SBM BANK (MAURITIUS) LTD
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

SBM BANK (MAURITIUS) LTD

CONTENTS:

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

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

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

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

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

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

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

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

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

(iii) the Financial Statements give a true and fair view of the state of affairs of the Bank for the year ended 31 December 2021 and have been prepared in accordance with International Financial Reporting Standards and the requirements of the Banking Act 2004, Mauritius Companies Act 2001 and the Financial Reporting Act 2004 and applicable Bank of Mauritius (BOM) guidelines and appropriate accounting policies. These were supported by reasonable and prudent judgments, and estimates have been used consistently;

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

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

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

Anoop Kumar Nilamber	Imalambaal Kichenin	Visvanaden Soondram
Chief Executive	Chairperson, Audit Committee	Chairman

28 March 2022

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

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

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

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

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

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

Anoop Kumar Nilamber **Chief Executive**	Imalambaal Kichenin Chairperson, Audit Committee	Visvanaden Soondram Chairman

28 March 2022

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

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Preshnee Ramchurn
Company Secretary

28 March 2022

Deloitte.

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Independent auditor's report to the Shareholder of SBM Bank (Mauritius) Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **SBM Bank (Mauritius) Ltd** (the "Bank" and the "Public Interest Entity") set out on pages 8 to 104, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter (Cont'd)	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are not credit impaired (Cont'd)	
• Economic scenarios – the Bank has used a range of future economic conditions in light of the global pandemic of COVID-19. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment. • Qualitative adjustments - Adjustments to the model-driven ECL results are accounted by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts. Due to the significance of the judgements and estimates applied in the computation of the expected credit losses, this item is considered as a key audit matter. The details of the policies and processes followed for the determination of ECL are disclosed in Note 37 to the financial statements.	• 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.
Provision for expected credit losses – Credit impaired assets	
Provision for expected credit losses on credit-impaired loans and advances to non-bank customers and memorandum items at 31 December 2021 amount to MUR 9,505 million and the charge to profit or loss for the year amount to MUR 1,993 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 8(c), 22 and 32 to the financial statements. The most significant judgements / matters are: - whether impairment events have occurred - valuation of collateral and future cash flows - management judgements and assumptions used Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for expected credit losses, this item is considered as a key audit matter.	Our audit procedures included amongst others: • Obtaining audit evidence in respect of key controls over the processes for identification of impairment events, impaired assets and impairment assessment; • Inspecting the minutes of Impaired Advances Review Forum, Management Credit Forum, 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.

Other information

The directors are responsible for the other information. The other information, obtained at the date of this auditor's report, comprises the About SBM, Chairperson's letter, Chief Executive Officer's letter, Board of Directors, Corporate Profile, Strategy Report, Financial Review, Corporate Governance Report, Risk Management Report, Statement of Directors' responsibility, Statement of management's responsibility for financial reporting and Report from the Company Secretary, Management Discussion and Analysis but, does not include the financial statements and our auditor's report thereon.

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

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Other information (Cont'd)

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

Corporate Governance Report

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

Responsibilities of directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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Independent auditor's report to the Shareholder of SBM Bank (Mauritius) Ltd (Cont'd)

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

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

Banking Act 2004

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

Use of this report

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

Deloitte

Deloitte

Chartered Accountants

28 March 2022

R. Srinivasa Sa

R. Srinivasa Sankar, FCA

Licensed by FRC

	Notes	31 December 2021	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000
ASSETS				
Cash and cash equivalents	5	40,281,422	16,749,335	15,386,899
Mandatory balances with central bank		11,203,833	9,749,384	9,326,006
Loans to and placements with banks	6	837,970	3,130,387	5,174,088
Derivative financial instruments	7	579,946	774,785	889,301
Loans and advances to non-bank customers	8	97,916,200	99,038,527	99,025,404
Investment securities	9	119,399,335	93,338,046	73,460,130
Property and equipment	10	3,019,187	2,582,331	2,599,568
Right-of-use assets	11	212,037	255,603	247,168
Intangible assets	12	1,816,509	2,145,280	2,526,156
Deferred tax assets	18d	518,443	497,123	219,302
Other assets	13	787,947	706,889	791,859
Total assets		276,572,829	228,967,690	209,645,881
LIABILITIES				
Deposits from banks	15	1,481,854	1,119,661	929,357
Deposits from non-bank customers	16	241,528,828	190,004,270	173,258,702
Other borrowed funds	17	5,275,400	11,085,951	10,140,215
Derivative financial instruments	7	565,655	1,165,271	1,000,972
Lease liability	11	184,665	233,590	240,180
Current tax liabilities	18a	307,887	246,774	487,139
Pension liability	14	395,928	724,082	334,005
Other liabilities	19	6,249,910	4,591,660	5,190,076
Total liabilities		255,990,127	209,171,259	191,580,646
SHAREHOLDER'S EQUITY				
Stated capital	20	400,000	400,000	400,000
Capital contribution	20	11,854,011	11,854,011	11,854,011
Retained earnings		6,675,006	4,595,878	3,777,262
Other reserves	38	1,653,685	2,946,542	2,033,962
Total equity		20,582,702	19,796,431	18,065,235
Total liabilities and equity		276,572,829	228,967,690	209,645,881

Approved by the Board of Directors and authorised for issue on 28 March 2022.

Anoop Kumar Nilamber
Chief Executive

Imalambaal Kichenin
Chairperson, Audit Committee

Visvanaden Soondram
Chairman

The notes on pages 13 to 104 form an integral part of these financial statements.

	Notes	31 December 2021	31 December 2020	31 December 2019
Continuing Operations		MUR' 000	MUR' 000	MUR' 000
Interest income using the effective interest method		6,458,236	6,935,665	7,834,260
Other interest income		202,837	291,549	145,744
Interest expense using the effective interest method		(548,130)	(1,062,203)	(2,023,529)
Other interest expense		(395,716)	(434,831)	(163,906)
Net interest income	25	5,717,227	5,730,180	5,792,569
Fee and commission income		1,130,243	971,350	1,076,461
Fee and commission expense		(53,630)	(36,700)	(31,716)
Net fee and commission income	26	1,076,613	934,650	1,044,745
Other Income				
Net trading income	27	972,356	827,551	1,097,350
Net gains/(losses) from financial assets at fair value through profit or loss	28	228,083	(29,218)	(92,289)
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	29	588,098	1,203,006	224,380
Other operating income		23,304	878	884
		1,811,841	2,002,217	1,230,325
Non-interest income		2,888,454	2,936,867	2,275,070
Operating income		8,605,681	8,667,047	8,067,639
Personnel expenses	30	(1,748,224)	(1,402,217)	(1,697,838)
Depreciation of property and equipment	10	(149,112)	(150,225)	(143,121)
Depreciation of right-of-use assets	11	(64,107)	(37,439)	(49,941)
Amortisation of intangible assets	12	(411,081)	(457,997)	(474,547)
Other expenses	31	(1,347,241)	(1,009,095)	(1,094,307)
Non-interest expense		(3,719,765)	(3,056,973)	(3,459,754)
Profit before credit loss expense		4,885,916	5,610,074	4,607,885
Credit loss expense on financial assets and memorandum items	32	(2,347,518)	(3,863,072)	(3,606,666)
Profit before income tax		2,538,398	1,747,002	1,001,219
Tax expense	18b	(448,211)	(293,088)	(501,452)
Profit for the year		2,090,187	1,453,914	499,767

The notes on pages 13 to 104 form an integral part of these financial statements.

	Note	31 December 2021	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000
Profit for the year		2,090,187	1,453,914	499,767
Other comprehensive income :				
Items that will not be reclassified to profit or loss:				
Increase in revaluation of property	10	-	754	204,398
Deferred tax on revaluation of property	18d	-	-	(9,950)
Change in deferred tax rate on revaluation of property		-	-	118,392
Change in deferred tax rate on defined benefit pension plan		-	-	(7,923)
Remeasurement of defined benefit pension plan	14	366,917	(734,415)	(203,865)
Deferred tax on remeasurement of defined benefit pension plan	18d	(25,684)	51,409	14,271
Revaluation gains on equity instruments measured at FVTOCI	9	404	997	-
		341,637	(681,255)	115,323
Items that may be reclassified subsequently to profit or loss:				
Investment securities measured at FVTOCI (Debt instruments)				
Movement in fair value during the year		(663,969)	2,161,068	608,876
Reclassification of losses included in profit or loss on derecognition		(588,098)	(1,203,006)	(224,380)
Loss allowance relating to debt instruments held at FVTOCI		6,514	475	(6,370)
		(1,245,553)	958,537	378,126
Total other comprehensive (loss) / income		(903,916)	277,282	493,449
Total comprehensive income for the year		1,186,271	1,731,196	993,216

The notes on pages 13 to 104 form an integral part of these financial statements.

SBM BANK (MAURITIUS) LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Stated capital	Capital contribution	Retained earnings	Statutory reserve	Fair value reserve on instruments	Property reserve	Total equity
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2019		310,000	11,044,011	4,841,342	310,000	(94,725)	1,080,391	17,491,019
Profit for the year		-	-	499,767	-	-	-	499,767
Other comprehensive (loss)/income for the year		-	-	(197,517)	-	378,126	312,840	493,449
Total comprehensive income for the year		-	-	302,250	-	378,126	312,840	993,216
Capital contribution received during the year	20	-	900,000	-	-	-	-	900,000
Conversion of capital contribution		90,000	(90,000)					-
Revaluation surplus realised on depreciation		-	-	42,670	-	-	(42,670)	-
Transfer to statutory reserve	20	-	-	(90,000)	90,000	-	-	-
Cash dividend	21	-	-	(1,319,000)	-	-	-	(1,319,000)
At 31 December 2019		400,000	11,854,011	3,777,262	400,000	283,401	1,350,561	18,065,235
At 01 January 2020		400,000	11,854,011	3,777,262	400,000	283,401	1,350,561	18,065,235
Profit for the year		-	-	1,453,914	-	-	-	1,453,914
Other comprehensive (loss)/income for the year		-	-	(683,006)	-	959,534	754	277,282
Total comprehensive income for the year		-	-	770,908	-	959,534	754	1,731,196
Revaluation surplus realised on depreciation		-	-	47,708	-	-	(47,708)	-
At 31 December 2020		400,000	11,854,011	4,595,878	400,000	1,242,935	1,303,607	19,796,431
At 01 January 2021		400,000	11,854,011	4,595,878	400,000	1,242,935	1,303,607	19,796,431
Profit for the year		-	-	2,090,187	-	-	-	2,090,187
Other comprehensive income / (loss) for the year		-	-	341,233	-	(1,245,149)	-	(903,916)
Total comprehensive income / (loss) for the year		-	-	2,431,420	-	(1,245,149)	-	1,186,271
Revaluation surplus realised on depreciation		-	-	47,708	-	-	(47,708)	-
Cash dividend	21	-	-	(400,000)	-	-	-	(400,000)
At 31 December 2021		400,000	11,854,011	6,675,006	400,000	(2,214)	1,255,899	20,582,702

The notes on pages 13 to 104 form an integral part of these financial statements.

	Notes	31 December 2021 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000
Net cash generated from operating activities	33	30,508,554	695,238	3,844,995
Investing activities				
Acquisition of property and equipment	10	(586,863)	(132,829)	(91,145)
Acquisition of intangible assets	12	(88,593)	(83,489)	(52,095)
Disposal of property and equipment		-	1,329	2,589
Acquisition of equity investments	9	(2,057)	-	-
Net cash used in investing activities		(677,513)	(214,989)	(140,651)
Financing activities				
Repayment of principal portion of lease liabilities		(82,610)	(66,227)	(71,993)
Net change in other borrowed funds		(5,810,551)	945,736	923,777
Capital contribution received during the year	20	-	-	900,000
Dividend paid on ordinary shares	21	(400,000)	-	(1,319,000)
Net cash (used in) / generated from financing activities		(6,293,161)	879,509	432,784
Net change in cash and cash equivalents		23,537,880	1,359,758	4,137,128
Expected credit loss on cash and cash equivalents		(5,793)	2,678	38,059
Cash and cash equivalents at start of year	5	16,749,335	15,386,899	11,211,712
Cash and cash equivalents at end of year	5	40,281,422	16,749,335	15,386,899

1A. GENERAL INFORMATION

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

1B. IMPACT OF COVID-19

The COVID-19 pandemic has hit the world in unprecedented ways, heightening risk with prolonged uncertainty. As per World Economic Outlook, the global growth is expected to moderate from 5.9% in 2021 to 4.4% in 2022. This is expected to further be impacted by the current Russian-Ukraine war which is having an impact on the entire global economy by slowing growth and jacking up inflation that could fundamentally reshape the global economic order in the longer term. 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.

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 (BOM) to enhance the economic resilience of the country.

The measures were extended up to 30 June 2022 as the Bank of Mauritius commits towards maintaining financial stability, consistent with its statutory responsibilities.

Furthermore, some companies benefitted from support from the Mauritius Investment Corporation (MIC) which has as main objective to assist systemically large, important and viable companies in Mauritius, which are financially impacted as a result of the COVID-19 pandemic and representing a direct threat to financial stability.

Key impact on financial performance of the Bank:

COVID-19 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

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 borders re-opened from October 2021, the recovery is still uncertain. The Mauritian government had set a target of welcoming 650,000 tourists over the next nine months (Oct-21 to Jun-22) (350,000 of which should come by mid-January 2022). However, as of Feb-22 the expectation was not reached.

Given the uncertainty of the pandemic and the Russian-Ukraine war, the Bank simulated three stress scenarios based on the future economic recovery in both the local and domestic market. In its baseline scenario, the Bank has considered that recovery will continue in 2022. GDP growth gains stream with economic sectors recovering from current crisis and inflation remains manageable. No other additional impairment other than budgeted was taken in this scenario. This scenario resulted in a slight increase in the expected credit loss amount.

In its mild case scenario, the Bank has considered an underlying rationale that economic slump will prolong in 2022. GDP growth is slow with subdued macroeconomic conditions with elevated inflation rates and high debt levels and high volatility in foreign exchange markets. The Bank has thus, impacted its book assuming lower growth in advances, reduction in Net interest income, worsening credit ratings of corporate and SME clients by an additional 1 notch down, increase in probability of default premium on retail clients and taken a downside probability of default. The Bank ended with an increase in ECL within the Bank's appetite for the coming year ending 31 December 2022.

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

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

Credit risk (cont'd)

In its worst-case scenario, the Bank has considered that the economic slump will aggravate in 2022. GDP growth remains low with stagnation in tourism sector and sluggish private and public investment. Major increase in volatility in foreign exchange markets and sustained uptrend in inflation rate leading to a deterioration in Mauritius sovereign credit rating. Under this scenario, the Bank anticipated higher specific provisioning for clients likely to move to stage 3 on top of the stressed parameters considered under its mild scenario.

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 updating 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 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 and the war. The scenarios assumed were very bearish to properly reflect the current and projected local and global economic environment.

The Bank enhanced its SICR assessment framework using more objective and subjective factors to adapt to this unprecedent condition. In-depth analysis was performed on exposures in COVID impacted sectors.

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 and has worked on a premium to be taken as additional overlay on account of uncertainty around the Russian-Ukraine war and its impact on the Bank's client base.

Stage 3 exposures have been assessed considering COVID-19 impact and adequate provisioning has been made by the Bank as at 31 December 2021.

Deposits from non-bank customers

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.

Liquidity risk

The Bank's liquidity position remained strong and as at 31 December 2021, Liquidity Coverage Ratio (LCR) stood at 188% (31 December 2020: 154%). This is well above the LCR ratio of 100% required by BOM. The LCR exists to cater for this type of stress situation under which banks have to potentially operate. High Quality Liquid Assets (securities) currently held by the Bank included some MUR 137 billion, mostly in local government securities and highly rated USD sovereign securities. The Bank has been monitoring its liquidity level on a daily basis to ensure that with the impact of COVID-19, there is no significant outflow. Management has carried out a stress test based on several scenarios including deposit flight, additional impairment and provision of moratorium on capital repayment and is satisfied that the Bank's LCR will remain within the regulatory limits in all the mild and medium stress scenarios.

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

Capital adequacy ratio (CAR)

The Bank achieved a CAR of 17.33% as at 31 December 2021 which is above the minimum requirement of 13.875%.

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, Moderate and Worst case Scenarios for FY2021, FY2022 and FY2023 in the assumption of no dividend payout.

The Bank continues to monitor the 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 and by performing several stressed testing scenarios.

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

In the current year, the Bank has applied all of the new and revised Standard and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 January 2021.

(a) *New and revised IFRSs and IFRICs*

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

IFRS 7 Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform

IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform

IFRS 16 Leases - Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification

IFRS 16 Leases - Amendments regarding replacement issues in the context of the IBOR reform

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

Impact of the initial application of Interest Rate Benchmark Reform

In the prior year, the Bank adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Bank adopted the Phase 2 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Bank to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Both the Phase 1 and Phase 2 amendments are relevant to the Bank because it applies hedge accounting to its interest rate benchmark exposures. However, in the current period no modifications in response to the reform have been made to the Bank's derivative and non-derivative financial instruments that mature post 2021(the date by which the reform is expected to be implemented) and hence there are no financial impact during the year ended 31 December 2021.

Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Bank to manage the risks relating to the reform are disclosed in Note 37(d)(i).

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

(a) *New and revised IFRSs and IFRICs (cont'd)*

Impact of the initial application of Interest Rate Benchmark Reform (cont'd)

The amendments are relevant for the following types of hedging relationships and financial instruments of the Bank, all of which extend beyond 2021:

- Fair value hedges where LIBOR-linked derivatives are designated as a fair value hedge of fixed rate debt in respect of the USD LIBOR and Euro LIBOR risk component
- Term deposits and loan to customers which reference LIBORs and are subject to the interest rate benchmark reform
- Interest rate swaps and cross currency swaps linked with USD LIBOR

The application of the amendments affects the Bank's accounting in the following ways:

- The Bank has issued USD and Euro denominated fixed rate debt that is subject to a fair value hedge using USD and Euro fixed to USD and EURO LIBOR interest rate swaps. The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rates, USD and Euro LIBOR, may no longer be separately identifiable and there is uncertainty about the replacement of the floating interest rates included in the interest rate swaps.
- The Bank will not discontinue hedge accounting should the retrospective assessment of hedge effectiveness fall outside the 80-125 per cent range and the hedging relationship is subject to interest rate benchmark reforms. For those hedging relationships that are not subject to the interest rate benchmark reforms the entity continues to cease hedge accounting if retrospective effectiveness is outside the 80-125 per cent range.

As a result of the phase 2 amendments:

- When the contractual terms of the Bank's financial instruments will be amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Bank will change the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other changes.
- When changes will be made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Bank will update the hedge documentation without discontinuing the hedging relationship.

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

IAS 1 Presentation of Financial Statements - Amendments to defer the effective date of the January 2020 amendments (effective 01 January 2023)

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 12 Income Taxes - Amendments regarding deferred tax on leases and decommissioning obligations (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)

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)

The Directors anticipate that these amendments will be applied 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 application of these amendments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain property and equipment and financial instruments that are measured at revalued amounts or fair value as explained in the accounting policies. The financial statements are presented in Mauritian Rupee, which is the Bank's functional and presentation currency.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. In estimating the fair value of an asset or liability the Bank takes into account the characteristics of the asset or liability if market participants would take into account those characteristics when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

b Statement of compliance

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

c Presentation of financial statements

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

d Recognition of income and expenses

(i) *Net interest income*

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated at Fair value through profit and loss (FVTPL) are recognised in 'Net interest income' as 'interest income' and 'interest expense' in profit or loss using the effective interest method.

For all financial instruments measured at amortised cost and interest-earning financial instruments classified as investment securities measured at Fair value through other comprehensive income (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 interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (that is, at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (that is, the gross carrying amount less the allowance for expected credit losses (ECLs)).

For financial assets at FVTPL, transaction costs are recognised in profit or loss at initial recognition. Interest on financial assets at FVTPL are recognised under other interest income or other interest expense.

(ii) *Net fee and commission income*

Fee income earned from services provided

These fees include commission income, account servicing fees, asset management, custody and other management and advisory fees . The fees are recognised as the related services are provided. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis. A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Fee income from providing transaction services

Commission and fees arising from negotiation of transactions with third parties, or participating in the negotiation of a transaction for a third party is recognised on completion of the underlying transaction.

Fee and commission expense

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

(iii) *Net trading income*

Results arising from trading activities include profit arising on dealings in foreign currencies; all gains and losses from changes in fair value and dividends for financial assets and financial liabilities held-for-trading.

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.

(iv) *Gains/losses from financial assets measured at FVTPL*

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.

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

e Financial Instruments

Financial assets and liabilities

Financial assets and financial liabilities (excluding regular way trades) are recognised in the statement of financial position when the Bank become a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Regular way trades are 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. These are recognised using settlement date accounting and are applied both for financial assets mandatorily measured at FVTPL and financial assets measured at amortised cost.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the entity will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Financial assets

All financial assets are recognised and derecognised on settlement date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL.

Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statements of financial position represent all amounts receivable including interest accruals. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the entity may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- the entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- the entity may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Bank has not designated any debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Debt instruments measured at amortised cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI. For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

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

e Financial Instruments (cont'd)

Financial assets (cont'd)

Debt instruments measured at amortised cost or at FVTOCI (cont'd)

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The entity determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The entity's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing their financial instruments which reflect how they manage their financial assets in order to generate cash flows. The business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Bank considers all relevant information available when making the business model assessment.

However, this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available 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 in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassesses their business models at each reporting period to determine whether the business models have changed since the preceding period. When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets measured at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Equity instruments designated at FVTOCI

On initial recognition, the entity may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the entity manages together and has evidence of a recent actual pattern of short-term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Cash and cash equivalents

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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 results 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.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss and other exchange differences are recognised in the OCI in fair value reserve;
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in the OCI in the fair value reserve.

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

e Financial instruments (cont'd)

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, bank guarantees and acceptances.

Financial guarantee contracts issued by an entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the entity's revenue recognition policies.

Any increase in the liability relating to financial guarantees is recorded in the statements of profit or loss and other comprehensive income. The premium received is recognised in the statements of profit or loss and other comprehensive income in 'Fees and commission income' on a straight-line basis over the life of the guarantee.

Impairment of financial assets

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- loans and advances to banks and customers;
- loans to and placements with banks;
- investment securities measured at amortised cost;
- investment securities measured at FVTOCI;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments designated at FVTOCI.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instruments that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instruments (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 37 (b).

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the entity under the contract and the cash flows that the entity expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the entity if the holder of the commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down.

The Bank measures ECL on an individual basis, or 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.

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the entity expects to receive from the holder, the debtor or any other party.

More information on measurement of ECLs is provided in Note 37.

