SBM HOLDINGS LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

SBM HOLDINGS LTD

CONTENTS

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

On behalf of the Board.

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Abdul Sattar Adam Ali Mamode HAJEE ABDOULA	**Dr. Subhas THECKA**
Chairman	**Chairman, Audit Committee**

30 March 2022

Company secretary's certificate

For the financial year ended 31 December 2021

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

Mrs D Ramjug Chumun
Company Secretary

Date: 30 March 2022

Deloitte.

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

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **SBM Holdings Ltd** (the "Company" and the "Public Interest Entity") and its subsidiaries (the "Group") set out on pages 7 to 132, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters described below relate to the consolidated financial statements and no key audit matter was identified on the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Credit impaired financial 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 12,324 million and the charge to profit or loss for the year amount to MUR 2,518 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; • 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.

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

Key audit matters (Cont'd)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Provision for expected credit losses – Financial assets which are not credit impaired</td></tr>
<tr><td>IFRS 9 requires the Group to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the application of IFRS 9 are:

• Model estimations - the Group has used statistical models 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.
• Economic scenarios - the Group has used a range of future economic conditions in light of the global pandemic of COVID-19. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment.
• Qualitative adjustments - Adjustments to the model-driven ECL results are accounted by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.

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 38 to the financial statements.</td><td>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;
• 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.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information, which we obtained prior to the date of this auditor's report, comprises the Statement of Directors' responsibility, Report from the Company Secretary, Financial Review and the Corporate Governance Report, but, does not include the consolidated and separate financial statements and our auditor's report thereon. The other information which is expected to be made available to us after that date comprises the following: Key Highlights, Message from the Chairman, About this Report, Corporate Profile, Leadership Insights, Delivering on our Strategy and Risk Management Report.

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

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

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

Other information (Cont'd)

Corporate Governance Report

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

Responsibilities of directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

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

Use of this report

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

Deloitte

Deloitte

Chartered Accountants

30 March 2022

LLK Ah Hee, FCCA

Licensed by FRC

		The Group			The Company		
	Notes	**31 December 2021**	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
ASSETS							
Cash and cash equivalents	5	**47,636,821**	21,577,245	18,181,126	**90,055**	304,473	178,632
Mandatory balances with central banks		**13,645,545**	11,290,363	10,680,287	**-**	-	-
Loans to and placements with banks	6	**837,970**	3,130,387	6,942,745	**-**	-	-
Derivative financial instruments	7	**784,250**	809,211	936,093	**-**	-	-
Loans and advances to non-bank customers	8	**130,393,807**	119,857,873	109,198,564	**-**	-	-
Investment securities	9(a)	**153,426,747**	121,053,397	100,290,935	**6,559,193**	7,005,132	5,898,161
Investment in subsidiaries	9(b)	**-**	-	-	**29,800,721**	29,523,743	29,899,918
Investment in associate	9(c)	**-**	-	1,479,048	**-**	-	1,272,977
Property and equipment	10(a)	**3,585,755**	3,196,095	3,328,308	**1,110**	2,194	3,865
Right of use assets	10(b)	**728,417**	804,780	759,905	**-**	-	-
Intangible assets	11	**1,963,123**	2,296,694	2,729,474	**609**	883	1,157
Deferred tax assets	17 (d)	**1,087,074**	806,110	355,992	**-**	-	-
Other assets	12	**3,578,472**	3,218,451	3,235,998	**150,966**	49,719	231,515
Total assets		**357,667,981**	288,040,606	258,118,475	**36,602,654**	36,886,144	37,486,225
LIABILITIES							
Deposits from banks	14	**2,770,002**	1,403,315	907,521	**-**	-	-
Deposits from non-bank customers	15	**298,580,858**	226,862,221	199,397,188	**-**	-	-
Other borrowed funds	16	**9,512,912**	15,017,177	13,373,033	**-**	-	-
Derivative financial instruments	7	**759,896**	1,279,984	1,126,364	**-**	41,524	47,645
Lease liabilities	10(b)	**740,902**	804,407	795,345	**-**	-	-
Current tax liabilities	17 (a)	**314,671**	260,225	712,071	**4,140**	-	-
Pension liability	13	**410,183**	743,807	338,875	**5,143**	6,914	2,459
Other liabilities	18	**8,322,917**	6,330,356	7,179,977	**163,001**	211,206	112,588
Subordinated debts	19	**9,877,346**	10,142,786	9,739,981	**9,877,346**	10,142,786	9,739,981
Total liabilities		**331,289,687**	262,844,278	233,570,355	**10,049,630**	10,402,430	9,902,673
SHAREHOLDERS' EQUITY							
Stated capital	20	**32,500,204**	32,500,204	32,500,204	**32,500,204**	32,500,204	32,500,204
Retained earnings		**2,807,788**	893,576	1,114,355	**(26,698)**	271,474	780,197
Other reserves		**(4,054,667)**	(3,322,421)	(4,191,408)	**(1,045,451)**	(1,412,933)	(821,818)
		31,253,325	30,071,359	29,423,151	**31,428,055**	31,358,745	32,458,583
Treasury shares	20	**(4,875,031)**	(4,875,031)	(4,875,031)	**(4,875,031)**	(4,875,031)	(4,875,031)
Total equity attributable to equity holders of the parent		**26,378,294**	25,196,328	24,548,120	**26,553,024**	26,483,714	27,583,552
Total equity and liabilities		**357,667,981**	288,040,606	258,118,475	**36,602,654**	36,886,144	37,486,225

