(295)	(16,796)	(319,122)	(3,904,719)
Net impairment loss on financial assets	(3,557,452)	-	(1,898)	-	-	(3,559,350)
Operating profit	1,841,419	5,054,310	(2,035)	27,435	(5,294,001)	1,627,130
Share of profit of associate	-	-	-	100,240	-	100,240
Profit before income tax	1,841,419	5,054,310	(2,035)	127,675	(5,294,001)	1,727,370
Tax expense	(335,718)	(30,986)	-	(4,101)	(9,150)	(379,954)
Profit for the year	1,505,701	5,023,324	(2,034)	123,574	(5,303,150)	1,347,415
Segment assets	218,342,574	63,509,546	290	32,066	(57,879,198)	224,005,278
Segment liabilities	191,772,172	9,682,921	437	7,108	(1,639,130)	199,823,508
Additions to tangible and intangible assets	518,840	2,939	-	-	-	521,779

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

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

	Banking		
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
	MUR' 000	MUR' 000 *Restated*	MUR' 000 *Restated*
Revenue from external customers arising from the following products and services:			
Loans and advances to non-bank customers	**373,181**	395,101	256,569
Loans to and placements with banks	**254,535**	494,492	478,630
Exchange income	**708,977**	628,068	905,059
Card income	**293,826**	387,850	332,573
Trade finance services	**509,655**	756,581	886,526
Deposit and other products /services	**235,440**	174,528	105,914
	2,375,614	2,836,620	2,965,271

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

	Banking		
	Mauritius	**Other countries**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**
31 December 2020			
Revenue from external customers	**7,364,856**	**7,354,260**	**14,719,116**
Tangible and intangible assets	**4,983,214**	**1,278,199**	**6,261,414**
31 December 2019 (As restated)			
Revenue from external customers	7,825,550	5,634,771	13,460,321
Tangible and intangible assets	5,372,893	1,360,438	6,733,331
31 December 2018 (As restated)			
Revenue from external customers	7,749,578	3,413,845	11,163,424
Tangible and intangible assets	5,421,828	898,815	6,320,643

42. DISCONTINUED OPERATIONS

The Board has approved the exit of SBM Bank (Seychelles) Ltd ("SBMBS") in the Seychelles. The approval from the Central Bank of Seychelles has been received on 30 July 2020, SBMBS has surrendered its banking licence on 18 December 2020.At 31 December 2020, the results of SBMBS were reported as a one line item under "Discontinued Operations" in the Statements of Profit or Loss. The results of the foreign subsidiary for the year ended 31 December 2020 are presented below:

	Audited Year ended 31 December 2020 MUR' 000	Audited Year ended 31 December 2019 MUR' 000	Audited Year ended 31 December 2018 MUR' 000
Interest income using the effective interest income method	**5,141**	3,226	-
Interest expense using the effective interest income method	**(311)**	(1,250)	-
Net interest income	**4,830**	1,976	-
Fee and commission income	**87**	16	-
Fee and commission expense	**(2)**	-	-
Net fee and commission income	**85**	16	-
Other income			
Net trading income	**51,983**	437	-
	51,983	437	-
Non- interest income	**52,169**	453	-
Operating income	**56,999**	2,429	-
Personnel expenses	**(8,655)**	(6,633)	-
Depreciation of property, equipment	**(1,597)**	(811)	-
Depreciation right-of-use assets	**(2,277)**	(2,847)	
Amortisation of intangible assets	**(243)**	(910)	-
Other expenses	**(36,307)**	(8,609)	(1,398)
Non- interest expense	**(49,079)**	(19,810)	(1,398)
Profit/(loss) before credit loss expense on financial assets and memorandum items	**7,920**	(17,381)	(1,398)
Credit loss expense on financial assets and memorandum items	**470**	(584)	-
Profit/(loss) before income tax	**8,390**	(17,965)	(1,398)
Tax expense	**(484)**	-	-
Profit/(loss) for the year from discontinuing operations	**7,906**	(17,965)	(1,398)

42. DISCONTINUED OPERATIONS(CONT'D)

The net cash flows incurred by SBMBS are as follows:

	Audited Year ended 31 December 2020 MUR'000	Audited Year ended 31 December 2019 MUR'000
Operating activities	**60,252**	(204,423)
Investing activities	**30,175**	(29,009)
	90,427	(233,432)

43. SUBSEQUENT EVENT NOTE

On 4 February 2021, investment held by the Company in SBM Maharajah Bond Fund was disposed at a value of USD 11.1Million. The investment has been recognised at net realisable value as at 31 December 2020 in the books of company.