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

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

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

e Financial instruments (cont'd)

Credit impaired financial assets (cont'd)

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 impairment. 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 (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

The Bank does not have purchased or originated credit impaired financial assets.

Definition of default

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 (see Note 37).

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

This definition of default is used by the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding. When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 37. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted asset given the definition of credit impaired is broader than the definition of default.

Significant increase in credit risk (SICR)

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts 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 a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour .

The Bank allocates their 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 this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

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

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending, there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, sale of assets.

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

e Financial Instruments (cont'd)

Significant increase in credit risk (SICR) (cont'd)

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition, loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted, if there is evidence of credit impairment, the assets are moved to stage 3 of the impairment model.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness), change in interest rates and amendments to covenants. The Bank has a forbearance policy in place to cater for requests for restructuring of debts. When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest rate. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the entity considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation. In the case where the financial asset is derecognized, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the entity determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

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

For financial assets modified as part of the forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the ability to collect the modified cash flows taking into account the previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Bank performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk. Where a modification does not lead to derecognition, the Bank calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account. Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continue to control the transferred asset, the Bank recognises their retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognise a collateralised

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

e Financial instruments (cont'd)

Modification and derecognition of financial assets (cont'd)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss. On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECLs are presented in the statements of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve; and
- for loan commitments and financial guarantee contracts: as a provision.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either the financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank. Where a financial instrument includes both a drawn and an undrawn component, and the entity cannot identify the ECL on the loan commitment component separately from those on the drawn component: the entity presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision. A contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank are or may be obliged to deliver a variable number of their own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank is recognised at the proceeds received, net of direct issue costs. Ordinary shares are classified as equity. Repurchase of the Bank's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial liabilities

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

Financial liabilities measured at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability.

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

e Financial instruments (cont'd)

Derecognition and modification of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the entity exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different.

If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the Bank recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. The Bank recognises any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification. The financial liability modification gain/loss is not significant for the Bank. Modification gains are presented in 'other operating income' and modification losses are presented in 'other operating expenses' in profit or loss.

Hedge accounting

The Bank enters into fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Bank will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair value hedges

In accordance with its wider risk management, as set out in Note 37(d)(i), it is the Bank's strategy to apply fair value hedge accounting to keep interest rate sensitivities within its established limits. Applying fair value hedge accounting enables the Bank to reduce fair value fluctuations of fixed rate financial assets and liabilities as if they were floating rate instruments linked to the attributable benchmark rates. From a hedge accounting point of view, the bank designates the hedged risk as the exposure to changes in the fair value of a recognised financial asset or liability or an unrecognised firm commitment, or an identified portion of such financial assets, liabilities or firm commitments that is attributable to a particular risk and could affect profit or loss. The Bank only hedges changes due to interest rates such as benchmark rates (e.g. LIBOR), which are typically the most significant component of the overall fair value change. The Bank assesses hedge effectiveness by comparing fair value movements of the hedging instruments and the hedged items attributable to changes in these benchmark rates using the hypothetical derivative method as set out above.

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

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

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the Statement of Profit or Loss in Net Trading Income. In addition, the cumulative change in the fair value of the hedged item attributable to the hedged risk is recognised in the Statement of Profit or Loss in Net Trading Income, and also recorded as part of the carrying value of the hedged item in the statement of financial position. The Bank elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance

Micro fair value hedges

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

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

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

e Financial instruments (cont'd)

Hedge accounting (cont'd)

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

f Derivative financial instruments

The Bank enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Derivative held include forward contracts, spot position, swaps and option contracts. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

g Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

h Provisions and other contingent liabilities

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, they are involved in various litigation, arbitration and regulatory investigations and proceedings both in local and in other jurisdictions, arising in the ordinary course of the Bank's business. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in their financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

i Foreign currency translation

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

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

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

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

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

j Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statements of financial position. Income and expense will not be offset in the statements of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies.

k Comparative figures

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

The accounting policies of each relevant line item not disclosed above, are included in the respective notes.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

<u>Judgements</u>

4.1 Going concern

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

4.2 Business model assessment

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

4.3 Calculation of ECL allowance

Significant increase of credit risk: ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank take into account qualitative and quantitative reasonable and supportable forward-looking information.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

- Models and assumptions used: The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

4.4 Deferred tax assets

Recognition of deferred tax assets depends on management's intention of the Bank to generate future taxable profits which will be used against temporary differences and to obtain tax benefits thereon. The outcome of their actual utilisation may be different.

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

Estimates

4.5 Expected credit losses (ECL) on financial assets

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

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

> The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a long term ECL basis and the qualitative assessment;

> The segmentation of financial assets when their ECL are assessed on a collective basis;

> Development of ECL models, including the various formulas and the choice of inputs;

> Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and

> Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

In relation to credit impaired facilities, the Bank determines expected credit losses by estimating the shortfall between the present value of expected cash flows and the present value of contractual cash flows. The estimation of expected cash flows is inherently judgemental and involves an estimation of proceeds from liquidation of the borrowers, proceeds from realisation of collaterals and the timing and extent of repayments on forborne facilities. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

4.6 Fair values of financial instruments

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.

4.7 Assessment of useful lives of property and equipment and intangible assets

The Bank reviews the estimated useful lives of property and equipment and intangible assets at the end of each reporting period. The cost of the property and equipment and intangible assets are depreciated and amortised over the estimated useful life of the asset. The estimated life is based on expected usage of the asset and expected physical wear and tear which depends on operational factors.

4.8 Leases

The application of IFRS 16 requires significant judgement and certain key estimations. Critical judgements include determination of whether it is reasonable certain that an extension or termination option will be exercised. Key sources of estimation uncertainty in the application of IFRS 16 include estimation of the lease terms, determination of the appropriate rates to discount the lease payments and assessment of whether right of use asset is impaired.

4.9 Pension benefits

The Bank operates a defined benefit pension plan for its employees as well as provide for retirement gratuities under the Workers' Rights Act. The amount shown in the statement of financial position in respect of retirement benefit obligations is subject to estimates in respect of periodic costs which would be dependent on returns on assets, future discount rates, rates of salary increases and inflation

4.10 Provisions and other contingent liabilities

Provision is recognised in the financial statements when the Bank have met the recognition criterion. The directors measure the provision at the best estimate of the amount required to settle the obligation at the reporting date. Actual results may be different from their estimates.

In specific circumstances, significant judgement is required from directors to identify the financial effects to be disclosed attributable to the uncertainties inherent in contingent liabilities.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months maturity from the date of acquisition.
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash, balances with banks and central bank excluding mandatory balances.

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Cash in hand	1,961,952	2,016,619	2,078,284
Foreign currency notes and coins	763,171	524,835	337,946
Unrestricted balances with central bank [1]	35,790,264	10,536,120	4,167,009
Loans and placements with banks[2]	-	-	1,035,373
Balances with banks	1,772,848	3,672,781	7,771,985
	40,288,235	16,750,355	15,390,597
Less: allowance for credit losses	(6,813)	(1,020)	(3,698)
	40,281,422	16,749,335	15,386,899

[1] Unrestricted balances with central bank represents amounts above the minimum cash reserve requirement.
[2] The balance above relates to loans and placements with banks having an original maturity of up to three months.
The balances were classified under stage 1 and 12-month ECL was calculated thereon.

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

	31 December 2021	31 December 2020	31 December 2019
	Stage 1	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January	1,020	3,698	41,758
Net remeasurement of loss allowance	6,390	1,020	3,698
Assets repaid	(597)	(3,698)	(41,758)
ECL allowance as at 31 December	6,813	1,020	3,698

6. LOANS TO AND PLACEMENTS WITH BANKS

	31 December 2021	31 December 2020	31 December 2019
At amortised cost	MUR' 000	MUR' 000	MUR' 000
Loans to and placements with banks:			
- in Mauritius	-	353,508	2,482,044
- outside Mauritius	843,079	2,797,237	2,717,013
	843,079	3,150,745	5,199,057
Less: allowance for credit losses	(5,109)	(20,358)	(24,969)
	837,970	3,130,387	5,174,088
Remaining term to maturity			
Up to 3 months	-	47,293	522,761
Over 3 months and up to 6 months	-	1,257,394	2,504,267
Over 6 months and up to 12 months	-	1,008,868	1,119,602
Over 1 year and up to 2 years	653,378	-	1,052,427
Over 2 years and up to 5 years	189,701	837,190	-
	843,079	3,150,745	5,199,057

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

Credit loss allowance for loans to and placements with banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of credit loss allowances. Details of the Bank's internal grading system are explained in Note 37(b)(i).

	31 December 2021	31 December 2020	31 December 2019
	Stage 1	Stage 1	Stage 1
Internal rating grade	MUR' 000	MUR' 000	MUR' 000
Performing			
High grade	189,701	-	367,371
Standard grade	653,378	2,807,724	3,719,888
Sub-standard grade	-	343,021	1,111,798
Total	843,079	3,150,745	5,199,057

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

	31 December 2021	31 December 2020	31 December 2019
	Stage 1	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January	3,150,745	5,199,057	9,290,692
Financial assets originated or purchased	-	2,698,297	2,766,559
Financial assets repaid (excluding write offs)	(2,371,933)	(4,768,978)	(7,014,033)
Foreign exchange adjustments	64,267	22,369	155,839
Gross carrying amount as at 31 December	843,079	3,150,745	5,199,057

	Stage 1	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January	20,358	24,969	34,281
Net remeasurement of loss allowance	-	18,004	5,299
Assets repaid (excluding write offs)	(15,249)	(22,615)	(14,611)
ECL allowance as at 31 December	5,109	20,358	24,969

7. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Assets			
Derivative assets	579,946	774,785	889,301
Liabilities			
Derivative liabilities	565,655	1,165,271	1,000,972

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

	Notional Principal Amount	---Fair Values--- Assets	Liabilities
31 December 2021	MUR' 000	MUR' 000	MUR' 000
Derivatives held for trading			
Foreign exchange contracts*	10,539,939	52,005	(30,883)
Cross currency swaps	2,917,055	204,110	(208,317)
Other derivative contracts	2,728,546	199,196	(198,081)
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	4,901,874	124,635	(128,374)
	21,087,414	579,946	(565,655)
31 December 2020			
Derivatives held for trading			
Foreign exchange contracts*	12,755,594	153,479	(127,784)
Cross currency swaps	3,622,605	116,425	(163,384)
Other derivative contracts	7,178,309	377,258	(296,493)
Derivatives held for risk management purposes			
Foreign exchange contracts	4,844,566	145	-
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	19,241,246	127,478	(577,610)
	47,642,320	774,785	(1,165,271)
31 December 2019			
Derivatives held for trading			
Foreign exchange contracts*	31,978,555	540,656	(281,879)
Cross currency swaps	2,285,473	47,633	(56,421)
Other derivative contracts	19,865,225	222,397	(220,731)
Derivatives held for risk management purposes			
Foreign exchange contracts	3,298,074	498	(23,508)
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	18,786,898	78,117	(418,433)
	76,214,225	889,301	(1,000,972)

* Foreign exchange contracts include forward and spot contracts.

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS

	31 December 2021	31 December 2020	31 December 2019
At amortised cost	MUR' 000	MUR' 000	MUR' 000
Governments	9,713	7,705	8,515
Retail customers	45,490,284	41,305,180	39,363,943
- Credit cards	492,464	510,114	583,205
- Mortgages	30,632,959	27,555,755	25,487,999
- Other retail loans	14,364,861	13,239,311	13,292,739
Corporate customers	49,225,351	48,912,236	47,550,561
Entities outside Mauritius	14,644,923	20,250,460	19,869,057
	109,370,271	110,475,581	106,792,076
Less credit loss allowance	(11,454,071)	(11,437,054)	(7,766,672)
	97,916,200	99,038,527	99,025,404

a Remaining term to maturity

	31 December 2021	31 December 2020	31 December 2019
Up to 3 months	9,221,841	8,500,152	9,417,082
Over 3 months and up to 6 months	2,638,419	3,507,260	2,937,677
Over 6 months and up to 12 months	5,850,802	5,475,686	6,085,980
Over 1 year and up to 2 years	4,605,809	9,894,847	6,890,553
Over 2 years and up to 5 years	20,948,455	18,563,563	19,404,879
Over 5 years	66,104,945	64,534,073	62,055,905
	109,370,271	110,475,581	106,792,076

Out of the MUR 109.37 billion, there is an amount of MUR 4.63 billion (2020: MUR 6.21 billion and 2019: MUR 8.18 billion) relating to loans where fair value hedge accounting has been applied. Refer to note 37(d)(ii) for more details.

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

b Net investment in finance leases

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

The Bank acts as lessor of several items like car and equipment. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Bank during the year is MUR 75.53 million (2020: MUR 69.26 million and 2019: MUR 87.32 million).

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

	Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2021				
Gross investment in finance leases	463,085	1,154,976	135,891	1,753,952
Less: Unearned finance income	(70,036)	(113,421)	(4,969)	(188,426)
Present value of minimum lease payments	393,049	1,041,555	130,922	1,565,526
Credit loss expense				(52,459)
Net investment in finance lease				1,513,067
31 December 2020				
Gross investment in finance leases	500,376	1,119,442	109,089	1,728,907
Less: Unearned finance income	(66,463)	(104,089)	(4,195)	(174,747)
Present value of minimum lease payments	433,913	1,015,353	104,894	1,554,160
Credit loss expense				(94,545)
Net investment in finance lease				1,459,615
31 December 2019				
Gross investment in finance leases	435,140	1,081,017	97,472	1,613,629
Less: Unearned finance income	(78,465)	(124,708)	(4,386)	(207,559)
Present value of minimum lease payments	356,675	956,309	93,086	1,406,070
Credit loss expense				(45,769)
Net investment in finance lease				1,360,301

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.

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

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

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are set out in note 37(b)(i).

At 31 December 2021:	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	40,065,579	949,994	-	41,015,573
Standard grade	24,110,281	7,763,823	-	31,874,104
Sub-standard grade	5,886,503	15,434,466	-	21,320,969
Past due but not impaired	-	4,276,271	-	4,276,271
Non-performing				
Individually impaired	-	-	10,883,354	10,883,354
Total	70,062,363	28,424,554	10,883,354	109,370,271

At 31 December 2020:

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	33,285,409	1,417,014	-	34,702,423
Standard grade	35,315,355	8,532,926	-	43,848,281
Sub-standard grade	10,791,064	7,248,997	-	18,040,061
Past due but not impaired	-	1,551,008	-	1,551,008
Non-performing				
Individually impaired	-	-	12,333,808	12,333,808
Total	79,391,828	18,749,945	12,333,808	110,475,581

At 31 December 2019:

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	34,855,065	853,683	-	35,708,748
Standard grade	30,754,206	5,705,392	-	36,459,598
Sub-standard grade	8,639,984	8,843,872	-	17,483,856
Past due but not impaired	-	6,821,990	-	6,821,990
Non-performing				
Individually impaired	-	-	10,317,884	10,317,884
Total	74,249,255	22,224,937	10,317,884	106,792,076

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

At 31 December 2021:	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January 2021	79,391,828	18,749,945	12,333,808	110,475,581
Financial assets originated or purchased	21,564,406	3,281,823	-	24,846,229
Assets derecognised or repaid (excluding write offs)	(20,157,396)	(5,447,842)	(556,311)	(26,161,549)
Transfers to Stage 1	1,660,898	(1,627,719)	(33,179)	-
Transfers to Stage 2	(12,956,515)	13,006,566	(50,051)	-
Transfers to Stage 3	(193,016)	(305,916)	498,932	-
Amounts written off	-	-	(2,396,994)	(2,396,994)
Foreign exchange adjustments	752,158	767,697	1,087,149	2,607,004
Gross carrying amount as at 31 December 2021	70,062,363	28,424,554	10,883,354	109,370,271

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

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

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

At 31 December 2020:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 01 January 2020	74,249,255	22,224,937	10,317,884	106,792,076
Financial assets originated or purchased	23,064,837	4,291,500	-	27,356,337
Assets derecognised or repaid (excluding write offs)	(19,813,477)	(5,217,887)	(2,871,345)	(27,902,709)
Transfers to Stage 1	5,590,362	(5,572,158)	(18,204)	-
Transfers to Stage 2	(5,926,179)	5,945,926	(19,747)	-
Transfers to Stage 3	(116,866)	(3,873,203)	3,990,069	-
Amounts written off	-	-	(8,904)	(8,904)
Foreign exchange adjustments	2,343,896	950,830	944,055	4,238,781
Gross carrying amount as at 31 December 2020	79,391,828	18,749,945	12,333,808	110,475,581

At 31 December 2019:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 01 January 2019	55,905,181	31,450,316	12,442,745	99,798,242
Financial assets originated or purchased	28,521,644	7,272,023	-	35,793,667
Assets derecognised or repaid (excluding write offs)	(16,188,337)	(11,056,046)	(1,433,465)	(28,677,848)
Transfers to Stage 1	10,902,030	(10,896,971)	(5,059)	-
Transfers to Stage 2	(5,575,685)	5,613,161	(37,476)	-
Transfers to Stage 3	(41,831)	(620,100)	661,931	-
Amounts written off	-	-	(1,423,620)	(1,423,620)
Foreign exchange adjustments	726,253	462,554	112,828	1,301,635
Gross carrying amount as at 31 December 2019	74,249,255	22,224,937	10,317,884	106,792,076

At 31 December 2021:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 01 January 2021	711,750	961,423	9,763,881	11,437,054
Allowance on new financial assets	170,173	111,417	-	281,590
Assets derecognised or repaid (excluding write offs)	(429,720)	(318,343)	(492,107)	(1,240,170)
Transfers to Stage 1	173,850	(173,571)	(279)	-
Transfers to Stage 2	(72,455)	75,685	(3,230)	-
Transfers to Stage 3	(8,736)	(13,062)	21,798	-
Net remeasurement of loss allowance	106,321	811,463	2,454,807	3,372,591
Amounts written off	-	-	(2,396,994)	(2,396,994)
ECL allowance as at 31 December 2021	651,183	1,455,012	9,347,876	11,454,071

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

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

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

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

At 31 December 2019:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 01 January 2019	422,448	857,619	4,222,124	5,502,191
Allowance on new financial assets	214,480	1,157,894	2,801,096	4,173,470
Assets derecognised or repaid (excluding write offs)	(356,516)	(274,078)	(233,076)	(863,670)
Transfers to Stage 1	266,815	(266,815)	-	-
Transfers to Stage 2	(49,642)	49,642	-	-
Transfers to Stage 3	(524)	(85,437)	85,961	-
Net remeasurement of loss allowance	154,530	223,771	-	378,301
Amounts written off	-	-	(1,423,620)	(1,423,620)
ECL allowance as at 31 December 2019	651,591	1,662,596	5,452,485	7,766,672

d Credit loss allowances on loans and advances by industry sectors

At 31 December 2021:

	Gross amount of loans	Credit impaired loans	Stage 3 allowance for credit impairment	Stage 1 & stage 2 Credit loss allowance	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	2,526,492	920,559	490,016	23,031	513,047
Manufacturing	4,043,073	177,027	173,382	43,354	216,736
of which EPZ	*1,421,007*	*21,156*	*21,156*	*2,867*	*24,023*
Tourism	13,713,464	39,890	8,112	759,677	767,789
Transport	2,046,166	34,224	25,492	20,608	46,100
Construction	12,528,434	626,386	520,038	392,400	912,438
Financial and business services	5,896,365	46,546	46,538	78,954	125,492
Traders	10,801,453	6,377,717	5,674,511	90,557	5,765,068
Personal	43,788,942	1,090,420	852,110	514,515	1,366,625
of which credit cards	*492,464*	*40,217*	*42,385*	*4,800*	*47,185*
Professional	130,815	82,760	82,760	4,144	86,904
Global Business Licence holders	5,637,793	1,372,644	1,371,147	40,901	1,412,048
Others	8,257,274	115,181	103,770	138,054	241,824
	109,370,271	10,883,354	9,347,876	2,106,195	11,454,071

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

d Credit loss allowances on loans and advances by industry sectors (cont'd)

At 31 December 2020:

	Gross amount of loans	Impaired loans	Stage 3 allowance for credit impairment	Stage 1 & stage 2 Credit loss allowance	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	4,683,383	827,431	331,126	35,281	366,407
Manufacturing	4,461,220	185,390	158,151	82,473	240,624
of which EPZ	*1,778,397*	*26,531*	*3,942*	*22,840*	*26,782*
Tourism	15,287,021	9,916	870	354,544	355,414
Transport	2,180,026	15,895	14,561	24,221	38,782
Construction	10,800,431	629,538	477,190	381,405	858,595
Financial and business services	8,103,313	665,792	621,575	80,789	702,364
Traders	11,152,448	5,808,510	4,531,386	90,627	4,622,013
Personal	39,349,045	1,052,900	736,094	466,667	1,202,761
of which credit cards	*510,114*	*47,026*	*48,136*	*4,326*	*52,462*
Professional	160,200	82,718	82,718	4,629	87,347
Global Business Licence holders	6,481,782	1,247,358	1,096,615	14,089	1,110,704
Others	7,816,712	1,808,360	1,713,595	138,448	1,852,043
	110,475,581	12,333,808	9,763,881	1,673,173	11,437,054

At 31 December 2019:

	Gross amount of loans	Impaired loans	Stage 3 allowance for credit impairment	Stage 1 & stage 2 Credit loss allowance	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	3,958,718	1,729	253	115,681	115,934
Manufacturing	4,361,146	154,707	124,765	70,220	194,985
of which EPZ	*1,687,420*	*28,053*	*4,141*	*31,192*	*35,333*
Tourism	11,726,634	3,632	3,213	134,265	137,478
Transport	2,212,143	15,933	14,371	136,465	150,836
Construction	9,572,469	281,418	193,287	110,729	304,016
Financial and business services	9,805,038	628,137	440,446	76,287	516,733
Traders	12,628,321	7,802,236	3,662,471	59,283	3,721,754
Personal	37,347,894	886,066	633,392	465,252	1,098,644
of which credit cards	*583,205*	*81,055*	*41,997*	*6,258*	*48,255*
Professional	168,000	73,872	73,873	1,720	75,593
Global Business Licence holders	6,682,622	286,405	144,822	501,775	646,597
Others	8,329,091	183,749	161,592	642,510	804,102
	106,792,076	10,317,884	5,452,485	2,314,187	7,766,672