Approved by the Board of Directors and authorised for issue on 30 March 2022

Abdul Sattar Adam Ali Mamode HAJEE ABDOULA
Chairman

Dr. Subhas THECKA
Chairman, Audit Committee

The notes on page 13 to 132 form an integral part of these financial statements.

		The Group			The Company		
	Notes	**31 December 2021**	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Continuing Operations							
Interest income using the effective interest method		**11,722,105**	11,054,390	10,813,591	**70,976**	52,286	77,863
Other interest income		**135,483**	202,013	147,557	**-**	-	-
Interest expense using the effective interest method		**(3,921,301)**	(3,625,431)	(4,155,476)	**(445,205)**	(444,508)	(476,589)
Other interest expense		**(395,716)**	(434,831)	(163,906)	**(30,575)**	(50,728)	(9,784)
Net interest income/(expense)	25	**7,540,571**	7,196,141	6,641,766	**(404,804)**	(442,950)	(408,510)
Fee and commission income		**1,763,384**	1,451,371	1,476,544	**-**	-	-
Fee and commission expense		**(79,610)**	(57,312)	(43,508)	**-**	(13)	(150)
Net fee and commission income/(expense)	26	**1,683,774**	1,394,059	1,433,036	**-**	(13)	(150)
Other income							
Net trading income	27	**1,491,013**	1,051,394	1,237,411	**-**	-	-
Net gain/(losses) from financial assets at fair value through profit or loss	28 (a)	**207,999**	(45,669)	(153,946)	**124,103**	376,448	(8,422)
Net gains on derecognition of financial assets measured at amortised cost	28 (b)	**5,890**	180,325	27,110	**5,890**	2,372	6,396
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	28 (c)	**720,847**	1,245,740	231,379	**-**	-	371
Other operating income	29	**145,056**	199,571	225,145	**628,274**	274,467	1,570,456
Non-interest income		**4,254,579**	4,025,420	3,000,135	**758,267**	653,274	1,568,651
Total operating income		**11,795,150**	11,221,561	9,641,901	**353,463**	210,324	1,160,141
Personnel expenses	30	**(3,389,361)**	(2,842,316)	(2,837,621)	**(107,496)**	(56,026)	(80,140)
Depreciation of property and equipment	10(a)	**(288,042)**	(290,350)	(268,967)	**(969)**	(1,671)	(2,142)
Depreciation of right of use assets	10(b)	**(212,381)**	(183,480)	(204,214)	**-**	-	-
Amortisation of intangible assets	11	**(488,986)**	(575,386)	(616,923)	**(274)**	(274)	(208)
Other expenses	31	**(2,763,180)**	(2,259,397)	(2,184,754)	**(413,866)**	(529,904)	(341,201)
Impairment of investment in subsidiary	9(b)	**-**	-	-	**(130,000)**	(124,000)	-
Non-interest expense		**(7,141,950)**	(6,150,929)	(6,112,479)	**(652,605)**	(711,875)	(423,691)
Profit/(loss) before credit loss expense		**4,653,200**	5,070,632	3,529,422	**(299,142)**	(501,551)	736,450
Credit loss (expense) /credit on financial assets and memorandum items	32	**(2,474,893)**	(3,757,402)	(2,916,209)	**764**	(217)	1,085
Operating profit/(loss)		**2,178,307**	1,313,230	613,213	**(298,378)**	(501,768)	737,535
Share of profit of associate	9(c)	**-**	-	139,237	**-**	-	-
Profit/(loss) before income tax		**2,178,307**	1,313,230	752,450	**(298,378)**	(501,768)	737,535
Tax (expense) / income	17 (b)	**(441,319)**	(300,126)	(717,129)	**(4,140)**	336	(357)
Profit/(loss) for the year from continuing operations		**1,736,988**	1,013,104	35,321	**(302,518)**	(501,432)	737,178
Discontinued operations							
Profit / (loss) for the year from discontinued operations	40	**1,881**	7,906	(17,965)	**-**	-	-
Profit/(loss) for the year attributable to equity holders of the parent		**1,738,869**	1,021,010	17,356	**(302,518)**	(501,432)	737,178
Earnings per share:							
From continuing operations							
Basic (Cents)	33	**67.3**	39.2	1.4			
Diluted (Cents)	33	**67.3**	39.2	1.4			
From continuing and discontinued operations							
Basic (Cents)	33	**67.4**	39.5	0.7			
Diluted (Cents)	33	**67.4**	39.5	0.7			