9. INVESTMENT SECURITIES

Remaining term to maturity

At 31 December 2021:	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
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Investment securities mandatorily measured at FVTPL									
Trading investments:									
Government bonds and treasury notes	-	-	-	1,869,314	106	821,169	167,962	-	2,858,551
Treasury bills	-	827,391	-	1,706,626	-	-	-	-	2,534,017
Bank of Mauritius bills / bonds	509,376	153,920	-	-	504	-	-	-	663,800
Bank bonds	-	-	-	-	85,250	-	-	-	85,250
Other investments:									
Investment in mutual funds	-	-	-	-	-	-	-	2,046,812	2,046,812
	509,376	981,311	-	3,575,940	85,860	821,169	167,962	2,046,812	8,188,430
(b) Debt securities measured at FVTOCI									
Government bonds	2,764,049	653,527	-	1,927,517	2,936,737	5,642,413	2,183,788	-	16,108,031
Treasury bills	4,355,356	8,271,746	-	3,052,213	-	-	-	-	15,679,315
Bank of Mauritius bills / bonds	999,416	257,162	-	-	-	-	-	-	1,256,578
Bank bonds	1,135,094	157,488	4,116,867	536,971	6,538,129	3,837,908	-	-	16,322,457
Corporate bonds	-	518,753	601,460	43,067	1,738,889	4,394,559	2,898,700	-	10,195,428
	9,253,915	9,858,676	4,718,327	5,559,768	11,213,755	13,874,880	5,082,488	-	59,561,809
(c) Equity securities designated at FVTOCI									
Equity shares of companies:									
- Equity investments	-	-	-	-	-	-	-	6,869	6,869
	-	-	-	-	-	-	-	6,869	6,869
(d) Debt securities measured at amortised cost									
Government bonds and treasury notes	1,499,553	3,934,954	747,934	422,709	1,655,906	12,434,787	16,268,111	-	36,963,954
Bank of Mauritius bills / notes	114,167	557	172,780	-	3,231,062	5,471,076	4,979,621	-	13,969,263
Bank bonds	-	-	-	-	-	551,616	84,932	-	636,548
Corporate bonds	-	-	-	-	-	-	100,346	-	100,346
	1,613,720	3,935,511	920,714	422,709	4,886,968	18,457,479	21,433,010	-	51,670,111
Total investment securities	11,377,011	14,775,498	5,639,041	9,558,417	16,186,583	33,153,528	26,683,460	2,053,681	119,427,219
Less: allowance for credit losses									(27,884)
									119,399,335

At 31 December 2020:	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
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Investment securities mandatorily measured at FVTPL									
Trading investments:									
Government bonds and treasury notes	-	-	-	-	-	-	706	-	706
Treasury bills	799,645	876,539	1,976,073	-	-	-	-	-	3,652,257
Bank of Mauritius bills / bonds	1,537,842	1,498,127	541,717	-	-	762,825	-	-	4,340,511
Other investments:									
Investment in mutual funds	-	-	-	-	-	-	-	1,356,130	1,356,130
	2,337,487	2,374,666	2,517,790	-	-	762,825	706	1,356,130	9,349,604
(b) Debt securities measured at FVTOCI									
Government bonds	995,332	313,326	-	1,852,056	1,501,280	3,228,323	5,536,169	-	13,426,486
Treasury bills	9,152,843	-	-	1,625,570	-	-	-	-	10,778,413
Bank of Mauritius bills / bonds	100	-	-	896,766	1,018,377	2,453,980	-	-	4,369,223
Bank bonds	786,223	416,735	1,114,654	587,681	5,201,863	6,499,153	312,759	-	14,919,068
Corporate bonds	43,250	174,219	39,943	203,803	738,559	3,609,441	1,872,841	-	6,682,056
	10,977,748	904,280	1,154,597	5,165,876	8,460,079	15,790,897	7,721,769	-	50,175,246
(c) Equity securities designated at FVTOCI									
Equity shares of companies:									
- Equity investments	-	-	-	-	-	-	-	4,408	4,408
	-	-	-	-	-	-	-	4,408	4,408
(d) Debt securities measured at amortised cost									
Government bonds and treasury notes	-	434,386	611,381	74,196	6,613,363	7,690,662	4,381,621	-	19,805,609
Treasury bills	698,172	1,498,256	-	-	-	-	-	-	2,196,428
Bank of Mauritius bills / notes	1,315	50,168	989,847	-	152,052	5,183,483	4,976,466	-	11,353,331
Bank bonds	-	-	-	-	105,675	386,265	-	-	491,940
	699,487	1,982,810	1,601,228	74,196	6,871,090	13,260,410	9,358,087	-	33,847,308
Total investment securities	14,014,722	5,261,756	5,273,615	5,240,072	15,331,169	29,814,132	17,080,562	1,360,538	93,376,566
Less: allowance for credit losses									(38,520)
									93,338,046

9. INVESTMENT SECURITIES (CONT'D)

Remaining term to maturity

At 31 December 2019:	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Investment securities mandatorily measured at FVTPL									
Trading investments:									
Government bonds and treasury notes	-	-	-	-	212,779	1,905,066	232,849	-	2,350,694
Treasury bills	1,800,754	1,017,626	874,265	327,225	-	-	-	-	4,019,870
Bank of Mauritius bills / bonds	2,482,402	866,386	123,368	780,168	-	-	-	-	4,252,324
Bank bonds	-	-	-	-	-	493,666	-	-	493,666
Other investments:									
Investment in mutual funds	-	-	-	-	-	-	-	709,202	709,202
	4,283,156	1,884,012	997,633	1,107,393	212,779	2,398,732	232,849	709,202	11,825,756
(b) Debt securities measured at FVTOCI									
Government bonds	7,083	-	303,925	503,108	489,711	6,579,766	3,522,426	-	11,406,019
Treasury bills	7,501,499	1,827,606	35,271	293,373	-	-	-	-	9,657,749
Bank of Mauritius bills / bonds	3,431,679	891,955	3,791	832,769	76,055	435,332	-	-	5,671,581
Bank bonds	1,511,872	62,265	484,089	-	1,121,357	7,206,266	572,576	-	10,958,425
Corporate bonds	-	-	-	-	782,952	2,506,604	1,308,378	-	4,597,934
	12,452,133	2,781,826	827,076	1,629,250	2,470,075	16,727,968	5,403,380	-	42,291,708
(c) Equity securities designated at FVTOCI									
Equity shares of companies:									
- Equity investments	-	-	-	-	-	-	-	3,411	3,411
	-	-	-	-	-	-	-	3,411	3,411
(d) Debt securities measured at amortised cost									
Government bonds and treasury notes	1,061,709	-	202,421	351,568	2,580,143	6,318,093	6,731,108	-	17,245,042
Treasury bills	-	-	-	-	-	-	-	-	-
Bank of Mauritius bills / notes	1,009,125	53,085	-	100,000	50,257	151,779	-	-	1,364,246
Bank bonds	-	-	-	-	361,602	391,502	-	-	753,104
	2,070,834	53,085	202,421	451,568	2,992,002	6,861,374	6,731,108	-	19,362,392
Total investment securities	18,806,123	4,718,923	2,027,130	3,188,211	5,674,856	25,988,074	12,367,337	712,613	73,483,267
Less: allowance for credit losses									(23,137)
									73,460,130

Investment securities analysed as follows:	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
- Debt securities	119,392,466	93,333,638	73,456,719
- Equity securities	6,869	4,408	3,411
	119,399,335	93,338,046	73,460,130

9. INVESTMENT SECURITIES (CONT'D)

Debt investment securities at amortised cost	31 December 2021 Stage 1 MUR' 000	31 December 2020 Stage 1 MUR '000	31 December 2019 Stage 1 MUR '000
High grade	277,860	256,365	753,104
Standard grade	50,224,355	32,517,383	18,609,288
Sub standard grade	1,167,896	1,073,560	-
Total gross carrying amount	51,670,111	33,847,308	19,362,392
Credit loss allowance	(27,884)	(38,520)	(23,137)
Carrying amount	51,642,227	33,808,788	19,339,255

	31 December 2021 Stage 1 MUR'000	31 December 2020 Stage 1 MUR'000	31 December 2019 Stage 1 MUR'000
Gross carrying amount as at 01 January	33,847,308	19,362,392	13,815,525
New financial assets originated	23,268,987	34,578,025	8,750,000
Financial assets that have been repaid	(5,600,989)	(20,438,552)	(3,328,700)
Other movements	154,805	345,443	125,567
Gross carrying amount as at 31 December	51,670,111	33,847,308	19,362,392

	31 December 2021 Stage 1 MUR'000	31 December 2020 Stage 1 MUR'000	31 December 2019 Stage 1 MUR'000
ECL allowance as at 01 January	38,520	23,137	9,038
Net remeasurement of loss allowance	232	38,387	15,605
Assets derecognised or repaid (excluding write offs)	(10,868)	(23,004)	(1,506)
ECL allowance as at 31 December	27,884	38,520	23,137

The table below shows the fair value of the Bank's debt instruments measured at FVTOCI by credit risk, based on the Bank's internal credit rating system and year-end stage classification.

Debt investment securities at FVTOCI

	31 December 2021			31 December 2020	31 December 2019
	Stage 1 MUR' 000	Stage 2 MUR' 000	Total MUR' 000	Stage 1 MUR '000	Stage 1 MUR '000
High grade	40,368,632	-	40,368,632	29,755,220	19,186,436
Standard grade	18,118,611	513,374	18,631,985	19,149,274	22,587,811
Sub standard grade	169,365	391,827	561,192	1,270,752	517,461
Carrying amount	58,656,608	905,201	59,561,809	50,175,246	42,291,708

	31 December 2021			31 December 2020	31 December 2019
	Stage 1 MUR'000	Stage 2 MUR'000	Total MUR'000	Total MUR'000	Stage 1 MUR'000
ECL allowance as at 01 January	29,118	24,665	53,783	53,308	59,678
Net remeasurement of loss allowance	11,178	24,086	35,264	45,020	44,533
Assets derecognised or repaid (excluding write offs)	(27,552)	(1,198)	(28,750)	(44,545)	(50,903)
Transfers to stage 2	(664)	664	-	-	-
ECL allowance as at 31 December	12,080	48,217	60,297	53,783	53,308

Stage 1 & 2 ECL allowance for 31 December 2020 stood at MUR 29.12 million and MUR 24.66 million respectively. No loss allowance is recognised in the statement of financial position for debt instruments measured at FVTOCI as the carrying amount is at fair value.

Equity instruments designated at FVTOCI	31 December 2021 MUR'000	31 December 2020 MUR'000	31 December 2019 MUR'000
Carrying amount as at 01 January	4,408	3,411	3,411
Additions	2,057	-	-
Fair value movement	404	997	-
Carrying amount as at 31 December	6,869	4,408	3,411

10. PROPERTY AND EQUIPMENT

Accounting policy

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

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

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

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

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

Buildings	50 years
Equipment, 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.

Depreciation on revalued buildings is charged to profit or loss. A transfer is made from the revaluation reserve to retained earnings as the asset is used (representing difference between depreciation based on revalued amount and depreciation based on original cost). On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total property and equipment
Cost or Valuation	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2019	785,808	1,573,752	1,746,037	10,703	4,116,300
Revaluation	28,088	(153,210)	-	-	(125,122)
Impairment	(9,962)	-	-	-	(9,962)
Additions	-	507	62,186	3,222	65,915
Disposals	-	-	-	(8,840)	(8,840)
At 31 December 2019	803,934	1,421,049	1,808,223	5,085	4,038,291
Revaluation	-	-	754	-	754
Additions	18	16,827	149,570	-	166,415
Disposals	-	-	(144,491)	(962)	(145,453)
At 31 December 2020	803,952	1,437,876	1,814,056	4,123	4,060,007
Additions	-	-	86,311	-	86,311
Disposals	-	-	(93,420)	-	(93,420)
At 31 December 2021	803,952	1,437,876	1,806,947	4,123	4,052,898

10. PROPERTY AND EQUIPMENT (CONT'D)

	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total property and equipment
Accumulated Depreciation	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2019	46,917	225,240	1,411,519	7,411	1,691,087
Revaluation	(56,589)	(272,931)	-	-	(329,520)
Disposal	-	-	-	(7,135)	(7,135)
Charge for the year	10,851	52,443	78,602	1,225	143,121
At 31 December 2019	1,179	4,752	1,490,121	1,501	1,497,553
Disposal	-	-	(143,899)	(959)	(144,858)
Charge for the year	11,512	57,067	80,821	825	150,225
At 31 December 2020	12,691	61,819	1,427,043	1,367	1,502,920
Disposal	-	-	(92,525)	-	(92,525)
Charge for the year	11,715	57,721	78,851	825	149,112
At 31 December 2021	24,406	119,540	1,413,369	2,192	1,559,507
Net book value					
At 31 December 2021	779,546	1,318,336	393,578	1,931	2,493,391
Progress payments on tangible fixed assets					525,796
					3,019,187
At 31 December 2020	791,261	1,376,057	387,013	2,756	2,557,087
Progress payments on tangible fixed assets					25,244
					2,582,331
At 31 December 2019	802,755	1,416,297	318,102	3,584	2,540,738
Progress payments on tangible fixed assets					58,830
					2,599,568

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

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

	Fair value level	31 December 2021	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000
Freehold land	Level 2	485,001	485,001	484,983
Freehold buildings	Level 3	294,545	306,260	317,772
Buildings on leasehold land	Level 3	1,318,336	1,376,057	1,416,297
		2,097,882	2,167,318	2,219,052

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

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	417,025	420,644	443,289
Buildings on leasehold land	319,351	333,426	347,500
	736,376	754,070	790,789

The freehold land and buildings and buildings on leasehold land are periodically valued by an independent chartered valuation surveyor. Freehold land was revalued in December 2019 based on an open market value basis whereas freehold buildings and buildings on leasehold land were revalued based on the depreciated replacement cost method. The directors have ensured that management assessed the fair value of the properties at 31 December 2021 and 2020. The estimated fair value approximate the carrying value as at the reporting date. These assets have not been impaired during the years under review.

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

Accounting policy

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position. The Bank leases several assets including land, buildings and equipment . The average lease term is 5 years.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of non-financial assets' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The lease contracts do not have lease and non-lease components and hence the Bank has not used this practical expedient.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

	Land and buildings MUR' 000	Other tangible fixed assets MUR' 000	Total MUR' 000
Cost			
At 01 January 2019	159,926	102,062	261,988
Additions	35,121	-	35,121
At 31 December 2019	195,047	102,062	297,109
Additions	27,594	38,189	65,783
Termination	(23,285)	(8,733)	(32,018)
At 31 December 2020	199,356	131,518	330,874
Additions	20,216	2,714	22,930
Termination	(10,473)	(121)	(10,594)
At 31 December 2021	209,099	134,111	343,210
Accumulated Depreciation			
At 01 January 2019	-	-	-
Charge for the year	28,180	21,761	49,941
At 31 December 2019	28,180	21,761	49,941
Termination	(3,350)	(8,759)	(12,109)
Charge for the year	18,345	19,094	37,439
At 31 December 2020	43,175	32,096	75,271
Termination	(8,084)	(121)	(8,205)
Charge for the year	34,638	29,469	64,107
At 31 December 2021	69,729	61,444	131,173
Net book value			
At 31 December 2021	139,370	72,667	212,037
At 31 December 2020	156,181	99,422	255,603
At 31 December 2019	166,867	80,301	247,168

The following are the amounts recognised in profit or loss:	31 December 2021 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000
Depreciation expense on right-of-use assets	64,107	37,439	49,941
Interest expense on lease liability (Note 25)	13,144	13,761	15,064
Total amount recognised in profit or loss	77,251	51,200	65,005

The Bank had a total cash outflows for leases of MUR 82.61 million (2020: MUR 66.23 million & 2019: MUR 71.99 million). At 31 December 2021, the Bank does not have any commitment for short-term leases.

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

Maturity analysis of lease liability are as follows:	31 December 2021 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000
Up to 1 year	76,633	69,114	54,088
1 to 5 years	129,677	163,243	150,248
5 to 25 years	24,097	28,414	41,131
	230,407	260,771	245,467
Less unearned interest	(45,742)	(27,181)	(5,287)
	184,665	233,590	240,180
Further analysed into:			
Non current	78,668	159,053	173,531
Current	105,997	74,537	66,649
	184,665	233,590	240,180

The Bank does not face significant liquidity risk with regards to its lease liabilities. All the lease obligations are denominated in Mauritian Rupees.

12. INTANGIBLE ASSETS

Accounting policy

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

(a) WIP Software

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

(b) Intellectual property rights

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

	Software	WIP Software (Note a)	Intellectual Property (Note b)	Total
Cost	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2019	3,974,129	69,442	284,917	4,328,488
Additions	4,934	47,161	-	52,095
Transfers	32,030	(32,030)	-	-
Write off	(4,430)	(9,882)	-	(14,312)
At 31 December 2019	4,006,663	74,691	284,917	4,366,271
Additions	-	83,489	-	83,489
Transfers	79,388	(79,388)	-	-
Disposal	(110,156)	-	-	(110,156)
Write off	(5,601)	(767)	-	(6,368)
At 31 December 2020	3,970,294	78,025	284,917	4,333,236
Additions	-	88,593	-	88,593
Transfers	83,823	(83,823)	-	-
Write off	-	(6,283)	-	(6,283)
At 31 December 2021	4,054,117	76,512	284,917	4,415,546
Accumulated amortisation				
At 01 January 2019	1,194,619	-	170,949	1,365,568
Charge for the year	417,564	-	56,983	474,547
At 31 December 2019	1,612,183	-	227,932	1,840,115
Disposal	(110,156)	-	-	(110,156)
Charge for the year	401,012	-	56,985	457,997
At 31 December 2020	1,903,039	-	284,917	2,187,956
Charge for the year	411,081	-	-	411,081
At 31 December 2021	2,314,120	-	284,917	2,599,037
Net book value				
At 31 December 2021	1,739,997	76,512	-	1,816,509
At 31 December 2020	2,067,255	78,025	-	2,145,280
At 31 December 2019	2,394,480	74,691	56,985	2,526,156

All intangibles are tested for impairment on an annual basis and the intangible assets have not been impaired during the years under review.

13. OTHER ASSETS

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Accounts receivable[1]	530,884	525,888	620,381
Balances due in clearing	3,033	4,422	4,196
Prepayments	156,694	102,962	88,252
Others[2]	97,336	73,617	79,030
	787,947	706,889	791,859

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

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

14. PENSION LIABILITY

Accounting policy

(i) Pension benefits for eligible participating employees

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

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in the statement of profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and

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

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

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

Employees who joined after 31 December 2004 are entitled to defined contribution retirement benefit pension arrangements. Employer contributions are expensed in the statement of profit or loss in the period in which they fall due. The defined contribution benefit replaced the defined benefit pension plan as from 01 January 2005. Employees who were initially in the defined benefit pension plan remained in the said plan.

(iii) Travel tickets/allowances

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

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

Pension liability	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Defined benefit pension plan (Note 14 (a))	303,844	577,568	240,146
Residual retirement gratuities (Note 14 (b))	92,084	146,514	93,859
	395,928	724,082	334,005

(a) Defined benefit pension plan

The pension plan is a final salary defined benefit plan to eligible employees joining the Bank prior to 31 December 2004 and are wholly funded. The assets of the funded plan are managed by SBM Mauritius Asset Managers Ltd and administered by SICOM Ltd. The plan is a

The plan provides for a pension at retirement and a benefit in death or disablement in service before retirement.

There has been no plan amendment, curtailment or settlement during the year except for some employee transfers between related entities within SBM Group.

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

Investment risk

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

Interest risk

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

Longevity risk

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

Salary risk

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

14. PENSION LIABILITY (CONT'D)

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Present value of funded defined benefit obligation	1,881,806	1,932,247	1,307,790
Fair value of planned assets	(1,577,962)	(1,354,679)	(1,067,644)
Net liability arising from defined benefit obligation	303,844	577,568	240,146
Reconciliation of net defined benefit liability			
Balance at start of the year	577,568	240,146	109,621
Amount recognised in statement of profit or loss	60,416	39,214	32,684
Amount recognised in other comprehensive income	(288,714)	597,379	204,365
Less employer contributions	(45,426)	(299,171)	(106,524)
Balance at end of the year	303,844	577,568	240,146
Reconciliation of fair value of planned assets			
Balance at start of the year	1,354,679	1,067,644	935,095
Interest income	39,034	59,871	59,075
Employer contributions	45,426	299,171	106,524
Benefits paid	(62,879)	(46,138)	(38,813)
Transfer to/from another entity	-	-	(6,590)
Return on planned assets excluding interest income	201,702	(25,869)	12,353
Balance at end of the year	1,577,962	1,354,679	1,067,644
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	1,932,247	1,307,790	1,044,716
Current service cost	44,320	30,979	30,680
Interest expense	55,130	68,106	62,561
Past service cost	-	-	(1,482)
Other benefits paid	(62,879)	(46,138)	(38,813)
Transfer to/from another entity	-	-	(6,590)
Liability experience loss	-	-	226,181
Liability gain due to change in demographic assumptions	(7,141)	-	-
Liability (gain)/loss due to change in financial assumptions	(79,871)	571,510	(9,463)
Balance at end of the year	1,881,806	1,932,247	1,307,790
Components of amount recognised in statement of profit or loss			
Service cost	44,320	30,979	29,198
Net interest on net defined benefit liability	16,096	8,235	3,486
Total expense as above *(Note 30)*	60,416	39,214	32,684
Components of amount recognised in other comprehensive income			
Return on planned assets below interest income	(201,702)	25,869	(12,353)
Liability experience loss	-	-	226,181
Liability experience gain due to change in demographic assumptions	(7,141)	-	-
Liability (gain)/loss due to change in financial assumptions	(79,871)	571,510	(9,463)
Total	(288,714)	597,379	204,365

	31 December 2021	31 December 2020	31 December 2019
Allocation of planned assets at end of year	%	%	%
Equity - Overseas quoted	36	26	23
Equity - Overseas unquoted	3	5	8
Equity - Local quoted	18	25	26
Equity - Local unquoted	4	5	7
Debt - Overseas quoted	-	-	1
Debt - Local quoted	10	6	6
Debt - Local unquoted	15	10	15
Cash and other	14	23	14
Total	100	100	100
Reporting entity's own transferable financial instruments	3.0%	2.0%	3.0%

14. PENSION LIABILITY (CONT'D)

Principal assumptions used at end of year	31 December 2021	31 December 2020	31 December 2019
	%	%	%
Discount rate	4.7%	2.9%	5.3%
Rate of salary increases	5.2%	2.6%	3.1%
Rate of pension increases	1.5%	1.0%	0.8%
Average retirement age (ARA)			
Average life expectancy for:	65	65	65
- Male at ARA	15.9 years	15.9 years	15.9 years
- Female at ARA	20 years	20 years	20 years

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 2021 and the duration of last year's liabilities.