The notes on page 13 to 132 form an integral part of these financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		The Group			The Company		
	Notes	**31 December 2021**	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit/(loss) for the year		**1,738,869**	1,021,010	17,356	**(302,518)**	(501,432)	737,178
Other comprehensive income :							
Items that will not be reclassified subsequently to profit or loss:							
Increase in revaluation of property	10(a)	**-**	754	255,148	**-**	-	-
Deferred tax on revaluation of property	17 (d)	**-**	-	(9,950)	**-**	-	-
Impact of change in deferred tax rate on revaluation of property		**-**	-	118,392	**-**	-	-
Remeasurement of defined benefit pension plan	13	**377,899**	(747,337)	(203,865)	**4,346**	(7,291)	-
Deferred tax on remeasurement of defined benefit pension plan	17 (d)	**(25,667)**	51,409	14,271	**-**	-	-
Impact of change in deferred tax rate on defined benefit pension plan		**-**	-	(7,923)	**-**	-	-
Share of associate-remeasurement of defined benefit pension plan	9(c)	**-**	-	(31,105)	**-**	-	-
Share of other comprehensive income of associate	9(c)	**-**	-	76,112	**-**	-	-
Net (loss)/gain on equity instruments designated at FVTOCI		**367,885**	(591,373)	45,277	**367,482**	(591,373)	-
		720,117	(1,286,547)	256,357	**371,828**	(598,664)	-
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of foreign operations	37	**518,515**	88,906	327,378	**-**	-	-
Exchange differences resulting from share of associate		**-**	-	25,496	**-**	-	-
Recycling of reserves on derecognition of investment in associate		**-**	24,166	-	**-**	-	-
Reclassification of translation reserve to profit or loss on deconsolidation of subsidiary		**(44,423)**	-	-	**-**	-	-
Investment securities measured at FVTOCI (Debt instrument)							
Movement in fair value during the year		**(1,036,779)**	2,045,939	418,362	**-**	258	-
Relassification of (losses)/gains included in profit or loss on derecognition		**(720,847)**	(1,245,740)	231,379	**-**	-	(9,145)
Movement in credit loss expense relating to debt instruments held at FVTOCI		**6,514**	474	(6,356)	**-**	-	-
		(1,277,020)	913,745	996,259	**-**	258	(9,145)
Total other comprehensive (loss) / income attributable to equity holders of the parent		**(556,903)**	(372,802)	1,252,616	**371,828**	(598,406)	(9,145)
Total comprehensive income / (loss) for the year attributable to equity holders of the parent		**1,181,966**	648,208	1,269,972	**69,310**	(1,099,838)	728,033

The notes on page 13 to 132 form an integral part of these financial statements.