Sensitivity analysis on defined benefit pension plan at end of year

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Increase due to 1% decrease in discount rate	301,089	347,804	205,990
Decrease due to 1% increase in discount rate	244,635	270,515	167,365

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.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit asset as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Future cashflows

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

The Bank expects to make a contribution of around MUR 44.39 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 15 years.

The most recent actuarial valuation of the defined benefit plan was carried out at 31 December 2021 by AON Hewitt Ltd, actuaries and consultants.

14. PENSION LIABILITY (CONT'D)

(b) Residual retirement gratuities

The liability relates to residual retirement gratuities payable under the Workers' Rights Act 2019 and is unfunded. The amount included in the statement of financial position arising from the Bank's obligation in respect of its residual retirement gratuities is as follows:

	31 December 2021	31 December 2020	31 December 2019
Reconciliation of net defined benefit liability	MUR' 000	MUR' 000	MUR' 000
Balance at start of the year	146,514	93,859	63,434
Amount recognised in statement of profit or loss	24,530	(84,381)	30,925
Amount recognised in other comprehensive income	(78,203)	137,036	(500)
Less employer contributions	(757)	-	-
Balance at end of the year	92,084	146,514	93,859
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	146,514	93,859	63,434
Current service cost	21,623	6,590	3,700
Interest expense	4,219	4,975	3,869
Past service cost	(1,312)	(95,946)	23,356
Other benefits paid	(757)	-	-
Liability experience loss	(20,972)	508	2,612
Liability gain due to change in demographic assumptions	(26,567)	-	-
Liability loss / (gain) due to change in financial assumptions	(30,664)	136,528	(3,112)
Balance at end of the year	92,084	146,514	93,859
Components of amount recognised in statement of profit or loss			
Service cost	20,311	(89,356)	27,056
Net interest on net defined benefit liability	4,219	4,975	3,869
Total expense as above	24,530	(84,381)	30,925
Components of amount recognised in other comprehensive income			
Liability experience loss	(20,972)	508	2,612
Liability experience gain due to change in demographic assumptions	(26,567)	-	-
Liability (gain)/loss due to change in financial assumptions	(30,664)	136,528	(3,112)
Total	(78,203)	137,036	(500)

	31 December 2021	31 December 2020	31 December 2019
Principal assumptions used at end of year	%	%	%
Discount rate	4.7%	2.9%	5.3%
Rate of salary increases	5.2%/6.0%	5.0%	3.1%
Rate of pension increases	1.5%	0.0%	0.8%
Average retirement age (ARA)	60/65	60/65	60/65
Sensitivity Analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	33,080	53,591	13,458
Decrease due to 1% increase in discount rate	27,168	42,372	9,002

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. The results are particularly sensitive to a change in discount rate due to the nature of the liabilities being the difference between the pure retirement gratuities under the Workers' Rights Act 2019 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the member at retirement from the SBM Group DC Fund with reference to the Bank's share of contributions. The Bank made a contribution amounting to MUR 100.94 million to SBM Group DC fund for employees under the defined contribution pension plan (2020: MUR 93.11 million and 2019: MUR 88.41 million)

Future cashflows

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

The Bank expects to make a contribution of around MUR 10.79 million for the next financial year and the weighted average duration of the defined benefit obligation is 16 years.

The negative 'past service cost' of MUR 1.31 million is on account of a transfer of employees to other entities within the group.

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

Interest risk

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

Salary risk

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

15. DEPOSITS FROM BANKS

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	1,481,854	1,119,661	929,357

16. DEPOSITS FROM NON-BANK CUSTOMERS

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
(i) Retail customers			
Current accounts	26,005,661	22,451,904	18,514,354
Savings accounts	67,926,002	60,358,474	54,376,651
Time deposits with remaining term to maturity:			
Up to 3 months	1,826,819	1,780,870	1,904,780
Over 3 months and up to 6 months	1,278,193	1,290,770	1,281,866
Over 6 months and up to 12 months	1,465,255	1,690,778	1,870,138
Over 1 year and up to 5 years	2,500,142	2,379,546	2,343,725
Over 5 years	10,178	11,106	2,296,622
Total time deposits	7,080,587	7,153,070	9,697,131
Total deposits from retail customers	101,012,260	89,963,448	82,588,136
(ii) Corporate customers			
Current accounts	104,793,111	68,352,249	54,110,610
Savings accounts	3,463,515	4,041,778	3,373,764
Time deposits with remaining term to maturity:			
Up to 3 months	8,902,072	9,234,684	9,349,142
Over 3 months and up to 6 months	2,394,308	1,604,487	3,642,694
Over 6 months and up to 12 months	1,221,083	2,287,062	2,130,624
Over 1 year and up to 5 years	1,481,318	260,557	233,830
Total time deposits	13,998,781	13,386,790	15,356,290
Total deposits from corporate customers	122,255,407	85,780,817	72,840,664
(iii) Government			
Current accounts	10,252,546	7,742,294	7,994,530
Savings accounts	4,299,087	3,386,221	2,909,782
Time deposits with remaining term to maturity:			
Up to 3 months	126,022	501	6,918,162
Over 3 months and up to 6 months	1,600	126,702	1,600
Over 6 months and up to 12 months	3,304,794	3,004,187	5,828
Over 1 year and up to 5 years	277,000	100	-
Over 5 years	122	-	-
Total time deposits	3,709,538	3,131,490	6,925,590
Total deposits from government	18,261,171	14,260,005	17,829,902
Total deposits from non-bank customers	241,528,828	190,004,270	173,258,702

17. OTHER BORROWED FUNDS

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks			
- For refinancing	-	1,977,685	-
Borrowings from other financial institutions			
- For refinancing	916,692	3,139,542	2,718,585
Borrowings from banks			
- In Mauritius	4,358,708	3,956,990	2,550,602
- Abroad	-	2,011,734	4,871,028
	5,275,400	11,085,951	10,140,215
Remaining term to maturity			
Up to 3 months	4,358,708	2,041,212	5,767,984
Over 3 months and up to 6 months	-	3,049,797	1,162,205
Over 6 months and up to 12 months	58,427	989,158	36,353
Over 1 year and up to 5 years	364,644	4,520,261	2,512,345
Over 5 years	493,621	485,523	661,328
	5,275,400	11,085,951	10,140,215

18. TAXATION

Accounting policy

Income tax

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

Corporate social responsibility (CSR)

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

Bank levy

The Bank is liable to pay a special levy as per the VAT Act enacted under the Finance Act 2018. Special levy is calculated as a percentage of the Bank's leviable income from residents excluding Global Business Licence holders (the special levy was paid as a percentage of its segmental chargeable income for the year 2019 and 2018). A communique issued by the Bank of Mauritius during the year under review clarified that Special Levy should be treated as a tax expense.

The income tax rate applicable for 2019 was 15%. As from 01 January 2020, a new tax regime is applicable for the banking sector. Banks are being taxed at 5% on the first MUR 1.5 billion of their chargeable income, at 15% of the chargeable income between MUR 1.5 billion and the base year income, and at 5% on the remainder, subject to meeting prescribed conditions.

18a. CURRENT TAX LIABILITIES

Current tax liabilities can be analysed as follows:	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
At 01 January	246,774	487,139	480,633
Income tax expenses	205,954	239,812	537,016
Corporate Social Responsibility contribution	72,749	68,986	39,410
Bank levy payable	186,416	171,368	171,368
Underprovision in prior years	30,097	39,334	22,166
Paid during the year *(Note 33)*	(434,103)	(759,865)	(763,454)
At 31 December	307,887	246,774	487,139

18b. TAX EXPENSE

The total tax expense can also be analysed as follows:	31 December 2021	31 December 2020	31 December 2019
Income tax expense	205,954	279,146	559,182
Deferred tax (credit) / charge *(Note 18d)*	(47,004)	(226,412)	(268,508)
Corporate Social Responsibility contribution	72,749	68,986	39,410
Bank levy	216,512	171,368	171,368
Total tax expense	448,211	293,088	501,452

18. TAXATION (CONT'D)

18c. TAX RECONCILIATION

	31 December 2021 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000
Profit before tax from continuing operations	2,538,398	1,747,002	1,001,219
Tax on accounting profit at 7% (2020:7% and 2019:17%)	177,688	122,290	150,183
Underprovision in prior years	30,799	39,334	22,165
Non allowable expenses	64,622	(49,030)	237,823
Exempt income	(71,453)	(96,638)	(69,986)
Corporate Social Responsibility contribution	72,749	68,986	39,410
Special levy on banks	186,416	171,368	171,368
Tax rate differential	(12,610)	36,778	
	448,211	293,088	550,963
Foreign tax credit	-	-	(49,511)
Total tax expense	448,211	293,088	501,452

18d. DEFERRED TAX (ASSETS)/LIABILITIES

Accounting policy

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

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

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

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

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

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

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

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

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

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

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

The deferred tax rate applied for segment A and segment B is 7% and 5% respectively (2020: 7% & 5% and 2019: 7% & 5%). The change in the rate in 2019 resulted in a tax credit of MUR 112.59 million in the statement of profit or loss and MUR 110.47 million in other comprehensive income for the year ended 31 December 2019.

18. TAXATION (CONT'D)

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

	31 December 2021 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000
At 01 January	(497,123)	(219,302)	163,996
Charge/(credit) to profit or loss:			
- Movement for the year (Note 18b)	(47,004)	(226,412)	(155,921)
- Change in tax rate (Note 18b)	-	-	(112,587)
Charge/(credit) to other comprehensive income:			
- Remeasurement of retirement benefit obligations	25,684	(51,409)	(14,271)
- Revaluation of properties	-	-	9,950
- Change in tax rate	-	-	(110,469)
At 31 December	(518,443)	(497,123)	(219,302)

	01 January 2019 MUR' 000	Charge/(credit) to profit or loss MUR' 000	Charge/(credit) to OCI MUR' 000	31 December 2019 MUR' 000
Deferred tax assets				
Allowances for credit impairment	(503,857)	55,435	-	(448,423)
Pension liability	(13,470)	(3,564)	(6,347)	(23,380)
Other provisions	(2,454)	(2,313)	-	(4,767)
	(519,781)	49,557	(6,347)	(476,570)
Deferred tax liabilities				
Accelerated capital allowances	484,897	(315,060)	-	169,837
Revaluation of property	198,880	(3,004)	(108,442)	87,431
Net deferred tax assets	163,996	(268,507)	(114,791)	(219,302)

	01 January 2020 MUR' 000	Charge/(credit) to profit or loss MUR' 000	Charge/(credit) to OCI MUR' 000	31 December 2020 MUR' 000
Deferred tax assets				
Allowances for credit impairment	(448,423)	(219,001)	-	(667,424)
Pension liability	(23,380)	24,103	(51,409)	(50,686)
Other provisions	(4,767)	(462)	-	(5,229)
	(476,570)	(195,360)	(51,409)	(723,339)
Deferred tax liabilities				
Accelerated capital allowances	169,837	(27,461)	-	142,376
Revaluation of property	87,431	(3,591)	-	83,840
Net deferred tax assets	(219,302)	(226,412)	(51,409)	(497,123)

	01 January 2021 MUR' 000	Charge/(credit) to profit or loss MUR' 000	Charge/(credit) to OCI MUR' 000	31 December 2021 MUR' 000
Deferred tax assets				
Allowances for credit impairment	(667,424)	7,502	-	(659,922)
Pension liability	(50,686)	(2,057)	25,684	(27,059)
Other provisions	(5,229)	(1,345)	-	(6,574)
	(723,339)	4,100	25,684	(693,555)
Deferred tax liabilities				
Accelerated capital allowances	142,376	(47,764)	-	94,612
Revaluation of property	83,840	(3,340)	-	80,500
Net deferred tax assets	(497,123)	(47,004)	25,684	(518,443)

19. OTHER LIABILITIES

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Balance due in clearing	3,074,532	2,198,673	2,951,306
Bills payable	273,795	190,709	342,102
Accruals for expenses	701,293	360,576	408,142
Accounts payable	856,087	576,059	398,988
Deferred income	35,118	50,734	49,134
Balances in transit	971,002	862,898	899,889
Others	41,924	14,029	27,849
ECL on memorandum items *(Note 22)*	296,159	337,982	112,666
	6,249,910	4,591,660	5,190,076

20. STATED CAPITAL

Authorised, issued and paid up share capital	Number' Million	MUR' 000
At 31 December 2021	40,000	400,000
At 31 December 2020	40,000	400,000
At 31 December 2019	40,000	400,000

Capital Contribution	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
At 01 January	11,854,011	11,854,011	11,044,011
Capital contribution received during the year	-	-	900,000
Conversion into share capital during the year	-	-	(90,000)
At 31 December	11,854,011	11,854,011	11,854,011

Fully paid ordinary shares at no par value carry one vote per share and the right to dividend.

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

21. DIVIDEND

Accounting policy

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

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Cash dividend declared during the year: 2021: 1 cent per share; 2020: Nil and 2019: 3.60 cents per share	400,000	-	1,319,000
Less dividend paid: 2021: 1 cent per share; 2020: Nil and 2019: 3.60 cents per share	(400,000)	-	(1,319,000)
Dividend payable	-	-	-
Dividend declared after the reporting date: 2021, 2020 & 2019: Nil	-	-	-

The dividends were paid to SBM (Bank) Holdings Ltd in May 2021.

22. MEMORANDUM ITEMS

		31 December 2021	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000
a	Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers			
	Acceptances on account of customers	291,106	234,453	671,824
	Guarantees on account of customers	9,443,377	8,473,986	7,118,905
	Letters of credit and other obligations on account of customers	1,144,247	457,807	362,982
		10,878,730	9,166,246	8,153,711
b	Commitments			
	Undrawn credit facilities	11,474,814	10,851,199	11,675,375
c	Others			
	Inward bills held for collection	195,273	96,311	144,051
	Outward bills sent for collection	40,871	128,759	36,135
		236,144	225,070	180,186
	Total	22,589,688	20,242,515	20,009,272

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

At 31 December 2021:

	Stage 1 MUR' 000	Stage 2 MUR' 000	Stage 3 MUR' 000	Total MUR' 000
Internal rating grade				
Performing				
High grade	8,779,688	-	-	8,779,688
Standard grade	4,992,002	639,980	-	5,631,982
Sub-standard grade	6,594,789	1,422,495	-	8,017,284
Non-performing				
Individually impaired	-	-	160,734	160,734
Total	20,366,479	2,062,475	160,734	22,589,688

At 31 December 2020:

Internal rating grade	Stage 1 MUR' 000	Stage 2 MUR' 000	Stage 3 MUR' 000	Total MUR' 000
Performing				
High grade	8,435,235	7,758	-	8,442,993
Standard grade	4,910,211	207,849	-	5,118,060
Sub-standard grade	5,442,588	1,049,851	-	6,492,439
Non-performing				
Individually impaired	-	-	189,023	189,023
Total	18,788,034	1,265,458	189,023	20,242,515

At 31 December 2019:

Internal rating grade	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Performing				
High grade	5,930,298	42,486	-	5,972,784
Standard grade	4,837,768	1,171,542	-	6,009,310
Sub-standard grade	7,059,695	966,478	-	8,026,173
Non-performing				
Individually impaired	-	-	1,005	1,005
Total	17,827,761	2,180,506	1,005	20,009,272

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

22. **MEMORANDUM ITEMS (CONT'D)**

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

At 31 December 2021:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 01 January 2021	18,788,034	1,265,458	189,023	20,242,515
Financial assets originated	11,509,869	836,024	16,127	12,362,020
Assets derecognised or repaid (excluding write offs)	(8,899,577)	(1,069,834)	(45,436)	(10,014,847)
Transfers to Stage 1	36,031	(36,031)	-	-
Transfers to Stage 2	(1,067,878)	1,067,878	-	-
Transfers to Stage 3	-	(1,020)	1,020	-
Gross carrying amount as at 31 December 2021	20,366,479	2,062,475	160,734	22,589,688

At 31 December 2020:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 01 January 2020	17,827,761	2,180,506	1,005	20,009,272
Financial assets originated	11,989,463	436,888	61,379	12,487,730
Assets derecognised or repaid (excluding write offs)	(10,847,370)	(1,399,010)	(8,107)	(12,254,487)
Transfers to Stage 1	205,202	(205,202)	-	-
Transfers to Stage 2	(387,022)	387,022	-	-
Transfers to Stage 3	-	(134,746)	134,746	-
Gross carrying amount as at 31 December 2020	18,788,034	1,265,458	189,023	20,242,515

At 31 December 2019:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 01 January 2019	12,179,781	5,484,390	3,498	17,667,669
Financial assets originated	9,887,203	1,119,556	-	11,006,759
Assets derecognised or repaid (excluding write offs)	(6,605,829)	(2,056,794)	(2,533)	(8,665,156)
Transfers to Stage 1	2,424,141	(2,424,141)	-	-
Transfers to Stage 2	(57,375)	57,495	(120)	-
Transfers to Stage 3	(160)	-	160	-
Gross carrying amount as at 31 December 2019	17,827,761	2,180,506	1,005	20,009,272

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

At 31 December 2021:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 01 January 2021	83,910	108,899	145,173	337,982
Movement for the year	57,333	21,759	28,533	107,625
Assets derecognised or repaid (excluding write offs)	(55,876)	(77,427)	(16,144)	(149,447)
Transfers to Stage 1	244	(244)	-	-
Transfers to Stage 2	(3,139)	3,139	-	-
Transfers to Stage 3	-	(1)	1	-
At 31 December 2021	82,472	56,125	157,563	296,160

22. MEMORANDUM ITEMS (CONT'D)

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

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

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

The Bank is subject to various legal claims from former employees and customers with claims totallying MUR 746.91 million (2020: MUR 724.8 million and 2019: MUR 584.1 million). Out of these, the Bank has made a provision of only MUR 50.9 million as at 31 December 2021 while for the remaining amount of MUR 696 million, the Bank has not made any provision on the basis that so far there is no indication that the claims would succeed in court.

23. ASSETS PLEDGED

The aggregate carrying amount of assets that have been pledged to secure the credit facilities of the Bank are as follows:

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Bank of Mauritius Bonds / Government of Mauritius Bonds	4,076,830	6,555,000	70,000
Other investment securities	-	4,884,628	-
	4,076,830	11,439,628	70,000
Analysed as:			
- In Mauritius	4,076,830	6,555,000	70,000
- Overseas	-	4,884,628	-
	4,076,830	11,439,628	70,000

24. CAPITAL COMMITMENTS

	31 December 2021	31 December 2020	31 December 2019
Approved and contracted for	253,694	85,901	182,952
Approved and not contracted for	219,578	175,288	402,998

25. NET INTEREST INCOME

	31 December 2021	31 December 2020	31 December 2019
Interest income using the effective interest methoc	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	9,080	34,602	125,512
Loans to and placements with banks	43,189	133,551	233,578
Loans and advances to non-bank customers	4,594,240	5,017,425	5,692,812
Investment securities at amortised cost	1,072,392	804,725	719,612
Investment securities at FVTOCI	739,335	945,362	1,062,746
	6,458,236	6,935,665	7,834,260
Other interest income			
Investment securities measured at FVTPL	17,103	55,390	66,790
Derivatives held for risk management	185,734	236,159	78,954
	202,837	291,549	145,744
Total interest income	6,661,073	7,227,214	7,980,004
Interest expense using the effective interest method			
Deposits from customers	(446,505)	(780,638)	(1,649,120)
Other borrowed funds	(88,451)	(266,058)	(354,307)
Interest expense on lease liabilities	(13,144)	(13,761)	(15,064)
Other	(30)	(1,746)	(5,038)
	(548,130)	(1,062,203)	(2,023,529)
Other interest expense			
Derivatives held for risk management	(395,716)	(434,831)	(163,906)
	(395,716)	(434,831)	(163,906)
Total interest expense	(943,846)	(1,497,034)	(2,187,435)
Net interest income	5,717,227	5,730,180	5,792,569

26. NET FEE AND COMMISSION INCOME

	31 December 2021	31 December 2020	31 December 2019
Fee and commission income	MUR' 000	MUR' 000	MUR' 000
Retail banking customer fees	310,341	274,620	264,105
Corporate banking customer fees	409,599	309,083	393,260
Card income	357,511	359,274	400,141
Other	52,792	28,373	18,955
Total fee and commission income	1,130,243	971,350	1,076,461
Fee and commission expense			
Interbank transaction fees	(32,446)	(21,922)	(16,800)
Other	(21,184)	(14,778)	(14,916)
Total fee and commission expense	(53,630)	(36,700)	(31,716)
Net fee and commission income	1,076,613	934,650	1,044,745

27. NET TRADING INCOME

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Profit arising on dealings in foreign currencies	863,851	469,488	505,120
Fair value movements on debt securities measured at FVTPL	80,957	211,096	445,554
Other interest rate instruments	27,548	146,967	146,676
	972,356	827,551	1,097,350

28. NET GAINS/(LOSSES) FROM FINANCIAL ASSETS MEASURED AT FVTPL

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Financial assets measured at FVTPL	57,629	30,083	(23,141)
Derivatives held for risk management purposes	170,454	(59,301)	(69,148)
	228,083	(29,218)	(92,289)

29. NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FVTOCI

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Debt securities measured at FVTOCI	588,098	1,203,006	224,380

The Bank realised significant gains during the year 2020 which was driven by the Bank's treasury management operation.

30. PERSONNEL EXPENSES

Accounting policy

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:

(a) wages, salaries and social security contributions;

(b) paid annual leave and paid sick leave;

(c) bonuses; and

(d) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

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

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Salaries	1,388,855	1,231,735	1,385,696
Other social security obligations	21,692	18,293	29,005
Contributions to defined contribution plan	143,285	119,018	137,615
Defined benefit plan *(Note 14(a))*	60,416	39,214	32,684
Residual retirement gratuities *(Note 14(b))*	24,530	(84,381)	30,925
Staff welfare cost	50,018	39,301	54,308
Others	59,428	39,037	27,605
	1,748,224	1,402,217	1,697,838

31. OTHER EXPENSES

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	461,887	434,536	435,659
Utilities and telephone charges	52,390	51,373	66,740
Professional charges	187,733	128,186	142,170
Marketing costs	44,325	52,721	76,653
Rent, repairs, maintenance and security charges	187,428	125,158	131,351
Licence and other registration fees	26,233	24,083	24,509
Postage, courier and stationery costs	47,974	44,285	50,683
Insurance costs	53,371	42,994	43,006
Other*	285,900	105,759	123,536
	1,347,241	1,009,095	1,094,307

* *Includes mainly other operational costs.*

32. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS

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

At 31 December 2021:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	(60,567)	493,589	1,980,989	2,414,011
Loans and placements with banks*	(9,456)	-	-	(9,456)
Debt instruments measured at amortised cost and FVTOCI**	(27,674)	23,552	-	(4,122)
Loan commitments	9,580	-	-	9,580
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(11,018)	(52,774)	12,390	(51,402)
Total credit loss expense under IFRS 9	(99,135)	464,367	1,993,379	2,358,611
Bad debts recovered				(11,093)
				2,347,518

At 31 December 2020:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	60,159	(701,173)	4,320,300	3,679,286
Loans and placements with banks*	(7,289)	-	-	(7,289)
Debt instruments measured at amortised cost and FVTOCI**	(8,808)	24,665	-	15,857
Loan commitments	(18,350)	-	-	(18,350)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	3,539	98,550	141,577	243,666
Total credit loss expense under IFRS 9	29,251	(577,958)	4,461,877	3,913,170
Bad debts recovered				(50,098)
				3,863,072

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

*ECL movement for cash and cash equivalents is included under loans and placements with banks

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

33. NET CASH GENERATED FROM OPERATING ACTIVITIES

	Notes	31 December 2021	31 December 2020	31 December 2019
Operating activities		MUR' 000	MUR' 000	MUR' 000
Profit for the year		2,090,187	1,453,914	499,767
Adjustments to determine net cash flows:				
Depreciation of property and equipment	10	149,112	150,225	143,121
Depreciation of right-of-use assets	11	64,107	37,439	49,941
Amortisation of intangible assets	12	411,081	457,997	474,547
Pension expense		84,946	(45,167)	84,793
Credit loss expense on financial assets	32	2,347,518	3,863,072	3,606,666
Impairment of non financial assets	10	-	-	9,962
Net loss / (gain) on disposal of property and equipment		895	(734)	(884)
Tax expense	18b	448,211	293,088	501,452
Operating profit before working capital changes		5,596,057	6,209,834	5,369,365
Change in operating assets and liabilities				
Net change in derivative financial assets		194,839	114,516	8,212
Net change in loans to and placements with banks		2,307,666	2,048,312	4,091,635
Net change in loans and advances to non-bank customers		(1,280,589)	(3,677,294)	(8,655,418)
Net change in investment securities		(27,300,259)	(18,934,240)	(22,151,988)
Net change in mandatory balances with central bank		(1,454,449)	(423,378)	(558,239)
Net change in other assets		(81,059)	84,970	55,377
Net change in deposits from banks		362,193	190,304	133,240
Net change in deposits from non-bank customers		51,524,558	16,745,568	25,727,862
Net change in derivative financial liabilities		(599,616)	164,299	40,099
Net change in other liabilities		1,673,316	(1,067,788)	548,304
Income tax paid	18a	(434,103)	(759,865)	(763,454)
Net cash generated from operating activities		30,508,554	695,238	3,844,995

34. CAPITAL MANAGEMENT

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

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

The Bank has also met its respective minimum capital adequacy ratio requirements.

	31 December 2021	31 December 2020	31 December 2019 Restated
	MUR' 000	MUR' 000	MUR' 000
Tier 1 capital	16,932,308	15,797,392	13,915,906
Tier 2 capital	1,769,065	1,837,758	1,810,211
Eligible capital base	18,701,373	17,635,150	15,726,117
Risk weighted assets	107,928,694	110,653,895	106,543,616
Capital adequacy ratio (%)	17.33	15.94	14.76

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

35. IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

36. RELATED PARTY DISCLOSURES

Accounting policy

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

	Key management personnel including directors			Associates and other entities in which the Group has significant influence			Immediate holding company and entities under common control		
	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2021	31 Dec 2020	31 Dec 2019
	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	249,021	136,309	160,402	-	2,828,699	2,589,191	1,565,507	1,117,870	5,589
Loans of directors / entities who ceased to be related parties during the year	(916)	(58,891)	(49,167)	-	-	-	-	-	-
Existing loans of new related parties	30,458	39,694	17,792	-	-	-	-	447,637	1,112,281
Derecognition of associate by the Group	-	-	-	-	(2,828,699)	-	-	-	-
Other net movements	117,878	131,909	7,282	-	-	239,508	(118,504)	-	-
Balance at end of year	396,441	249,021	136,309	-	-	2,828,699	1,447,003	1,565,507	1,117,870
(ii) *Off-balance sheet obligations*									
Balance at end of year	-	-	-	-	-	720,982	99,416	120,191	143,143
(b) Placements at end of year	-	-	-	-	-	-	50,616	46,223	612,969
(c) Deposits at end of year	176,476	238,137	217,086	-	-	2,031,404	581,895	814,437	456,481
(d) Borrowings at end of year	-	-	-	-	-	-	-	63,528	102,813
(e) Interest income	7,243	6,841	6,562	-	-	84,331	30,846	31,174	20,495
(f) Interest expense	552	1,406	1,736	-	-	29,358	51	263	416
(g) Other income	423	186	34	-	-	12,548	2,345	2,887	1
(h) Emoluments	24,656	26,968	32,458	-	-	-	-	-	-
(i) Payables	-	-	-	-	-	-	47,158	11,787	-

Short term benefits amounted to MUR 24.66 million at the reporting date (2020: MUR 26.97 million and 2019: MUR 32.46 million) and long term benefits was nil at the reporting date (2020 and 2019: nil).

36. RELATED PARTY DISCLOSURES (CONT'D)

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

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Deposits at end of year	272,579	188,541	211,640
Interest expense	-	-	216
Other income	-	4	-
Contributions paid	161,360	132,322	172,701

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

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Net interest income	28,259	44,951	20,859
Non interest income	24,199	-	-
Non-interest expense	(23,011)	-	-
Derivative financial instruments (asset)	109,214	35,507	45,354

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

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

The above mentioned outstanding balances arose in the normal course of business. For the year ended 31 December 2021, the Bank has raised expected credit losses for doubtful debts relating to amounts owed by related parties as per ECL model currently being applied on financial assets. At 31 December 2021, none of the facilities to related parties was non-performing (2020: MUR Nil, 2019: MUR Nil). In addition, for the year ended 31 December 2021 the Bank has not written off any amount owed by related party (2020: MUR Nil, 2019: MUR Nil).

37. RISK MANAGEMENT

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

a (i) Classification of financial assets and financial liabilities

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

Financial assets	Classifcation and measurement category	31 December 2021 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000
Cash and cash equivalents	Amortised Cost	40,281,422	16,749,335	15,386,899
Mandatory balances with central bank	Amortised Cost	11,203,833	9,749,384	9,326,006
Loans to and placements with banks	Amortised Cost	837,970	3,130,387	5,174,088
Derivative financial instruments	Fair value through P&L	579,946	774,785	889,301
Loans and advances to non-bank customers	Amortised cost	97,916,200	99,038,527	99,025,404
Investment securities	Amortised cost	51,642,227	33,808,788	19,339,255
Investment securities	Fair value through OCI	59,561,809	50,175,246	42,291,708
Investment securities	Fair value through P&L	8,188,430	9,349,604	11,825,756
Equity investments	Fair value through OCI	6,869	4,408	3,411
Other assets	Amortised Cost	535,827	533,302	626,543
Total financial assets		270,754,533	223,313,766	203,888,371
Financial liabilities				
Deposits from banks	Amortised Cost	1,481,854	1,119,661	929,357
Deposits from non-bank customers	Amortised Cost	241,528,828	190,004,270	173,258,702
Other borrowed funds	Amortised Cost	5,275,400	11,085,951	10,140,215
Derivative financial instruments	Fair value through P&L	565,655	1,165,271	1,000,972
Other liabilities	Amortised Cost	6,211,999	4,528,646	5,225,986
Total financial liabilities		255,063,736	207,903,799	190,555,232

An amount of MUR 252 million has been excluded from other assets under the above section. (2020: MUR 174 million & 2019: MUR 165 million)

An amount of MUR 38 million has been excluded from other liabilities under the above section. (2020: MUR 63 million & 2019: MUR 36 million)

37. RISK MANAGEMENT (CONT'D)

a (ii) Fair values

Accounting policy

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

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

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

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

	31 December 2021		31 December 2020		31 December 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets						
Cash and cash equivalents	40,281,422	40,281,422	16,749,335	16,749,335	15,386,899	15,386,899
Mandatory balances with central bank	11,203,833	11,203,833	9,749,384	9,749,384	9,326,006	9,326,006
Loans to and placements with banks	837,970	837,970	3,130,387	3,130,387	5,174,088	5,174,088
Derivative financial instruments	579,946	579,946	774,785	774,785	889,301	889,301
Loans and advances to non-bank customers	97,916,200	97,731,940	99,038,527	98,896,719	99,025,404	98,802,965
Investment securities	119,392,466	117,890,045	93,333,638	94,899,868	73,456,719	73,685,769
Equity investments	6,869	6,869	4,408	4,408	3,411	3,411
Other assets	535,827	535,827	533,302	533,302	626,543	626,543
	270,754,533	269,067,853	223,313,766	224,738,188	203,888,371	203,894,982
Financial liabilities						
Deposits from banks	1,481,854	1,481,854	1,119,661	1,119,661	929,357	929,357
Deposits from non-bank customers	241,528,828	241,544,814	190,004,270	190,032,028	173,258,702	173,257,902
Other borrowed funds	5,275,400	5,275,400	11,085,951	11,085,951	10,140,215	10,140,215
Derivative financial instruments	565,655	565,655	1,165,271	1,165,271	1,000,972	1,000,972
Other liabilities	6,211,999	6,211,999	4,528,646	4,528,646	5,225,986	5,225,986
	255,063,736	255,079,722	207,903,799	207,931,557	190,555,232	190,554,432

Loans and advances to non- bank customers

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

Investment securities and equity investments

All government bonds and BOM bonds have been fair valued based on the latest weighted yield rate. The equity investment has been fair valued at year end based on the net assets value of the investee. The Bank fair values its investment in mutual funds using net asset values.

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.

Except for the levels in which the financial assets and financial liabilities are shown in table 37 (a)(iii), the fair values of the other financial assets and financial liabilities are categorised in level 3.

37. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy

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

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

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

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2021				
Derivative financial assets	-	579,946	-	579,946
Investment securities mandatorily measured at FVTPL				
Debt securities	7,622,247	-	566,183	8,188,430
Investments at FVTOCI				
Debt securities	52,648,590	5,449,990	1,463,229	59,561,809
Equity investments	-	-	6,869	6,869
Total assets	60,270,837	6,029,936	2,036,281	68,337,054
Derivative financial liabilities	-	565,655	-	565,655
Total liabilities	-	565,655	-	565,655

37. RISK MANAGEMENT (CONT'D)

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

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
31 December 2020	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Derivative financial assets	-	774,785	-	774,785
Investment securities mandatorily measured at FVTPL				
Debt securities	8,564,319	-	785,285	9,349,604
Investments at FVTOCI				
Debt securities	45,724,570	3,805,254	645,422	50,175,246
Equity investments	-	-	4,408	4,408
Total assets	54,288,889	4,580,039	1,435,115	60,304,043
Derivative financial liabilities	-	1,165,271	-	1,165,271
Total liabilities	-	1,165,271	-	1,165,271
31 December 2019				
Derivative financial assets	-	889,301	-	889,301
Investment securities mandatorily measured at FVTPL				
Debt securities	11,116,554	-	709,202	11,825,756
Investments at FVTOCI				
Debt securities	38,675,057	2,999,631	617,020	42,291,708
Equity investments	-	-	3,411	3,411
Total assets	49,791,611	3,888,932	1,329,633	55,010,176
Derivative financial liabilities	-	1,000,972	-	1,000,972
Total liabilities	-	1,000,972	-	1,000,972

Reconciliation of level 3 assets:

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Balance at start of year	1,435,115	1,329,633	609,531
Additions	1,070,997	439,658	715,064
Disposals	(532,909)	(411,256)	(2,493)
Fair value movement	(16,653)	77,080	(11,436)
Foreign exchange adjustment	79,731	-	18,967
Balance at end of year	2,036,281	1,435,115	1,329,633

There was no transfer between levels during the year.

b Credit risk

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

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure

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

	31 December 2021	31 December 2020	31 December 2019
Fund-based exposures:	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	37,563,112	14,208,901	12,974,367
Mandatory balances with central bank	11,203,833	9,749,384	9,326,006
Loans to and placements with banks	843,079	3,150,745	5,199,057
Derivative financial instruments	579,946	774,785	889,301
Loans and advances to non-bank customers	109,370,271	110,475,581	106,792,076
Investment securities	119,427,219	93,376,566	73,483,267
Other assets	535,827	533,302	626,543
	279,523,287	232,269,264	209,290,617
Non-fund based exposures:			
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	11,114,874	9,391,316	8,333,897
Credit commitments	11,474,814	10,851,199	11,675,375
	22,589,688	20,242,515	20,009,272

An analysis of the Bank's maximum exposure to credit risk per class of financial asset, internal rating and 'stage', at the reporting date, without taking account of any collateral held and other credit enhancements has been disclosed in Notes 6, 8 and 9.

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

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Grades:			
1 to 3 - High Grade	49,976,367	16,904,833	41,019,256
4 to 6 - Standard	37,534,694	35,889,770	42,947,906
7 to 10 (including unrated) - Sub standard	30,434,971	58,146,344	25,994,326
	117,946,032	110,940,947	109,961,488

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

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Overview of modified loans

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

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

	31 December 2021		31 December 2020		31 December 2019	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Modified loans	14,804,598	703,996	25,441,261	353,714	12,494,575	326,436

(ii) Credit risk assessment

The credit risk management framework is further supported by the policies and procedures in place to appropriately maintain and validate models to assess and measure ECL.

The Bank uses a combination of credit rating (internal and external) and statistical regression analyses to determine the probability of default. Statistical regression is derived using an analysis of historical data, whereby the Bank has estimated relationships between macro-economic variables, credit risk and credit losses. Country rating is also factored in ECL computation for non-resident counterparties.

Governance and post model adjustments

The IFRS 9 PD, EAD and LGD models are subject to the provisioning 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.

Internal credit risk ratings

In order to minimise credit risk, the Bank has developed and maintained an internal credit rating model that grades clients according to their degree of risk of default. The Bank's credit risk grading framework comprises different categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

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

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

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

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

Internal credit risk ratings (cont'd)

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

Bank's credit risk grades	BOM external rating grade	Standard & Poor's Rating services	Moody's Investors rating	Fitch ratings	Description
1 - 3	1	AAA to AA-	Aaa to Aa3	AAA to AA-	High Grade
4	2	A+ to A -	A1 to A3	A+ to A -	Standard
5	3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	Standard
6	4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	Standard
7	5	B+ to B-	B1 to B3	B+ to B-	Sub-standard
8 - 10	6	CCC+ to D	Caa1 to D	CCC+ to D	Sub-standard

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

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

1. Inputs, assumptions and techniques used in estimating ECL

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

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

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

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

The Bank calculates ECLs based on three scenarios (baseline, upside and down side) 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.

Loan commitments are assessed along with the category of loan the Bank is committed to provide, i.e. commitments to provide corporate loans are assessed using similar criteria to corporate loans.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

1. Inputs, assumptions and techniques used in estimating ECL (cont'd)

Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2. Incorporation of forward-looking information

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

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

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

- National Accounts: GDP Discrepency
- National Accounts: Real Gross Capital Formation
- Nominal Bilateral Exchange Rate
- Consumer Price Index (CPI)
- National Accounts: Nominal Gross Domestic Product (GDP) - Purchasing Power Parity (PPP)
- Implicit Price Deflator: Gross Capital Formation
- Labor Force Survey: Unemployment Rate
- Interest rates: Risk Spread
- National Accounts: Real Exports of Goods and Services
- Wage Rate Index - Real
- Interest Rates: 5-year government bond yield
- Terms of trade

In light of COVID-19, SBM reviewed its ECL framework so as to cater for the higher level of uncertainty in markets, both local and across borders. The Bank ensured that in doing so, it remains in line with the many guiding principles released by local and international body on IFRS9 in a COVID-19 context. Adjusting for forward looking information during this unprecedented event, the Bank has factored in post model adjustment to take into account the unlikeliness to pay criteria on certain sectors impacted by COVID-19. The adjustment is based on borrowers' non-payment behaviors observed in the current economic environment which may result in an increasing amount of balances becoming past due and having a higher probability of default in the future. The Bank has also considered the recent Russia/Ukraine war and the impact on the macro-economic variables. As these were not captured in the models, an overlay was estimated to measure the increasing uncertainty in the local and international markets triggered by the war. The overlays determined by the Bank are based on the following:

- COVID impacted sectors/facilities (tourism as well as other restructured debts due to COVID-19)

- An analysis of downgrading of ratings as a result of COVID-19 and the recent war

- Recoverability assessment considering the unlikeliness to pay and longer days past due triggered by COVID-19 and the Russia-Ukraine war.

Significant increase in credit risk

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

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.

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

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

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

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

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

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

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.

3. Measurement of ECL

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.

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

(i) probability of default (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 under measurement of ECL.

(ii) loss given default (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 measurement of ECL.

(iii) exposure at default (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 measurement of ECL.

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

PD Estimates

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.

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

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

3. Measurement of ECL (cont'd)

PD Estimates (cont'd)

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

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

Retail, Corporate and SME LGD model uses the work-out LGD framework. In this methodology, LGD estimates are based on the historical data after discounting the cash flows (of the contracts in default) that are recorded through the recovery & workout stage at the reference time. Two possible outcomes are considered: Cure (Facility defaults, but goes back to active without loss, LGD close to zero) and No cure (Facility defaults, does not cure, LGD between 0% and 100%). A logit model is fitted to the work-out LGD and the different features for inclusion in the model are chosen based on their statistical significance as well as the intuitiveness of the coefficients.

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

EAD

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

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

For corporates, segmentation has been done based on local and cross-border categories with credit rating as internal variable. SME has been modelled separately with industry and line of business as internal parameters. Retail on the other hand has been segmented at a product level with different internal parameters such as month-on-book and line of business as suited by the models.

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

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

Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cashflows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

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

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

3. Measurement of ECL (cont'd)

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

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

Individually assessed allowances

The Bank determines the allowances to be appropriate for each facility assessed on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Regulatory provision

Regulatory provision is conducted in accordance with the Bank of Mauritius Guideline on 'Credit Impairment Measurement and Income Recognition (April 2016)' and' Additional Macroprudential Measures For the Banking Sector (January 2015)' which require the Bank to take a minimum portfolio provision of 1% on standard credits and an additional portfolio provision as a macroprudential policy measure ranging between 0.5% to 1% depending on the sectors. The stage 1 and 2 provision on loans and advances was higher than the minimum portfolio provision.

Collateral valuation

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

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

Collateral repossessed

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

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

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

4. Modified financial asset

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

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

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

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

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

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

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

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

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

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(iii) Collateral and other credit enhancements

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

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

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

Type of credit exposure	31 December 2021	31 December 2020	31 December 2019	Principal Type of collateral held
	MUR' 000	MUR' 000	MUR' 000	
Fund-based exposures:				
Cash and cash equivalents	37,563,112	14,208,901	12,974,367	*Unsecured*
Mandatory balances with central bank	11,203,833	9,749,384	9,326,006	*Unsecured*
Loans to and placements with banks	843,079	3,150,745	5,199,057	*Unsecured*
Derivative financial instruments	579,946	774,785	889,301	*Unsecured*
Loans and advances to non-bank customers	109,370,271	110,475,581	106,792,076	*Residential property*
Investment securities	119,427,219	93,376,566	73,483,267	*Unsecured*
Other assets	535,827	533,302	626,543	*Unsecured*
Non-fund based exposures:				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	11,114,874	9,391,316	8,333,897	*Residential property*
Credit commitments	11,474,814	10,851,199	11,675,375	*Unsecured*

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

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

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

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Up to 1 month	130,071	139,068	163,012
Over 1 month and up to 3 months	490,212	502,055	346,884
	620,283	641,123	509,896

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

	31 December 2021		31 December 2020		31 December 2019	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
0-30 days (Stage 1)	70,062,363	651,183	79,391,828	711,750	74,249,255	651,591
31-89 days (Stage 2)	28,424,554	1,455,011	18,749,944	961,423	22,224,938	1,662,596
Total	98,486,917	2,106,194	98,141,772	1,673,173	96,474,193	2,314,187

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(v) Impaired financial assets

Loans and advances are assessed for impairment when objective evidence, such as default or delinquency in interest or principal payments, significant financial difficulty of the counterparty or evidence that the borrower will enter bankruptcy or financial re-organisation, which indicate that the account may be impaired.

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

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 8c)	10,883,354	12,333,808	10,317,884
Specific allowance held in respect of impaired advances (Note 8c)	9,347,876	9,763,881	5,452,485
Fair value of collaterals of impaired advances	1,795,128	2,951,380	4,956,827

(vi) Credit concentration of risk by industry sectors

Total outstanding credit facilities, net of deposits where there is a right of set off, including guarantees, acceptances, and other similar commitments extended by the Bank to any one customer or group of closely-related customers for amounts aggregating more than 10% of its capital base, classified by industry sectors:

	31 December 2021	31 December 2020	31 December 2019
Portfolio	MUR' 000	MUR' 000	MUR' 000
Agriculture	2,843,509	3,227,632	3,859,712
Traders	9,227,334	8,042,135	7,883,416
Real estate	5,921,847	5,704,924	5,150,442
Transport	3,705,781	1,825,995	4,012,762
Tourism	7,564,459	8,389,473	6,758,321
Financial services	1,748,745	12,870,411	6,873,501
	31,011,675	40,060,570	34,538,154

(vi) Offsetting financial instruments

Loans and advances to customers

The Bank holds cash collateral and marketable securities to mitigate the credit risk of securities lending.