The Group	Note	Stated capital MUR' 000	Treasury shares MUR' 000	Statutory reserve MUR' 000	Retained earnings MUR' 000	Net property revaluation reserve MUR' 000	Other reserves* MUR' 000	Total equity MUR' 000
At 01 January 2019		32,500,204	(4,875,031)	597,074	2,275,054	63,146	(6,378,667)	24,181,780
Profit for the year		-	-	-	17,356	-	-	17,356
Other comprehensive (loss)/income for the year		-	-	-	(228,622)	363,590	1,117,648	1,252,616
Total comprehensive income for the year		-	-	-	(211,266)	363,590	1,117,648	1,269,972
Transfer from retained earnings to statutory reserve		-	-	90,000	(90,000)	-	-	-
Revaluation surplus realised on depreciation		-	-	-	43,121	(43,121)	-	-
Transfer to retained earnings		-	-	-	1,078	-	(1,078)	-
Dividend	21	-	-	-	(903,632)	-	-	(903,632)
At 31 December 2019		32,500,204	(4,875,031)	687,074	1,114,355	383,615	(5,262,097)	24,548,120
At 01 January 2020		32,500,204	(4,875,031)	687,074	1,114,355	383,615	(5,262,097)	24,548,120
Profit for the year		-	-	-	1,021,010	-	-	1,021,010
Other comprehensive (loss)/income for the year		-	-	-	(695,928)	754	322,372	(372,802)
Total comprehensive income for the year		-	-	-	325,082	754	322,372	648,208
Reclassification of reserves		-	-	6,709	(10,125)	2,285	1,131	-
Revaluation surplus realised on depreciation		-	-	-	53,505	(53,505)	-	-
Transfer from retained earnings to general reserve		-	-	-	(589,241)	-	589,241	-
At 31 December 2020		32,500,204	(4,875,031)	693,783	893,576	333,149	(4,349,353)	25,196,328
At 01 January 2021		**32,500,204**	**(4,875,031)**	**693,783**	**893,576**	**333,149**	**(4,349,353)**	**25,196,328**
Profit for the year		**-**	**-**	**-**	**1,738,869**	**-**	**-**	**1,738,869**
Other comprehensive income/(loss) for the year		**-**	**-**	**-**	**352,232**	**-**	**(909,135)**	**(556,903)**
Total comprehensive income for the year		**-**	**-**	**-**	**2,091,101**	**-**	**(909,135)**	**1,181,966**
Reclassification between reserves		**-**	**-**	**-**	**38**	**(303)**	**120,584**	**-**
Transfer from retained earnings to statutory reserve		**-**	**-**	**108,303**	**(108,303)**	**-**	**-**	**-**
Revaluation surplus realised on depreciation		**-**	**-**	**-**	**51,960**	**(51,960)**	**-**	**-**
Transfer from retained earnings to general reserve		**-**	**-**	**-**	**(120,584)**	**-**	**120,584**	**-**
At 31 December 2021		**32,500,204**	**(4,875,031)**	**802,086**	**2,807,788**	**280,886**	**(5,017,320)**	**26,378,294**

*Other reserves comprise of net unrealised investment fair value reserve, net translation reserve, general reserve, net other reserve, earnings reserve and restructure reserve (Note 37).

The notes on page 13 to 132 form an integral part of these financial statements.

The Company	Note	Stated capital	Treasury shares	Retained earnings	Net unrealised investment fair value reserve	Total equity
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 1 January 2019		32,500,204	(4,875,031)	946,651	(812,673)	27,759,151
Profit for the year		-	-	737,178	-	737,178
Other comprehensive loss for the year		-	-	-	(9,145)	(9,145)
Total comprehensive income/(loss) for the year		-	-	737,178	(9,145)	728,033
Dividend	21	-	-	(903,632)	-	(903,632)
At 31 December 2019		32,500,204	(4,875,031)	780,197	(821,818)	27,583,552
At 1 January 2020		32,500,204	(4,875,031)	780,197	(821,818)	27,583,552
Loss for the year		-	-	(501,432)	-	(501,432)
Other comprehensive loss for the year		-	-	(7,291)	(591,115)	(598,406)
Total comprehensive loss for the year		-	-	(508,723)	(591,115)	(1,099,838)
At 31 December 2020		32,500,204	(4,875,031)	271,474	(1,412,933)	26,483,714
At 1 January 2021		**32,500,204**	**(4,875,031)**	**271,474**	**(1,412,933)**	**26,483,714**
Loss for the year		**-**	**-**	**(302,518)**	**-**	**(302,518)**
Other comprehensive income for the year		**-**	**-**	**4,346**	**367,482**	**371,828**
Total comprehensive (loss)/income for the year		**-**	**-**	**(298,172)**	**367,482**	**69,310**
At 31 December 2021		**32,500,204**	**(4,875,031)**	**(26,698)**	**(1,045,451)**	**26,553,024**

The notes on page 13 to 132 form an integral part of these financial statements.