Derivative financial instruments

The Bank enters into derivatives bilaterally under International Swaps and Derivatives Association (ISDA) master netting agreements. ISDA Master Netting agreements give either party the legal right of offset on termination of the contract or on default of the other party. The Bank executes a credit support annex in conjunction with each ISDA agreement, which requires the Bank and each counterparty to post collateral to mitigate credit risk. Collateral is also posted as per terms of Credit Support Annex (CSA) in respect of derivatives transacted on exchanges.

c Liquidity risk

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

37. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

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

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket	Total
31 December 2021	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets								
Cash and cash equivalents	40,288,235	-	-	-	-	-	(6,813)	40,281,422
Mandatory balances with central bank	3,004,186	337,730	62,688	304,003	129,102	7,366,124	-	11,203,833
Loans to and placements with banks	-	-	992	-	653,330	188,757	(5,109)	837,970
Derivative financial instruments	-	-	-	-	-	-	579,946	579,946
Loans and advances to non-bank customers	4,526,467	6,227,491	5,882,942	9,491,242	21,231,325	50,496,490	60,243	97,916,200
Investment securities	44,777,989	2,940,780	5,863,347	2,750,969	15,755,604	47,331,661	(27,884)	119,392,466
Equity investments	-	-	-	-	-	-	6,869	6,869
Other assets	-	-	-	-	-	-	535,827	535,827
	92,596,877	9,506,001	11,809,969	12,546,214	37,769,361	105,383,032	1,143,079	270,754,533
Financial liabilities								
Deposits from banks	1,481,854	-	-	-	-	-	-	1,481,854
Deposits from non-bank customers	29,400,868	10,294,573	4,156,073	8,493,807	3,534,678	185,648,829	-	241,528,828
Other borrowed funds	-	4,410,688	22,901	74,766	248,992	518,053	-	5,275,400
Derivative financial instruments	-	-	-	-	-	-	565,655	565,655
Other liabilities	-	-	-	-	-	-	6,211,999	6,211,999
Total financial liabilities	30,882,722	14,705,261	4,178,974	8,568,573	3,783,670	186,166,882	6,777,654	255,063,736
Liquidity Gap	61,714,155	(5,199,260)	7,630,995	3,977,641	33,985,691	(80,783,850)	(5,634,575)	15,690,797

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

37. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket	Total
31 December 2020	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets								
Cash and cash equivalents	16,750,354	-	-	-	-	-	(1,019)	16,749,335
Mandatory balances with central bank	2,693,088	327,572	56,051	301,183	92,022	6,279,468	-	9,749,384
Loans to and placements with banks	-	46,000	1,260,591	1,008,285	593,109	242,760	(20,358)	3,130,387
Derivative financial instruments	-	-	-	-	-	-	774,785	774,785
Loans and advances to non-bank customers	3,922,256	5,418,721	6,222,239	9,617,426	26,507,611	46,816,786	533,488	99,038,527
Investment securities	34,063,486	700,100	5,068,127	4,851,017	15,855,299	32,834,130	(34,113)	93,338,046
Other assets	-	-	-	-	-	-	533,302	533,302
	57,429,184	6,492,393	12,607,008	15,777,911	43,048,041	86,173,144	1,786,085	223,313,766
Financial liabilities								
Deposits from banks	1,119,661	-	-	-	-	-	-	1,119,661
Deposits from non-bank customers	22,284,959	10,010,474	3,137,963	8,739,581	1,692,804	144,138,489	-	190,004,270
Other borrowed funds	918,515	2,028,813	2,220,960	1,062,055	4,203,913	651,695	-	11,085,951
Derivative financial instruments	-	-	-	-	-	-	1,165,271	1,165,271
Other liabilities	-	-	-	-	-	-	4,528,646	4,528,646
Total financial liabilities	24,323,135	12,039,287	5,358,923	9,801,636	5,896,717	144,790,184	5,693,917	207,903,799
Liquidity Gap	33,106,049	(5,546,894)	7,248,085	5,976,275	37,151,324	(58,617,040)	(3,907,832)	15,409,967
31 December 2019								
Financial assets								
Cash and cash equivalents	15,386,100	4,497	-	-	-	-	(3,698)	15,386,899
Mandatory balances with central bank	3,398,190	86,271	95,036	101,662	107,949	5,536,898	-	9,326,006
Loans to and placements with banks	196,289	395,111	2,595,684	1,249,520	762,453	-	(24,969)	5,174,088
Derivative financial instruments	-	-	-	-	-	-	889,301	889,301
Loans and advances to non-bank customers	5,489,867	5,570,486	4,647,548	9,602,131	25,049,629	45,493,252	3,172,491	99,025,404
Investment securities	30,079,628	3,910,955	3,225,528	2,637,400	9,939,827	23,526,622	140,170	73,460,130
Other assets	-	-	-	-	-	-	626,543	626,543
	54,550,074	9,967,320	10,563,796	13,590,713	35,859,858	74,556,772	4,799,838	203,888,371

37. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

31 December 2019 (cont'd)	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket	Total
Financial liabilities	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Deposits from banks	893,524	23,747	12,086	-	-	-	-	929,357
Deposits from non-bank customers	25,106,827	6,601,613	5,817,238	5,506,385	1,992,265	128,234,374	-	173,258,702
Other borrowed funds	5,767,984	43,307	1,272,535	146,271	2,398,950	511,168	-	10,140,215
Derivative financial instruments	-	-	-	-	-	-	1,000,972	1,000,972
Other liabilities	-	-	-	-	-	-	5,225,986	5,225,986
Total financial liabilities	31,768,335	6,668,667	7,101,859	5,652,656	4,391,215	128,745,542	6,226,958	190,555,232
Liquidity Gap	22,781,739	3,298,653	3,461,937	7,938,057	31,468,643	(54,188,770)	(1,427,120)	13,333,139

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

	On Demand	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Financial liabilities	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Deposits	218,202,413	11,593,073	3,522,114	5,751,058	3,534,678	407,346	243,010,682
Other borrowed funds	-	4,410,688	22,901	74,766	248,992	518,053	5,275,400
Derivative financial instruments	565,655	-	-	-	-	-	565,655
Other liabilities	6,211,999	-	-	-	-	-	6,211,999
31 December 2021	224,980,067	16,003,761	3,545,015	5,825,824	3,783,670	925,399	255,063,736
Deposits	167,429,282	11,813,428	2,937,042	6,655,675	1,692,804	595,700	191,123,931
Other borrowed funds	-	2,947,328	2,220,960	1,062,055	4,203,913	651,695	11,085,951
Derivative financial instruments	1,165,271	-	-	-	-	-	1,165,271
Other liabilities	4,528,646	-	-	-	-	-	4,528,646
31 December 2020	173,123,199	14,760,756	5,158,002	7,717,730	5,896,717	1,247,395	207,903,799
Deposits	142,109,515	18,790,812	4,877,264	3,833,264	1,992,265	2,584,939	174,188,059
Other borrowed funds	-	5,811,290	1,272,535	146,272	2,398,950	511,168	10,140,215
Derivative financial instruments	1,000,972	-	-	-	-	-	1,000,972
Other liabilities	5,225,986	-	-	-	-	-	5,225,986
31 December 2019	148,336,473	24,602,102	6,149,799	3,979,536	4,391,215	3,096,107	190,555,232

d Market risk

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

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk

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

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

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
31 December 2021	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	-	-	-	-	-	-	40,281,422	40,281,422
Mandatory balances with central bank	-	-	-	-	-	-	11,203,833	11,203,833
Loans to and placements with banks	653,330	-	-	-	188,757	-	(4,117)	837,970
Derivative financial instruments	-	-	-	-	-	-	579,946	579,946
Loans and advances to non-bank customers	100,011,978	2,302,553	2,068,025	1,902,149	2,517,178	519,241	(11,404,924)	97,916,200
Investment securities	12,931,690	14,769,658	14,882,467	15,870,860	32,547,098	27,187,174	1,210,388	119,399,335
Other assets	-	-	-	-	-	-	535,827	535,827
Total assets	113,596,998	17,072,211	16,950,492	17,773,009	35,253,033	27,706,415	42,402,375	270,754,533
Liabilities								
Deposits from banks	-	-	-	-	-	-	1,481,854	1,481,854
Deposits from non-bank customers	93,690,002	3,179,804	5,068,577	1,561,076	1,206,346	-	136,823,023	241,528,828
Other borrowed funds	5,272,107	-	-	-	-	-	3,293	5,275,400
Derivative financial instruments	-	-	-	-	-	-	565,655	565,655
Other liabilities	-	-	-	-	-	-	6,211,999	6,211,999
Total liabilities	98,962,109	3,179,804	5,068,577	1,561,076	1,206,346	-	145,085,824	255,063,736
On balance sheet interest rate sensitivity gap	14,634,889	13,892,407	11,881,915	16,211,933	34,046,687	27,706,415	(102,683,449)	15,690,797
Off balance sheet interest rate sensitivity gap	2,743,860	(1,386,555)	3,144	(35,697)	(1,740,368)	294,143	-	(121,472)
	17,378,749	12,505,853	11,885,059	16,176,236	32,306,320	28,000,558	(102,683,449)	15,569,325

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
31 December 2020	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	-	-	-	-	-	-	16,749,335	16,749,335
Mandatory balances with central bank	-	-	-	-	-	-	9,749,384	9,749,384
Loans to and placements with banks	1,890,154	1,243,992	-	-	-	-	(3,759)	3,130,387
Derivative financial instruments	-	-	-	-	-	-	774,785	774,785
Loans and advances to non-bank customers	91,897,155	3,869,771	2,280,480	4,859,415	2,293,084	900,255	(7,061,633)	99,038,527
Investment securities	14,960,176	5,258,419	10,293,973	14,582,793	28,885,472	15,569,335	3,787,878	93,338,046
Other assets	-	-	-	-	-	-	533,302	533,302
Total assets	108,747,485	10,372,182	12,574,453	19,442,208	31,178,556	16,469,590	24,529,292	223,313,766
Liabilities								
Deposits from banks	-	-	-	-	-	-	1,119,661	1,119,661
Deposits from non-bank customers	82,493,697	2,527,063	5,882,858	119,123	716,415	-	98,265,114	190,004,270
Other borrowed funds	9,132,837	943,992	988,515	-	-	-	20,607	11,085,951
Derivative financial instruments	-	-	-	-	-	-	1,165,271	1,165,271
Other liabilities	-	-	-	-	-	-	4,528,646	4,528,646
Total liabilities	91,626,534	3,471,055	6,871,373	119,123	716,415	-	105,099,299	207,903,799
On balance sheet interest rate sensitivity gap	17,120,951	6,901,127	5,703,080	19,323,085	30,462,141	16,469,590	(80,570,007)	15,409,967
Off balance sheet interest rate sensitivity gap	8,825,230	(3,520,496)	(806,126)	(2,506,693)	(999,868)	(921,239)	-	70,808
	25,946,181	3,380,631	4,896,954	16,816,392	29,462,273	15,548,351	(80,570,007)	15,480,775

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

31 December 2019	Up to 3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	Non-interest sensitive MUR' 000	Total MUR' 000
Assets								
Cash and cash equivalents	1,029,496	-	-	-	-	-	14,357,403	15,386,899
Mandatory balances with central bank	-	-	-	-	-	-	9,326,006	9,326,006
Loans to and placements with banks	2,939,766	1,520,344	334,335	346,000	-	-	33,643	5,174,088
Derivative financial instruments	-	-	-	-	-	-	889,301	889,301
Loans and advances to non-bank customers	88,834,177	3,018,690	5,290,106	3,870,028	4,162,361	1,923,767	(8,073,725)	99,025,404
Investment securities	19,838,915	4,752,681	5,259,649	5,045,025	25,748,612	11,945,431	869,817	73,460,130
Other assets	-	-	-	-	-	-	626,543	626,543
Total assets	112,642,354	9,291,715	10,884,090	9,261,053	29,910,973	13,869,198	18,028,988	203,888,371
Liabilities								
Deposits from banks	59,317	11,830	-	-	-	-	858,210	929,357
Deposits from non-bank customers	96,510,087	4,402,334	2,856,640	141,380	387,739	-	68,960,522	173,258,702
Other borrowed funds	8,461,415	1,650,689	-	-	-	-	28,111	10,140,215
Derivative financial instruments	-	-	-	-	-	-	1,000,972	1,000,972
Other liabilities	-	-	-	-	-	-	5,225,986	5,225,986
Total liabilities	105,030,819	6,064,853	2,856,640	141,380	387,739	-	76,073,801	190,555,232
On balance sheet interest rate sensitivity gap	7,611,535	3,226,862	8,027,450	9,119,673	29,523,234	13,869,198	(58,044,813)	13,333,139
Off balance sheet interest rate sensitivity gap	8,635,578	(2,014,728)	120,607	(1,187,222)	(3,127,618)	(2,173,653)	-	252,964
	16,247,113	1,212,134	8,148,057	7,932,451	26,395,616	11,695,545	(58,044,813)	13,586,103

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 2021 MUR' 000	31 December 2020 MUR' 000	31 December 2019 MUR' 000
Increase/(decrease) in profit	519,877	520,801	340,216

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

Interest rate benchmark reform

As listed in note 2, the Bank has non derivative financial instruments and fair value hedge relationships affected by the interest rate benchmark reform.

The Bank has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators. The Financial Conduct Authority (FCA) has confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

• Immediately after 31 December 2021, in the case of all Sterling, Euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar

• Immediately after 30 June 2023, in the case of the remaining US dollar settings

In response to the announcements, the Bank has set up an IBOR Transition Working Group comprising of the following work streams: risk Risk Management, Treasury, Legal, Credit Services Unit, Asset and Liability Team, Finance and IT Team. The working group reporting to the Executive Forum was chaired by the Acting Chief Risk Officer.

Risks arising from the interest rate benchmark reform

The following are the key risks for the Bank arising from the transition:

Interest rate basis risk: If the bilateral negotiations with the Bank's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply.

Liquidity risk: There are fundamental differences between LIBORs and the various alternative benchmark rates which the Bank will be adopting. LIBORs are forward-looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management.

Other operational risks to which the Bank is exposed include updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks.

Progress towards implementation of alternative benchmark interest rates

All newly transacted floating rate financial assets and liabilities as from 1 January 2022 will be linked to an alternative benchmark rate as follows:

Currency	New rates
USD	Term SOFR (1m, 3m, and 6m)
GBP	Daily SONIA
EUR	EURIBOR (1m, 3m and 6m)

The Bank's team is currently focusing on converting existing contracts in EURO and GBP. Thereafter, the Bank will address the USD exposures.

The Bank is planning to transition the majority of its LIBOR-linked contracts to alternative rates through amendments of existing contracts. There are no changes made in existing contracts at 31 December 2021. The amendments are expected to be implemented as from 1 January 2022.

Interest rate benchmark transition for non-derivative financial instruments

Non derivative financial instrument prior to transition	Maturing in	Nominal currency	Total nominal (MUR)	Hedge accounting	Transition progress
Floating rate financial assets		FCY'000	MUR' 000		
Loan and advances to customers linked to EURO	Between 2022 and 2034	163,806	8,085,641	N/A	Expected to transition to EURIBOR in quarter March 2022
Loan and advances to customers linked to GBP	Between 2025 and 2029	17,529	1,031,385	N/A	Expected to transition to SONIA in quarter March 2022
Loan and advances to customers linked to USD	Between 2022 and 2031	132,111	5,754,117	N/A	Transition discussions in progress
Loan and advances to customers linked to USD	Between 2024 and 2033	17,196	748,958	Designated in fair value hedge	
Trading assets (USD)	Up to March 2034	57,024	2,483,691	N/A	Expected to transition to SOFR by June 2023
Floating rate financial liabilities					
Term deposits linked to USD	Between 2022 and 2030	3,166	137,915	-	Transitioned in January 2022
Term deposits linked to EURO	Between 2022 and 2026	6,755	333,430	-	Transitioned in January 2022
Term deposits linked to GBP	Between 2022 and 2025	781	45,966	-	Transitioned in January 2022

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

Interest rate benchmark reform (cont'd)

Interest rate benchmark transition for derivatives and hedge relationships

The Bank has in issue fixed rate financial instruments which were in a fair value hedge using fixed to floating interest rate swap (IRS) contracts:

Financial Instrument	IRS contracts
Loan and advances to customers (Euro fixed rate)	Fixed to floating 3 mths Euro EURIBOR
Bonds	Fixed to floating USD SOFR
Deposits (USD fixed rate)	Fixed to floating 6 mths USD LIBOR

The Bank have not yet transitioned the interest rate swaps to alternative risk-free rate, which would be as per ISDA Protocol. However, the Phase 1 amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate is no longer considered to be separately

For Bank's derivatives with nominal amount MUR 2.5 billion that reference to USD LIBOR maturing up to March 2034 but were not designated in hedge relationships, the International Swaps and Derivatives Association's (ISDA) fallback clauses were made available in the first quarter of 2021 and the Bank has signed up to the protocol, along with each of the Bank's counterparties. This ensures all legacy trades will, on cessation of IBOR, follow the fallback clause provided in the protocol.

The Bank will continue to apply the amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Bank is exposed ends. The Bank expects this uncertainty will continue until the Bank's contracts that reference LIBORs are amended to specify the date on which the interest rate benchmark will be replaced, the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread.

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(ii) Fair value hedges

	31 December 2021				31 December 2020				31 December 2019			
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
Micro fair value hedges	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000
Fixed rate corporate loans	4,629,903	-	81,206	-	6,213,147	-	215,796	-	8,179,583	-	145,936	-
Fixed rate debt instrument	1,102,733	-	-	3,761	2,398,849	-	21,439	-	2,220,898	-	51,242	-
Fixed rate non-bank deposits	-	-	-	-	-	135,996	-	-	-	153,751	-	-

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

	31 December 2021			31 December 2020			31 December 2019		
	Notional Amount	Carrying Amount		Notional Amount	Carrying Amount		Notional Amount	Carrying Amount	
Micro fair value hedges	MUR' 000	Assets MUR' 000	Liabilities MUR' 000	MUR' 000	Assets MUR' 000	Liabilities MUR' 000	MUR' 000	Assets MUR' 000	Liabilities MUR' 000
Interest rate swaps	3,106,810	3,761	80,718	7,084,396	393	235,903	12,577,020	367	280,993

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

		31 December 2021			31 December 2020			31 December 2019		
		Gain / (loss) attributable to the hedged risk			Gain / (loss) attributable to the hedged risk			Gain / (loss) attributable to the hedged risk		
Hedged items	Hedging instruments	Hedged items	Hedging Instruments	Hedge Ineffectiveness	Hedged items	Hedging Instruments	Hedge Ineffectiveness	Hedged items	Hedging Instruments	Hedge Ineffectiveness
Micro fair value hedge relationships hedging assets										
Fixed rate corporate loans	Interest rate swaps	81,206	(80,718)	488	215,796	(214,464)	1,332	145,936	(263,848)	(117,912)
Fixed rate debt instrument	Interest rate swaps	(3,761)	3,761	-	21,439	(21,439)	-	51,242	(17,145)	34,097
Micro fair value hedge relationships hedging liabilities										
Fixed rate non-bank deposits	Interest rate swaps	-	-	-	-	393	393	-	367	367
Total micro fair value hedge relationship		77,445	(76,957)	488	237,235	(235,510)	1,725	197,178	(280,626)	(83,448)

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(ii) Fair value hedges (cont'd)

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	TOTAL
At 31 December 2021:	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	-	1,259,190	1,267,603	580,017	3,106,810
At 31 December 2020:						
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:						
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	549,111	-	9,869,879	2,158,030	12,577,020

(iii) Currency risk

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

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

	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
31 December 2021	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	2,872,142	36,308,963	394,496	490,374	34,233	14,644	166,570	40,281,422
Mandatory balances with central banks	9,716,310	928,952	142,879	395,785	-	-	19,907	11,203,833
Loans to and placements with banks	(5,109)	653,378	-	189,701	-	-	-	837,970
Derivative financial instruments	319,077	242,109	24	17	7,511	-	11,208	579,946
Loans and advances to non-bank customers	63,657,982	18,483,320	1,220,843	14,487,590	-	-	66,465	97,916,200
Investment securities	67,994,655	49,332,395	-	520,243	1,552,042	-	-	119,399,335
Other assets	513,820	4,966	(334)	17,827	-	-	(452)	535,827
Total monetary financial assets	145,068,877	105,954,083	1,757,908	16,101,537	1,593,786	14,644	263,698	270,754,533

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
31 December 2021 (cont'd)	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Liabilities								
Deposits from banks	631,468	374,597	3,251	435,949	-	-	36,589	1,481,854
Deposits from non-bank customers	121,652,919	98,262,521	3,526,958	17,002,628	-	11,601	1,072,201	241,528,828
Other borrowed funds	-	4,358,708	-	916,692	-	-	-	5,275,400
Derivative financial instruments	214,408	318,027	24	6,497	23,682	-	3,017	565,655
Other liabilities	2,690,110	3,226,245	42,646	210,544	(2,244)	-	44,698	6,211,999
Total monetary financial liabilities	125,188,905	106,540,098	3,572,879	18,572,310	21,438	11,601	1,156,505	255,063,736
On balance sheet position	19,879,972	(586,015)	(1,814,971)	(2,470,773)	1,572,348	3,043	(892,807)	15,690,797
Off balance sheet position	-	-	-	-	-	-	-	-
Net currency position	19,879,972	(586,015)	(1,814,971)	(2,470,773)	1,572,348	3,043	(892,807)	15,690,797
31 December 2020								
Assets								
Cash and cash equivalents	12,621,610	2,883,226	90,322	444,180	40,336	5,681	663,980	16,749,335
Mandatory balances with central banks	8,628,978	807,233	83,389	211,255	-	-	18,529	9,749,384
Loans to and placements with banks	333,150	2,553,203	-	244,034	-	-	-	3,130,387
Derivative financial instruments	279,262	431,138	1,571	10,327	42,797	-	9,690	774,785
Loans and advances to non-bank customers	61,012,694	21,078,107	1,070,714	15,844,962	-	-	32,050	99,038,527
Investment securities	54,954,633	37,002,243	-	493,439	636,476	-	251,255	93,338,046
Other assets	526,944	3,994	159	2,210	-	-	(5)	533,302
Total monetary financial assets	138,357,271	64,759,144	1,246,155	17,250,407	719,609	5,681	975,499	223,313,766
Liabilities								
Deposits from banks	513,413	484,545	2,013	92,660	-	-	27,030	1,119,661
Deposits from non-bank customers	107,670,168	65,398,429	2,568,942	13,132,750	-	36	1,233,945	190,004,270
Other borrowed funds	-	10,037,158	-	1,048,793	-	-	-	11,085,951
Derivative financial instruments	98,893	970,126	1,075	41,797	34,130	-	19,250	1,165,271
Other liabilities	2,190,159	(208,199)	(1,100,151)	4,051,967	(2,244)	-	(402,886)	4,528,646
Total monetary financial liabilities	110,472,633	76,682,059	1,471,879	18,367,967	31,886	36	877,339	207,903,799
On balance sheet position	27,884,638	(11,922,915)	(225,724)	(1,117,560)	687,723	5,645	98,160	15,409,967
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	27,884,638	(11,336,040)	(225,724)	(1,117,560)	100,848	5,645	98,160	15,409,967

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

31 December 2019	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
Assets	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	7,203,754	6,052,466	552,276	827,426	131,816	3,730	615,431	15,386,899
Mandatory balances with central banks	8,231,853	972,536	94,288	26,276	-	-	1,053	9,326,006
Loans to and placements with banks	2,431,333	1,504,865	-	1,237,890	-	-	-	5,174,088
Derivative financial instruments	344,051	500,065	3	10,312	18,138	-	16,732	889,301
Loans and advances to non-bank customers	60,900,467	25,092,232	789,635	12,178,583		-	64,487	99,025,404
Investment securities	48,199,827	23,609,294	-	1,040,942	610,067	-	-	73,460,130
Other assets	551,541	11,099	607	39,699	-	-	23,597	626,543
Total monetary financial assets	127,862,826	57,742,557	1,436,809	15,361,128	760,021	3,730	721,300	203,888,371
Liabilities								
Deposits from banks	579,184	294,898	7,176	47,341	-	-	758	929,357
Deposits from non-bank customers	103,223,986	56,657,902	2,010,554	10,764,606	-	1	601,653	173,258,702
Other borrowed funds	-	6,084,400	3,254	4,052,113	-	-	448	10,140,215
Derivative financial instruments	38,325	871,392	2	65,874	6,352	-	19,027	1,000,972
Other liabilities	2,043,441	3,457,724	(561,851)	829,272	(401,374)	(7)	(141,219)	5,225,986
Total monetary financial liabilities	105,884,936	67,366,316	1,459,135	15,759,206	(395,022)	(6)	480,667	190,555,232
On balance sheet position	21,977,890	(9,623,759)	(22,326)	(398,078)	1,155,043	3,736	240,633	13,333,139
Off balance sheet position	685,112	(338,234)	134,314	(334,535)	(62,752)	-	(83,905)	-
Net currency position	22,663,002	(9,961,993)	111,988	(732,613)	1,092,291	3,736	156,728	13,333,139

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

	Impact on profit after tax and equity					
Change in currency by:	USD	GBP	EURO	INR	KES	OTHER
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2021						
5%	(29,301)	(90,749)	(123,539)	78,617	152	(44,640)
-5%	29,301	90,749	123,539	(78,617)	(152)	44,640
31 December 2020						
5%	(566,802)	(11,286)	(55,878)	5,042	282	4,908
-5%	566,802	11,286	55,878	(5,042)	(282)	(4,908)
31 December 2019						
5%	(498,100)	5,599	(36,631)	54,615	187	7,836
-5%	498,100	(5,599)	36,631	(54,615)	(187)	(7,836)

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

Value-at-Risk Analysis

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

The Bank's VAR amounted to:

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	393	487	764
Maximum for the year	24,032	7,608	11,027
Year end	2,834	1,495	2,933

(iv) **Equity price sentivity analysis**

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

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

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Statement of other comprehensive income	343	220	171
Statement of profit or loss	-	-	-
	343	220	171

e **Accounting policies**

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability and equity instruments are disclosed in Note 4 to the financial statements (accounting policies).

38. OTHER RESERVES

Fair value through other comprehensive income reserve

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

Foreign currency translation reserve

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

Statutory reserve

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

Property revaluation reserve

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

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Statutory reserve	400,000	400,000	400,000
Fair value reserve on financial instruments	(2,214)	1,242,935	283,401
Propert revaluation reserve	1,255,899	1,303,607	1,350,561
	1,653,685	2,946,542	2,033,962

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

	31 December 2021		
	Current	Non current	Total
ASSETS	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	40,281,422	-	40,281,422
Mandatory balances with central banks	11,203,833	-	11,203,833
Loans to and placements with banks	-	837,970	837,970
Derivative financial instruments	75,675	504,271	579,946
Loans and advances to non-bank customers	17,711,062	80,205,138	97,916,200
Investment securities	41,349,965	78,049,370	119,399,335
Property and equipment	-	3,019,187	3,019,187
Right-of-use assets	-	212,037	212,037
Intangible assets	-	1,816,509	1,816,509
Deferred tax assets	-	518,443	518,443
Other assets	787,947	-	787,947
Total assets	111,409,904	165,162,925	276,572,829
LIABILITIES			
Deposits from banks	1,481,854	-	1,481,854
Deposits from non-bank customers	237,260,068	4,268,760	241,528,828
Other borrowed funds	4,417,136	858,264	5,275,400
Derivative financial instruments	113,857	451,798	565,655
Lease liability	105,997	78,668	184,665
Current tax liabilities	307,887	-	307,887
Pension liability	-	395,928	395,928
Other liabilities	6,249,910	-	6,249,910
Total liabilities	249,936,709	6,053,418	255,990,127

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D)

	31 December 2020		
	Current	Non current	Total
ASSETS	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	16,749,335	-	16,749,335
Mandatory balances with central banks	9,749,384	-	9,749,384
Loans to and placements with banks	2,293,197	837,190	3,130,387
Derivative financial instruments	556,734	218,051	774,785
Loans and advances to non-bank customers	17,483,098	81,555,429	99,038,527
Investment securities	29,790,165	63,547,881	93,338,046
Property and equipment	-	2,582,331	2,582,331
Right-of-use assets	-	255,603	255,603
Intangible assets	-	2,145,280	2,145,280
Deferred tax assets	-	497,123	497,123
Other assets	706,889	-	706,889
Total assets	77,328,802	151,638,888	228,967,690
LIABILITIES			
Deposits from banks	1,119,661	-	1,119,661
Deposits from non-bank customers	187,352,961	2,651,309	190,004,270
Other borrowed funds	6,080,167	5,005,784	11,085,951
Derivative financial instruments	776,129	389,142	1,165,271
Lease liability	74,537	159,053	233,590
Current tax liabilities	246,774	-	246,774
Pension liability	-	724,082	724,082
Other liabilities	4,591,660	-	4,591,660
Total liabilities	200,241,889	8,929,370	209,171,259

	31 December 2019		
	Current	Non current	Total
ASSETS	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	15,386,899	-	15,386,899
Mandatory balances with central banks	9,326,006	-	9,326,006
Loans to and placements with banks	4,121,661	1,052,427	5,174,088
Derivative financial instruments	724,070	165,231	889,301
Loans and advances to non-bank customers	18,440,739	80,584,665	99,025,404
Investment securities	28,740,387	44,719,744	73,460,131
Property and equipment	-	2,599,568	2,599,568
Right-of-use assets	-	247,168	247,168
Intangible assets	-	2,526,156	2,526,156
Deferred tax assets	-	219,302	219,302
Other assets	791,859	-	791,859
Total assets	77,531,621	132,114,261	209,645,882
LIABILITIES			
Deposits from banks	929,357	-	929,357
Deposits from non-bank customers	168,384,525	4,874,177	173,258,702
Other borrowed funds	6,966,542	3,173,673	10,140,215
Derivative financial instruments	543,748	457,224	1,000,972
Lease liability	66,649	173,531	240,180
Current tax liabilities	487,139	-	487,139
Pension liability	-	334,005	334,005
Other liabilities	5,190,076	-	5,190,076
Total liabilities	182,568,036	9,012,610	191,580,646

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into Segment A and B. Segment B activity is essentially directed to the provision of international financial services that give rise to 'foreign source income'. Segment A activity relates to all banking business other than Segment B activity. Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner. Segmental reporting is based on the internal reports regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess their performance.

a. Statement of financial position

	Notes	Segment A 31-Dec 2021 MUR' 000	Segment B 31-Dec 2021 MUR' 000	Bank 31-Dec 2021 MUR' 000	Segment A 31-Dec 2020 MUR' 000	Segment B 31-Dec 2020 MUR' 000	Bank 31-Dec 2020 MUR' 000	Segment A 31-Dec 2019 MUR' 000	Segment B 31-Dec 2019 MUR' 000	Bank 31-Dec 2019 MUR' 000
ASSETS										
Cash and cash equivalents	40k	38,509,049	1,772,373	40,281,422	13,077,341	3,671,994	16,749,335	7,614,914	7,771,985	15,386,899
Mandatory balances with central bank		11,203,833	-	11,203,833	9,749,384	-	9,749,384	9,326,006	-	9,326,006
Loans to and placements with banks	40l	-	837,970	837,970	353,501	2,776,886	3,130,387	2,480,589	2,693,499	5,174,088
Derivative financial instruments	40m	320,197	259,749	579,946	364,754	410,031	774,785	388,365	500,936	889,301
Loans and advances to non-bank customers	40n	82,691,374	15,224,826	97,916,200	78,359,930	20,678,597	99,038,527	75,707,890	23,317,514	99,025,404
Investment securities	40o	68,535,630	50,863,705	119,399,335	55,520,327	37,817,719	93,338,046	49,059,939	24,400,191	73,460,130
Property and equipment	40p	2,753,388	265,799	3,019,187	2,336,948	245,383	2,582,331	2,463,653	135,915	2,599,568
Right-of-use assets	40p	185,258	26,779	212,037	230,030	25,573	255,603	228,598	18,570	247,168
Intangible assets	40q	1,358,690	457,819	1,816,509	1,670,016	475,264	2,145,280	2,300,310	225,846	2,526,156
Deferred tax assets		162,397	356,046	518,443	85,158	411,965	497,123	(56,918)	276,220	219,302
Other assets	40r	709,164	78,783	787,947	674,650	32,239	706,889	650,905	140,954	791,859
Total assets		206,428,980	70,143,849	276,572,829	162,422,039	66,545,651	228,967,690	150,164,251	59,481,630	209,645,881
LIABILITIES										
Deposits from banks	40s	842,042	639,812	1,481,854	461,051	658,610	1,119,661	458,267	471,090	929,357
Deposits from non-bank customers	40t	143,668,449	97,860,379	241,528,828	124,286,264	65,718,006	190,004,270	116,278,952	56,979,750	173,258,702
Other borrowed funds	40u	4,358,708	916,692	5,275,400	5,934,675	5,151,276	11,085,951	2,550,602	7,589,613	10,140,215
Derivative financial instruments	40m	207,232	358,423	565,655	136,489	1,028,782	1,165,271	245,256	755,716	1,000,972
Lease liability		162,534	22,131	184,665	210,220	23,370	233,590	222,135	18,045	240,180
Current tax liabilities		297,788	10,099	307,887	204,507	42,267	246,774	432,812	54,327	487,139
Pension liability		354,182	41,746	395,928	665,922	58,160	724,082	314,041	19,964	334,005
Other liabilities	40v	2,855,795	3,394,115	6,249,910	2,306,240	2,285,420	4,591,660	2,059,107	3,130,969	5,190,076
Total liabilities		152,746,730	103,243,397	255,990,127	134,205,368	74,965,891	209,171,259	122,561,172	69,019,474	191,580,646
SHAREHOLDER'S EQUITY										
Stated capital				400,000			400,000			400,000
Capital contribution				11,854,011			11,854,011			11,854,011
Retained earnings				6,675,006			4,595,878			3,777,262
Other reserves				1,653,685			2,946,542			2,033,962
Total equity				20,582,702			19,796,431			18,065,235
Total liabilities and equity				276,572,829			228,967,690			209,645,881

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

a. Statement of profit or loss

	Notes	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019
Continuing operations		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income using the effective interest method		5,481,210	977,026	6,458,236	5,437,423	1,498,242	6,935,665	5,861,427	1,972,833	7,834,260
Other interest and similar income		124,221	78,616	202,837	154,253	137,296	291,549	109,649	36,095	145,744
Interest expense using the effective interest method		(411,168)	(136,962)	(548,130)	(763,069)	(299,134)	(1,062,203)	(1,396,649)	(626,880)	(2,023,529)
Other interest and similar expense		(80,055)	(315,661)	(395,716)	(79,218)	(355,613)	(434,831)	(15,131)	(148,775)	(163,906)
Net interest income	40c	5,114,208	603,019	5,717,227	4,749,389	980,791	5,730,180	4,559,296	1,233,273	5,792,569
Fee and commission income		917,203	213,040	1,130,243	716,555	254,795	971,350	773,641	302,820	1,076,461
Fee and commission expense		(14,564)	(39,066)	(53,630)	(6,305)	(30,395)	(36,700)	67	(31,783)	(31,716)
Net fee and commission income	40d	902,639	173,974	1,076,613	710,250	224,400	934,650	773,708	271,037	1,044,745
Other income										
Net trading income	40e	749,939	222,417	972,356	842,898	(15,347)	827,551	774,888	322,462	1,097,350
Net gains/(losses) from financial assets at fair value through profit or loss	40f	-	228,083	228,083	(326)	(28,892)	(29,218)	23,352	(115,641)	(92,289)
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		556,691	31,407	588,098	1,153,329	49,677	1,203,006	223,463	917	224,380
Other operating income		20,362	2,942	23,304	878	-	878	884	-	884
		1,326,992	484,849	1,811,841	1,996,779	5,438	2,002,217	1,022,587	207,738	1,230,325
Non interest income		2,229,631	658,824	2,888,454	2,707,029	229,838	2,936,867	1,796,295	478,775	2,275,070
Operating income		7,343,839	1,261,842	8,605,681	7,456,418	1,210,629	8,667,047	6,355,591	1,712,048	8,067,639
Personnel expenses	40g	(1,467,261)	(280,963)	(1,748,224)	(1,179,832)	(222,385)	(1,402,217)	(1,492,720)	(205,118)	(1,697,838)
Depreciation of property and equipment		(132,960)	(16,152)	(149,112)	(135,950)	(14,275)	(150,225)	(135,638)	(7,483)	(143,121)
Depreciation of right-of-use assets		(56,424)	(7,683)	(64,107)	(33,693)	(3,746)	(37,439)	(46,189)	(3,752)	(49,941)
Amortisation of intangible assets		(307,476)	(103,605)	(411,081)	(356,533)	(101,464)	(457,997)	(432,121)	(42,426)	(474,547)
Other expenses	40h	(1,146,513)	(200,728)	(1,347,241)	(839,602)	(169,493)	(1,009,095)	(1,001,716)	(92,591)	(1,094,307)
Non-interest expense		(3,110,634)	(609,131)	(3,719,765)	(2,545,610)	(511,363)	(3,056,973)	(3,108,384)	(351,370)	(3,459,754)
Profit before net impairment loss		4,233,205	652,711	4,885,916	4,910,808	699,266	5,610,074	3,247,208	1,360,677	4,607,885
Credit loss expense on financial assets & memorandum items	40i	(1,073,921)	(1,273,597)	(2,347,518)	(1,181,366)	(2,681,706)	(3,863,072)	(48,881)	(3,557,785)	(3,606,666)
Profit before income tax		3,159,284	(620,886)	2,538,398	3,729,442	(1,982,440)	1,747,002	3,198,327	(2,197,108)	1,001,219
Tax expense	40j	(456,661)	8,450	(448,211)	(386,566)	93,478	(293,088)	(665,539)	164,087	(501,452)
Profit for the year		2,702,624	(612,436)	2,090,187	3,342,876	(1,888,962)	1,453,914	2,532,788	(2,033,021)	499,767

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

c. Net interest income

	Segment A 31-Dec 2021 MUR' 000	Segment B 31-Dec 2021 MUR' 000	Bank 31-Dec 2021 MUR' 000	Segment A 31-Dec 2020 MUR' 000	Segment B 31-Dec 2020 MUR' 000	Bank 31-Dec 2020 MUR' 000	Segment A 31-Dec 2019 MUR' 000	Segment B 31-Dec 2019 MUR' 000	Bank 31-Dec 2019 MUR' 000
Interest income using the effective interest method									
Cash and cash equivalents	3,850	5,230	9,080	15,512	19,090	34,602	33,533	91,979	125,512
Loans to and placements with banks	4,269	38,920	43,189	36,076	97,475	133,551	95,195	138,383	233,578
Loans and advances to non-bank customers	3,896,934	697,306	4,594,240	3,982,769	1,034,656	5,017,425	4,374,092	1,318,720	5,692,812
Investment securities at amortised cost	995,717	76,675	1,072,392	726,173	78,552	804,725	694,625	24,987	719,612
Investment securities at FVTOCI	580,440	158,895	739,335	676,893	268,469	945,362	663,982	398,764	1,062,746
	5,481,210	977,026	6,458,236	5,437,423	1,498,242	6,935,665	5,861,427	1,972,833	7,834,260
Other interest and similar income									
Investment securities measured at FVTPL	15,906	1,197	17,103	29,871	25,519	55,390	63,383	3,407	66,790
Derivatives	108,315	77,419	185,734	124,382	111,777	236,159	46,266	32,688	78,954
	124,221	78,616	202,837	154,253	137,296	291,549	109,649	36,095	145,744
Total interest and similar income	5,605,431	1,055,642	6,661,073	5,591,676	1,635,538	7,227,214	5,971,076	2,008,928	7,980,004
Interest expense using the effective interest method									
Deposits from customers	(341,334)	(105,171)	(446,505)	(586,773)	(193,865)	(780,638)	(1,235,801)	(413,319)	(1,649,120)
Other borrowed funds	(58,265)	(30,186)	(88,451)	(162,535)	(103,523)	(266,058)	(145,784)	(208,523)	(354,307)
Lease finance charges	(11,569)	(1,575)	(13,144)	(13,761)	-	(13,761)	(15,064)	-	(15,064)
Other	-	(30)	(30)	-	(1,746)	(1,746)	-	(5,038)	(5,038)
	(411,168)	(136,962)	(548,130)	(763,069)	(299,134)	(1,062,203)	(1,396,649)	(626,880)	(2,023,529)
Other interest and similar expense									
Derivatives	(80,055)	(315,661)	(395,716)	(79,218)	(355,613)	(434,831)	(15,131)	(148,775)	(163,906)
	(80,055)	(315,661)	(395,716)	(79,218)	(355,613)	(434,831)	(15,131)	(148,775)	(163,906)
Total interest and similar expense	(491,223)	(452,623)	(943,846)	(842,287)	(654,747)	(1,497,034)	(1,411,780)	(775,655)	(2,187,435)
Net interest income	5,114,208	603,019	5,717,227	4,749,389	980,791	5,730,180	4,559,296	1,233,273	5,792,569

d. **Net fee and commission income**

	Segment A 31-Dec 2021 MUR' 000	Segment B 31-Dec 2021 MUR' 000	Bank 31-Dec 2021 MUR' 000	Segment A 31-Dec 2020 MUR' 000	Segment B 31-Dec 2020 MUR' 000	Bank 31-Dec 2020 MUR' 000	Segment A 31-Dec 2019 MUR' 000	Segment B 31-Dec 2019 MUR' 000	Bank 31-Dec 2019 MUR' 000
Fee and commission income									
Retail banking customer fees	298,130	12,211	310,341	246,956	27,664	274,620	236,119	27,986	264,105
Corporate banking customer fees	242,945	166,654	409,599	176,409	132,674	309,083	187,165	206,095	393,260
Card income	354,265	3,246	357,511	280,931	78,343	359,274	335,246	64,895	400,141
Other income	21,863	30,929	52,792	12,259	16,114	28,373	15,111	3,844	18,955
Total fee and commission income	917,203	213,040	1,130,243	716,555	254,795	971,350	773,641	302,820	1,076,461

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

	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
d. Net fee and commission income (cont'd)									
Fee and commission expense									
Interbank transaction fees	(4,712)	(27,734)	(32,446)	(3)	(21,919)	(21,922)	(401)	(16,399)	(16,800)
Other	(9,852)	(11,332)	(21,184)	(6,302)	(8,476)	(14,778)	468	(15,384)	(14,916)
Total fee and commission expense	(14,564)	(39,066)	(53,630)	(6,305)	(30,395)	(36,700)	67	(31,783)	(31,716)
Net fee and commission income	902,639	173,974	1,076,613	710,250	224,400	934,650	773,708	271,037	1,044,745
e. Net trading income									
Profit arising on dealings in foreign currencies	531,252	332,599	863,851	342,041	127,447	469,488	457,244	47,876	505,120
Fair value movements on debt securities measured at FVTPL	107,242	(26,285)	80,957	163,845	47,251	211,096	364,448	81,106	445,554
Other interest rate instruments	111,445	(83,897)	27,548	337,012	(190,045)	146,967	(46,804)	193,480	146,676
	749,939	222,417	972,356	842,898	(15,347)	827,551	774,888	322,462	1,097,350
f. Net gains/(losses) from financial assets at fair value through profit or loss									
Financial assets mandatorily measured at fair value through profit or loss	-	57,629	57,629	-	30,083	30,083	-	(23,141)	(23,141)
Financial assets designated at fair value through profit or loss	-	170,454	170,454	(326)	(58,975)	(59,301)	23,352	(92,500)	(69,148)
	-	228,083	228,083	(326)	(28,892)	(29,218)	23,352	(115,641)	(92,289)
g. Personnel expenses									
Wages and salaries	1,159,378	229,477	1,388,855	1,036,603	195,132	1,231,735	1,199,792	185,904	1,385,696
Other social security obligations	18,577	3,115	21,692	15,685	2,608	18,293	26,582	2,423	29,005
Contributions to defined contribution plans	117,556	25,729	143,285	98,704	20,314	119,018	129,128	8,487	137,615
Increase in liability for defined benefit plans	55,413	5,003	60,416	36,064	3,150	39,214	30,730	1,954	32,684
Residual retirement gratuities	20,112	4,418	24,530	(77,603)	(6,778)	(84,381)	29,077	1,848	30,925
Staff welfare cost	44,709	5,309	50,018	35,696	3,605	39,301	52,457	1,851	54,308
Other	51,516	7,912	59,428	34,683	4,354	39,037	24,954	2,651	27,605
	1,467,261	280,963	1,748,224	1,179,832	222,385	1,402,217	1,492,720	205,118	1,697,838

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

h. Other expenses	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	358,871	103,016	461,887	333,625	100,911	434,536	384,303	51,356	435,659
Utilities and telephone charges	46,537	5,853	52,390	46,384	4,989	51,373	61,236	5,504	66,740
Professional charges	162,701	25,032	187,733	103,020	25,166	128,186	126,806	15,364	142,170
Marketing costs	38,203	6,122	44,325	46,109	6,612	52,721	76,648	5	76,653
Rent, repairs, maintenance and security charges	175,856	11,572	187,428	119,527	5,631	125,158	125,943	5,408	131,351
Licence and other registration fees	23,832	2,401	26,233	21,928	2,155	24,083	23,224	1,285	24,509
Postage, courier and stationery costs	45,928	2,046	47,974	42,040	2,245	44,285	48,678	2,005	50,683
Insurance costs	45,453	7,918	53,371	35,042	7,952	42,994	39,637	3,369	43,006
Other	249,132	36,768	285,900	91,927	13,832	105,759	115,241	8,295	123,536
	1,146,513	200,728	1,347,241	839,602	169,493	1,009,095	1,001,716	92,591	1,094,307
I. Credit loss expense on financial assets & memorandum items									
Portfolio and specific provisions	1,106,859	1,319,542	2,426,401	1,094,881	2,725,982	3,820,863	142,022	3,545,085	3,687,107
Bad debts written off for which no provisions were made	-	-	-	-	-	-	-	-	-
Recoveries of advances written off	(2,965)	(8,128)	(11,093)	(2,495)	(47,603)	(50,098)	(39,463)	-	(39,463)
Other	(29,973)	(37,817)	(67,790)	88,980	3,327	92,307	(53,678)	12,700	(40,978)
	1,073,921	1,273,597	2,347,518	1,181,366	2,681,706	3,863,072	48,881	3,557,785	3,606,666
Of which:									
Credit exposure	1,103,894	1,311,413	2,415,307	1,092,386	2,678,379	3,770,765	102,559	3,545,085	3,647,644
Other financial assets	(29,973)	(37,816)	(67,789)	88,980	3,327	92,307	(53,678)	12,700	(40,978)
	1,073,921	1,273,597	2,347,518	1,181,366	2,681,706	3,863,072	48,881	3,557,785	3,606,666
j. Tax expense									
Income tax expense	270,323	(64,369)	205,954	236,879	42,267	279,146	546,804	12,378	559,182
Deferred tax (income) / charge	(102,923)	55,919	(47,004)	(90,667)	(135,745)	(226,412)	(92,043)	(176,465)	(268,508)
Corporate Social Responsibility contribution	72,749	-	72,749	68,986	-	68,986	39,410	-	39,410
Bank levy	216,512	-	216,512	171,368	-	171,368	171,368	-	171,368
	456,661	(8,450)	448,211	386,566	(93,478)	293,088	665,539	(164,087)	501,452