		The Group			The Company		
	Notes	**31 December 2021**	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Net cash from/(used in) operating activities	34	**33,070,280**	2,197,241	2,405,916	**493,877**	(400,801)	895,232
Investing activities							
Acquisition of property and equipment	10(a)	**(646,499)**	(224,068)	(196,296)	**(968)**	-	(227)
Acquisition of intangible assets	11	**(154,908)**	(153,549)	(125,695)	**-**	-	(1,321)
Disposal of property and equipment		**-**	60,897	6,808	**1,082**	-	-
Investment in subsidiaries		**-**	-	-	**(406,977)**	(97,825)	(1,414,766)
Capital contribution repayment from subsidiaries	9(b)	**-**	-	-	**0**	350,000	-
Other dividend received	29	**139,699**	135,175	199,833	**274,467**	274,467	1,570,456
Net cash (used in)/generated from investing activities		**(661,708)**	(181,545)	(115,350)	**(132,396)**	526,642	154,142
Financing activities							
(Decrease)/increase in other borrowed funds		**(5,504,265)**	1,644,145	1,408,445	**-**	-	-
Repayment of subordinated debts		**(2,575,899)**	-	-	**(2,575,899)**	-	-
Proceeds from subordinated liabilities debts raised		**2,000,000**	-	-	**2,000,000**	-	-
Dividend paid on ordinary shares	21	**-**	-	(903,632)	**-**	-	(903,632)
Payment of principal portion of lease liabilities		**(263,224)**	(266,900)	(229,319)	**-**	-	-
Net cash flow (used in) / from financing activities		**(6,343,388)**	1,377,245	275,494	**(575,899)**	-	(903,632)
Net change in cash and cash equivalents		**26,065,184**	3,392,941	2,566,060	**(214,418)**	125,841	145,742
Expected credit loss allowance on cash and cash equivalents		**(5,608)**	3,178	(38,449)	**-**	-	-
Cash and cash equivalents at start of year		**21,577,245**	18,181,126	15,653,515	**304,473**	178,632	32,890
Cash and cash equivalents at end of year	5	**47,636,821**	21,577,245	18,181,126	**90,055**	304,473	178,632

The notes on page 13 to 132 form an integral part of these financial statements.

1A GENERAL INFORMATION

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

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

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

1B IMPACT OF COVID 19

The COVID-19 pandemic has hit the world in unprecedented ways, while heightening business risks with prolonged uncertainties. Macroeconomic conditions around the globe have deteriorated. After its outbreak in March 2020, the COVID-19 pandemic has impacted SBM Group's market and business activities via several channels, in the wake of the persistent ramifications on presence countries.

The economies of the Group's presence countries (Mauritius, India, Kenya and Madagascar) have been sharply impacted by the direct and indirect ramifications of the pandemic, even if they have gradually been recovering in recent times. The Mauritian economy contracted by nearly 15% in 2020, with tourism and other key sectors posting negative expansion rates. The economy recorded a resilient upturn in 2021, with GDP growth anticipated to gather further momentum in 2022, even if key challenges to macroeconomic conditions subsist. In India, while GDP growth was already somewhat receding before the pandemic, the latter has led to an exceptional health and economic crisis across the country. The COVID-19 outbreak and stringent lockdowns made the Indian economy contract for the first time in more than 40 years. A progressive recovery has been witnessed last year, with activity picking up and broadening across sectors. As per the IMF, GDP growth is foreseen to further improve in the near term, notably due to support measures by the fiscal and monetary authorities, accelerated progress in terms of vaccination and the global recovery. In Kenya, GDP is estimated to have contracted by 0.3% in 2020 compared to a growth of 5.0% in 2019. The economy has rebounded in 2021, with economic growth foreseen to remain appreciable in 2022. Madagascar witnessed an economic contraction in 2020, but GDP growth is forecasted to progressively strengthen in 2022 and 2023.