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

k. Cash and cash equivalents

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec
	2021	2021	2021	2020	2020	2020	2019	2019	2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash in hand									
Foreign currency notes and coins	1,961,952	-	1,961,952	2,016,619	-	2,016,619	2,078,284	-	2,078,284
	763,171	-	763,171	524,835	-	524,835	337,946	-	337,946
Unrestricted balances with central banks [1]	35,790,264	-	35,790,264	10,536,120	-	10,536,120	4,167,009	-	4,167,009
Loans and placements with banks [2]	-	-	-	-	-	-	1,035,373	-	1,035,373
Balances with banks	-	1,772,848	1,772,848	-	3,672,781	3,672,781	-	7,771,985	7,771,985
	38,515,387	1,772,848	40,288,235	13,077,574	3,672,781	16,750,355	7,618,612	7,771,985	15,390,597
Less: allowance for credit losses	(6,338)	(475)	(6,813)	(233)	(787)	(1,020)	(3,698)	-	(3,698)
	38,509,049	1,772,373	40,281,422	13,077,341	3,671,994	16,749,335	7,614,914	7,771,985	15,386,899

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

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

l. Loans to and placements with banks

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec
	2021	2021	2021	2020	2020	2020	2019	2019	2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans to and placements with banks									
- in Mauritius	-	-	-	353,508	-	353,508	2,482,044	-	2,482,044
- outside Mauritius	-	843,079	843,079	-	2,797,237	2,797,237	-	2,717,013	2,717,013
	-	843,079	843,079	353,508	2,797,237	3,150,745	2,482,044	2,717,013	5,199,057
Less: allowance for credit losses	-	(5,109)	(5,109)	(7)	(20,351)	(20,358)	(1,455)	(23,514)	(24,969)
	-	837,970	837,970	353,501	2,776,886	3,130,387	2,480,589	2,693,499	5,174,088
Remaining term to maturity									
Up to 3 months	-	-	-	47,293	-	47,293	522,761	-	522,761
Over 3 months and up to 6 months	-	-	-	306,215	951,179	1,257,394	1,266,377	1,237,890	2,504,267
Over 6 months and up to 12 months	-	-	-	-	1,008,868	1,008,868	339,444	780,158	1,119,602
Over 1 year and up to 2 years	-	653,378	653,378	-	-	-	353,462	698,965	1,052,427
Over 2 years and up to 5 years	-	189,701	189,701	-	837,190	837,190	-	-	-
	-	843,079	843,079	353,508	2,797,237	3,150,745	2,482,044	2,717,013	5,199,057

m. Derivative financial instruments

	Segment A 2021	Segment B 2021	Bank 2021	Segment A 2020	Segment B 2020	Bank 2020	Segment A 2019	Segment B 2019	Bank 2019
Derivative assets	320,197	259,749	579,946	364,754	410,031	774,785	388,365	500,936	889,301
Derivative liabilities	207,232	358,423	565,655	136,489	1,028,782	1,165,271	245,256	755,716	1,000,972

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

n. Loans and advances to non-bank customers

	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Governments	9,713	-	9,713	7,705	-	7,705	8,515	-	8,515
Retail customers	43,120,555	2,369,729	45,490,284	39,221,070	2,084,110	41,305,180	37,167,761	2,196,182	39,363,943
Credit cards	487,962	4,502	492,464	509,230	884	510,114	583,122	83	583,205
Mortgages	29,920,268	712,691	30,632,959	26,917,282	638,473	27,555,755	25,118,126	369,873	25,487,999
Other retail loans	12,712,325	1,652,536	14,364,861	11,794,558	1,444,753	13,239,311	11,466,513	1,826,226	13,292,739
Corporate customers	43,587,558	5,637,793	49,225,351	42,430,454	6,481,782	48,912,236	40,867,940	6,682,621	47,550,561
Entities outside Mauritius	-	14,644,923	14,644,923	-	20,250,460	20,250,460	-	19,869,057	19,869,057
	86,717,826	22,652,445	109,370,271	81,659,229	28,816,352	110,475,581	78,044,216	28,747,860	106,792,076
Less allowance for credit impairment	(4,026,452)	(7,427,619)	(11,454,071)	(3,299,299)	(8,137,755)	(11,437,054)	(2,336,326)	(5,430,346)	(7,766,672)
	82,691,374	15,224,826	97,916,200	78,359,930	20,678,597	99,038,527	75,707,890	23,317,514	99,025,404
Remaining term to maturity:									
Up to 3 months	7,675,816	1,546,025	9,221,841	7,928,480	571,672	8,500,152	8,908,847	508,235	9,417,082
Over 3 months and up to 6 months	2,204,573	433,846	2,638,419	1,804,778	1,702,482	3,507,260	2,118,685	818,992	2,937,677
Over 6 months and up to 12 months	4,054,115	1,796,687	5,850,802	4,315,685	1,160,001	5,475,686	4,459,728	1,626,252	6,085,980
Over 1 year and up to 2 years	4,584,716	21,093	4,605,809	5,573,870	4,320,977	9,894,847	3,471,676	3,418,877	6,890,553
Over 2 year and up to 5 years	14,764,890	6,183,565	20,948,455	13,004,823	5,558,740	18,563,563	12,541,449	6,863,430	19,404,879
Over 5 years	53,433,716	12,671,229	66,104,945	49,031,593	15,502,480	64,534,073	46,543,831	15,512,074	62,055,905
	86,717,826	22,652,445	109,370,271	81,659,229	28,816,352	110,475,581	78,044,216	28,747,860	106,792,076

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

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

Credit loss allowances on loans and advances by industry sectors

	31-Dec-2021					31-Dec-20	31-Dec-19
Segment A	Gross amount of loans	Impaired loans	Stage 3 allowance for credit loss	Stage 1 & 2 allowance for credit loss	Total allowances for credit loss	Total allowances for credit loss	Total allowances for credit loss
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and Fishing	1,615,327	9,394	5,842	23,031	28,873	23,437	8,570
Manufacturing	4,043,073	177,027	173,382	43,354	216,736	221,840	182,253
of which EPZ	*1,421,007*	*21,156*	*21,156*	*2,867*	*24,023*	*7,998*	*22,601*
Tourism	13,212,652	39,890	8,112	722,564	730,676	339,706	124,487
Transport	349,681	34,224	25,492	13,574	39,066	26,643	18,007
Construction	12,207,744	565,806	491,742	347,905	839,647	737,700	288,289
Financial and business services	3,908,900	46,546	46,538	38,885	85,423	32,975	48,780
Traders	4,905,525	484,246	434,126	90,544	524,670	402,275	348,685
Personal	41,438,486	1,069,083	846,414	438,608	1,285,022	1,102,148	1,053,931
of which credit cards	*487,962*	*39,793*	*41,960*	*4,770*	*46,730*	*51,975*	*48,219*
Professional	130,815	82,760	82,760	4,144	86,904	87,347	75,451
Others	4,905,623	115,181	103,770	85,666	189,436	325,228	187,873
	86,717,826	2,624,157	2,218,178	1,808,274	4,026,452	3,299,299	2,336,326
Segment B							
Agriculture and Fishing	911,165	911,165	484,174	-	484,174	342,970	107,364
Manufacturing	-	-	-	-	-	18,784	12,732
of which EPZ	-	-	-	-	-	*18,784*	*12,732*
Tourism	500,812	-	-	37,113	37,113	15,708	12,991
Transport	1,696,485	-	-	7,034	7,034	12,139	132,829
Construction	320,690	60,580	28,296	44,495	72,791	120,895	15,727
Financial and business services	1,987,465	-	-	40,069	40,069	669,389	467,953
Traders	5,895,928	5,893,471	5,240,385	13	5,240,398	4,219,738	3,373,069
Personal	2,350,456	21,337	5,696	75,907	81,602	100,613	44,713
of which credit cards	*4,502*	*424*	*425*	*30*	*455*	*487*	*36*
Professional	-	-	-	-	-	-	142
Global Business Licence holders	5,637,793	1,372,644	1,371,147	40,901	1,412,048	1,110,704	646,597
Others	3,351,651	-	-	52,389	52,389	1,526,815	616,229
Total	22,652,445	8,259,197	7,129,698	297,921	7,427,619	8,137,755	5,430,346

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

o. **Investment securities**

Remaining term to maturity

Segment A	31-Dec-2021 Up to 3 months MUR' 000	3-6 months MUR' 000	6-9 months MUR' 000	9-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	No specific maturity MUR' 000	Total MUR' 000	31-Dec-20 MUR' 000	31-Dec-19 MUR' 000
(a) Investment securities mandatorily measured at FVTPL											
Government bonds and treasury notes	-	-	-	516	106	821,169	167,962	-	989,753	706	2,350,694
Treasury bills	-	100	-	141,880	-	-	-	-	141,980	1,023,967	1,782,947
Bank of Mauritius bills / Bonds	509,376	153,920	-	-	504	-	-	-	663,800	4,340,511	4,252,324
Corporate bonds	-	-	-	-	-	-	-	-	-	-	-
	509,376	154,020	-	142,396	610	821,169	167,962	-	1,795,533	5,365,184	8,385,965
(b) Investment securities measured at FVTOCI											
Government bonds	-	-	-	69,931	847,193	5,510,415	2,183,788	-	8,611,327	7,692,656	11,406,019
Treasury bills / notes	-	-	-	9,936	-	-	-	-	9,936	637,816	412,240
Bank of Mauritius bills / Bonds	999,416	257,162	-	-	-	-	-	-	1,256,578	4,369,223	5,671,581
Corporate bonds	-	401,680	601,460	25,267	557,149	3,080,210	2,898,700	-	7,564,466	5,430,647	4,597,934
	999,416	658,842	601,460	105,134	1,404,342	8,590,625	5,082,488	-	17,442,307	18,130,342	22,087,774
(c) Investment securities at amortised cost											
Government bonds	1,499,553	3,934,954	747,934	422,709	1,301,856	11,484,023	15,951,603	-	35,342,632	18,475,681	17,245,042
Treasury bills / notes	-	-	-	-	-	-	-	-	-	2,196,428	-
Bank of Mauritius bills / Bonds	-	557	172,780	-	3,231,062	5,471,076	4,979,621	-	13,855,096	11,353,331	1,364,246
Corporate bonds	-	-	-	-	-	-	100,346	-	100,346	-	-
Corporate paper and preference shares	-	-	-	-	-	-	-	-	-	-	-
	1,499,553	3,935,511	920,714	422,709	4,532,918	16,955,099	21,031,570	-	49,298,074	32,025,440	18,609,288
Total Segment A	3,008,345	4,748,373	1,522,174	670,239	5,937,870	26,366,893	26,282,020	-	68,535,914	55,520,966	49,083,027
Less: allowance for credit losses									(282)	(642)	(23,088)
									68,535,632	55,520,324	49,059,939

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

o. Investment securities (Cont'd)

Segment B	--------	--------	--------	--------	31-Dec-2021	--------	--------	--------			
	Up to 3 months MUR' 000	3-6 months MUR' 000	6-9 months MUR' 000	9-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	No specific maturity MUR' 000	Total MUR' 000	31-Dec-20 MUR' 000	31-Dec-19 MUR' 000
(a) Investment securities mandatorily measured at FVTPL											
Government bonds	-	-	-	1,868,798	-	-	-	-	1,868,798	-	-
Treasury bills / notes	-	827,291	-	1,564,746	-	-	-	-	2,392,037	2,628,290	2,236,923
Bank Bonds	-	-	-	-	85,250	-	-	-	85,250	-	493,666
Mutual Funds	-	-	-	-	-	-	-	2,046,812	2,046,812	1,356,130	709,202
	-	827,291	-	3,433,544	85,250	-	-	2,046,812	6,392,897	3,984,420	3,439,791
(b) Investment securities measured at FVTOCI											
Government bonds	2,764,049	653,527	-	1,857,586	2,089,544	131,998	-	-	7,496,704	5,733,830	-
Treasury bills / notes	4,355,356	8,271,746	-	3,042,277	-	-	-	-	15,669,379	10,140,597	9,245,509
Bank bonds	1,135,094	157,488	4,116,867	536,971	6,538,129	3,837,908	-	-	16,322,457	14,919,068	10,958,425
Corporate Bonds	-	117,073	-	17,800	1,181,740	1,314,348	-	-	2,630,961	1,251,409	-
	8,254,499	9,199,834	4,116,867	5,454,634	9,809,413	5,284,254	-	-	42,119,501	32,049,312	20,207,345
(c) Investment securities measured at FVTOCI											
Equity shares of companies:											
- Other equity investments	-	-	-	-	-	-	-	6,869	6,869	4,408	3,411
	-	-	-	-	-	-	-	6,869	6,869	4,408	3,411
(d) Investment securities at amortised cost											
Government bonds	-	-	-	-	354,050	950,765	316,508	-	1,621,323	1,329,928	-
Bank Bonds	114,167	-	-	-	-	551,616	84,932	-	750,715	491,940	753,104
Corporate bonds	-	-	-	-	-	-	-	-	-	-	-
	114,167	-	-	-	354,050	1,502,381	401,440	-	2,372,038	1,821,868	753,104
Total Segment B	8,368,666	10,027,125	4,116,867	8,888,178	10,248,713	6,786,635	401,440	2,046,811	50,891,305	37,855,600	24,400,240
Less: allowance for credit losses									(27,601)	(37,878)	(49)
									50,863,704	37,817,722	24,400,191
Total investment securities	11,377,011	14,775,498	5,639,041	9,558,417	16,186,583	33,153,528	26,683,460	2,046,811	119,427,219	93,376,566	73,483,267

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

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

	Freehold land and buildings	Leasehold buildings	Other tangible fixed assets	Motor vehicles	Right-of-use assets	Progress payments	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net book value at 31 December 2021							
Segment A	765,340	1,134,784	356,520	1,560	185,258	495,184	2,938,646
Segment B	14,206	183,552	37,057	372	26,779	30,612	292,578
Bank	779,546	1,318,336	393,577	1,932	212,037	525,796	3,231,224
Net book value at 31 December 2020							
Segment A	716,072	1,245,299	350,238	2,494	230,030	22,845	2,566,978
Segment B	75,189	130,758	36,775	262	25,573	2,399	270,956
Bank	791,261	1,376,057	387,013	2,756	255,603	25,244	2,837,934
Net book value at 31 December 2019							
Segment A	760,784	1,342,248	301,470	3,397	228,598	55,754	2,692,251
Segment B	41,971	74,049	16,632	187	18,570	3,076	154,485
Bank	802,755	1,416,297	318,102	3,584	247,168	58,830	2,846,736

q. **Intangible assets**

SOFTWARE

	31-Dec 2021	31-Dec 2020	31-Dec 2019
	MUR' 000	MUR' 000	MUR' 000
Net Book Value			
Segment A	1,358,690	1,670,016	2,300,310
Segment B	457,819	475,264	225,846
Total	1,816,509	2,145,280	2,526,156

r. Other assets

	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accounts receivable	510,333	20,551	530,884	529,237	(3,349)	525,888	522,122	98,259	620,381
Balances due in clearing	3,033	-	3,033	4,422	-	4,422	4,196	-	4,196
Prepayments	156,694	-	156,694	102,962	-	102,962	88,252	-	88,252
Others	39,104	58,232	97,336	38,029	35,588	73,617	36,335	42,695	79,030
	709,164	78,783	787,947	674,650	32,239	706,889	650,905	140,954	791,859

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

s. Deposits from banks	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Demand deposits	842,042	639,812	1,481,853	461,051	658,610	1,119,661	458,267	471,090	929,357
t. Deposits from non-bank customers									
(i) Retail customers									
Current accounts	22,245,969	3,759,692	26,005,661	18,951,457	3,500,447	22,451,904	15,659,983	2,854,371	18,514,354
Savings accounts	66,274,062	1,651,940	67,926,002	58,982,201	1,376,273	60,358,474	52,996,620	1,380,031	54,376,651
Time deposits with remaining term to maturity:									
Up to 3 months	1,250,285	576,534	1,826,819	1,090,392	690,478	1,780,870	1,309,302	595,478	1,904,780
Over 3 months and up to 6 months	656,225	621,968	1,278,193	631,984	658,786	1,290,770	790,700	491,166	1,281,866
Over 6 months and up to 12 months	1,036,818	428,437	1,465,255	1,247,604	443,174	1,690,778	1,301,660	568,478	1,870,138
Over 1 year and up to 5 years	1,986,349	513,793	2,500,142	1,920,584	458,962	2,379,546	1,966,799	376,926	2,343,725
Over 5 years	10,118	60	10,178	11,045	61	11,106	8,454	2,288,168	2,296,622
Total time deposits	4,939,795	2,140,792	7,080,587	4,901,609	2,251,461	7,153,070	5,376,915	4,320,216	9,697,131
	93,459,826	7,552,424	101,012,250	82,835,267	7,128,181	89,963,448	74,033,518	8,554,618	82,588,136
(ii) Corporate customers									
Current accounts	24,022,719	80,770,392	104,793,111	16,623,943	51,728,306	68,352,249	17,931,187	36,179,423	54,110,610
Savings accounts	3,463,515	-	3,463,515	4,041,778	-	4,041,778	3,373,764	-	3,373,764
Time deposits with remaining term to maturity:									
Up to 3 months	2,702,219	6,199,853	8,902,072	4,154,154	5,080,530	9,234,684	1,496,062	7,853,080	9,349,142
Over 3 months and up to 6 months	768,060	1,626,248	2,394,308	881,759	722,728	1,604,487	927,297	2,715,397	3,642,694
Over 6 months and up to 12 months	637,235	583,848	1,221,083	1,396,204	890,858	2,287,062	453,392	1,677,232	2,130,624
Over 1 year and up to 5 years	353,704	1,127,614	1,481,318	93,154	167,403	260,557	233,830	-	233,830
Total time deposits	4,461,218	9,537,563	13,998,781	6,525,271	6,861,519	13,386,790	3,110,581	12,245,709	15,356,290
	31,947,452	90,307,955	122,255,407	27,190,992	58,589,825	85,780,817	24,415,532	48,425,132	72,840,664
(iii) Government									
Current accounts	10,252,546	-	10,252,546	7,742,294	-	7,742,294	7,994,530	-	7,994,530
Savings accounts	4,299,087	-	4,299,087	3,386,221	-	3,386,221	2,909,782	-	2,909,782
Time deposits with remaining term to maturity:									
Up to 3 months	126,022	-	126,022	501	-	501	6,918,162	-	6,918,162
Over 3 months and up to 6 months	1,600	-	1,600	126,702	-	126,702	1,600	-	1,600
Over 6 months and up to 12 months	3,304,794	-	3,304,794	3,004,187	-	3,004,187	5,828	-	5,828
Over 1 year and up to 5 years	277,000	-	277,000	100	-	100	-	-	-
Over 5 years	122	-	122						
Total time deposits	3,709,538	-	3,709,538	3,131,490	-	3,131,490	6,925,590	-	6,925,590
	18,261,171	-	18,261,171	14,260,005	-	14,260,005	17,829,902	-	17,829,902
	143,668,449	97,860,379	241,528,828	124,286,264	65,718,006	190,004,270	116,278,952	56,979,750	173,258,702

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

u. Other borrowed funds

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2021	31-Dec 2021	31-Dec 2021	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Borrowings from central bank - for refinancing	-	-	-	1,977,685	-	1,977,685	-	-	-
Borrowings from other financial institutions for refinancing	-	916,692	916,692	-	3,139,542	3,139,542	-	2,718,585	2,718,585
Borrowings from banks									
in Mauritius	4,358,708	-	4,358,708	3,956,990	-	3,956,990	2,550,602	-	2,550,602
abroad	-	-	-	-	2,011,734	2,011,734	-	4,871,028	4,871,028
	4,358,708	916,692	5,275,400	5,934,675	5,151,276	11,085,951	2,550,602	7,589,613	10,140,215

v. Other liabilities

	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019
Balance due in clearing	6,162	3,068,370	3,074,532	1,371	2,197,302	2,198,673	86,500	2,864,806	2,951,306
Bills payable	273,795	-	273,795	190,709	-	190,709	227,170	114,932	342,102
Accruals for expenses	701,293	-	701,293	360,576	-	360,576	353,473	54,669	408,142
Accounts payable	578,138	277,949	856,087	566,389	9,670	576,059	395,263	3,725	398,988
Deferred income	-	35,118	35,118	-	50,734	50,734	-	49,134	49,134
Balances in transit	971,002	-	971,002	862,898	-	862,898	899,889	-	899,889
Others	41,924	-	41,924	781	13,248	14,029	38,249	(10,400)	27,849
ECL on memorandum items	283,481	12,678	296,159	323,516	14,466	337,982	58,563	54,103	112,666
	2,855,795	3,394,115	6,249,910	2,306,239	2,285,420	4,591,660	2,059,107	3,130,969	5,190,076

w. Memorandum items

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

	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019
Acceptances on account of customers	271,263	19,843	291,106	234,453	-	234,453	216,158	455,666	671,824
Guarantees on account of customers	8,595,736	847,641	9,443,377	7,674,898	799,088	8,473,986	6,654,784	464,121	7,118,905
Letters of credit and other obligations on account of customers	1,076,673	67,574	1,144,247	453,153	4,654	457,807	325,073	37,909	362,982
	9,943,672	935,058	10,878,730	8,362,505	803,742	9,166,247	7,196,014	957,696	8,153,711

b Commitments

	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019
Undrawn credit facilities	11,137,465	337,349	11,474,814	10,395,104	456,095	10,851,199	8,673,358	3,002,017	11,675,375
	11,137,465	337,349	11,474,814	10,395,104	456,095	10,851,199	8,673,358	3,002,017	11,675,375