The Group's operating conditions have been affected by strict controls and mobility containment measures adopted by the authorities across countries, including quarantines and other emergency public safety measures in an attempt to contain the contagion. Such circumstances impacted various economic sectors as well as the Group's individual, corporate and institutional clients, while demand for credit has been subject to marked downward pressures. The debt repayment capabilities of clients have, to various degrees, been impaired, thus leading the Group entities to reinforce their risk management and adopt customised measures to accompany their client base, in collaboration with the support and relief initiatives put in place by the monetary and fiscal authorities. Some industries like tourism, including SMEs linked to the hospitality sector, airlines, construction and real estate have been heavily impacted as these sectors have been exposed to confinements and mobility restriction measures as well as the dampened global context. With prolonged economic shocks, the credit quality of the entities' client base has deteriorated owing to the impact on their financial position, although various measures were taken to support different segments of the economy.

In response to the operating and business-related challenges associated with the pandemic, the Group has taken prompt, proactive and robust measures to maintain its functioning, accompany its customers amidst testing times as well as uphold its relatively sound liquidity, funding, capital and asset quality positions, backed by an informed and systematic assessment of prevailing conditions and implications for the different Group entities.

Credit Risk

As at 31 December 2021, the increase in the overall credit risk has been factored into the Group's yearly results, based on an assessment of key economic and market developments and dynamics, while factoring in the difficulty to ascertain trends given the nature and breadth of economic crisis. The environment remains very dynamic and any new information available is fed in the ECL models applied as and when available. The updated results are then reviewed by Management Teams and communicated to the Boards on a regular basis.

As a key focus area, the Group exercised a close scrutiny of its overall capital adequacy and tier 1 ratios amidst the impacts of the pandemic on market conditions and the financial performance of its operating entities, alongside striving to ensure that the ratios are above regulatory thresholds and being guided by the support and relief measures put in place by the Central Banks across presence countries. In fact, the Group ensured that it continues to support customers without affecting its inherent capital positions. To achieve its objectives, the banking entities of the Group have run specific scenarios (in respect of economic conditions and dividend payout, specifically) to demonstrate how the regulatory ratios fluctuate based on different simulations. In the same spirit, the entities prepared appropriate capital plans, while standing ready to undertake necessary capitalisation exercises if ever need be, depending on unfolding operating conditions.

Group entities have considered the impact of COVID-19 on their financial statements within different segments (corporates and SMEs, retail, bank and sovereigns) by revisiting the ECL framework to cater for higher level of uncertainty in markets both locally, while remaining in line with the statements released by local and international bodies with regards to IFRS 9 in a COVID-19 environment. Group entities have considered the impact on the key inputs including the Probability of Default (PD), the Loss Given Default (LGD), forward-looking Macroeconomic Variables (MEVs), staging and bucketing parameters, relief programmes, scenario-weights allocations and other qualitative indicators to assess the significant increase in credit risk (SICR) of the relevant loan books.

1B IMPACT OF COVID 19 (CONT'D)

Liquidity risk

Given the uncertainty of the pandemic, Group entities simulated stress scenarios based on assumptions of evolving economic and market conditions. They have continued to monitor the impact of COVID-19 by performing several stressed testing scenarios to demonstrate how liquidity ratios fluctuate based on different simulations in relation to outflow rate of depositors and haircut on liquidation of High Quality Liquid Assets (HQLA) and other financial assets.Group entities considered the potential impact of COVID-19 on their operations and business activities through discussions with relevant regulatory bodies. Notably they, have, been monitoring their liquidity levels on a regular basis to ensure that, with the impact of COVID-19, there is no significant outflow other than the business as usual. So far, the deposit base of the banking entities of the Group has remained stable.

Capital adequacy ratio (CAR)

The Group achieved a CAR of 21.4% as at 31 December 2021 which is above the minimum requirement of 13.875%.

With respect to SBM Bank (Mauritius) Ltd, in apprehension of the challenges posed by the COVID-19 pandemic, as per the correspondence from BOM on 11 January 2021, titled “Regulatory Forbearance”, BOM has deferred the implementation of the last tranche of the capital conservation buffer (“CCB”) amounting to 0.625% to 01 April 2022. Thus, for financial year 2021, SBMBM is required to maintain a CCB of 1.875%. This measure has helped release more capital whilst also allowing greater flexibility in terms of funding capacity and support which can be provided to customers.

The Group 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 Group remains within the regulatory requirements in the Baseline, Moderate and Worst case Scenarios for FY2022 and FY2023 in the assumption of no dividend payout.

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

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

In the current year, the Group and the Company have applied all of the new and revised Standard and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to their operations and effective for accounting periods beginning on 01 January 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 provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification

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

Impact of the initial application of Interest Rate Benchmark Reform

In the prior year, the Group 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 Group 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 Group 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 Group’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 Group to manage the risks relating to the reform are disclosed in Note 38(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 application of the amendments affects the Group's accounting in the following ways:

- The Group 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 Group 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 Group'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 Group 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 Group 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 January 2021 amendments (effective 01 January 2023)

IAS 1 Presentation of Financial Statements - Amendments regarding classification of liabilities (Amendments 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 Group's functional and presentation currency. All values are rounded to the nearest thousand (MUR'000), except where otherwise indicated.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. In estimating the fair value of an asset or liability the Group 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 Group of Mauritius and the Financial Reporting Act 2004.

c Presentation of financial statements

The Group 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 Basis of consolidation

The financial statements comprise the financial statements of SBM Holdings Ltd and its subsidiaries as at 31 December 2021 and with comparatives of 2020 and 2019.

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

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

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

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

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other of the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Foreign currency translation

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

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

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

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

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

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

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

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

	31 December 2021	31 December 2020	31 December 2019
INR / MUR	**0.59**	0.54	0.51
100 MGA / MUR	**1.10**	1.34	1.01
KES/MUR	**0.39**	0.36	0.36
SCR/MUR	**3.25**	1.89	2.69

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

The average rates for the following years are:

	31 December 2021	31 December 2020	31 December 2019
INR / MUR	**0.57**	0.53	0.51
100 MGA / MUR	**1.08**	1.04	0.98
KES/MUR	**0.38**	0.37	0.35
SCR/MUR	**-**	2.24	2.64

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f 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 Group becomes 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 trade 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 fair value through profit or loss (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 a trade 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 as follows:

- 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 cost;

- 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 fair value through other comprehensive income (FVTOCI); and

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f Financial instruments (cont'd)

Financial assets (cont'd)

- 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 Group 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 Group 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.

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 Group 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 Group considers all relevant information available when making the business model assessment.

However, this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as ‘worst case’ or ‘stress case’ scenarios. The Group 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 Group 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 Group 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).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f Financial instruments (cont'd)

Equity instruments designated at FVTOCI (cont'd)

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 Group 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.

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, Group 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 Group 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 38 (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 Group 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 38.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f Financial instruments (cont'd)

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 Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of 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 Group 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 38).

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

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

This definition of default is used by the Group 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 Group 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 Group 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 39. 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 Group 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 Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group'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 Group 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 Group 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 Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting 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 Group'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 .

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f Financial instruments (cont'd)

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

The Group 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 Group 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 Group 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 Group considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, Groupruptcy, sale of assets.

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 Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. 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 Group 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 Group has a forbearance policy in place to cater for requests for restructuring of debts. When a financial asset is modified, the Group assesses whether this modification results in derecognition. In accordance with the Group'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 Group 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. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition. 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 Group 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 Group 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f Financial instruments (cont'd)

Modification and derecognition of financial assets (cont'd)

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

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 Group retains an option to repurchase part of a transferred asset), the Group 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 Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group 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 Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group'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 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.

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 Group. or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group 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 Group'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 Group is recognised at the proceeds received, net of direct issue costs. Ordinary shares are classified as equity. Repurchase of the Group'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 Group's own equity instruments. Ordinary shares are classified as equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f Financial instruments (cont'd)

Financial liabilities

Financial liabilities include deposits from banks and non banks customers, due to Groups and 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 Group 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.

Derecognition and modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group'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 Group recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. The Group 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 Group. Modification gains are presented in 'other operating income' and modification losses are presented in 'other operating expenses' in profit or loss.

Hedge accounting

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

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group 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 39(d)(i), it is the Group's strategy to apply fair value hedge accounting to keep interest rate sensitivities within its established limits. Applying fair value hedge accounting enables the Group to reduce fair value fluctuations of fixed rate financial assets and liabilities as if they were floating rate instruments linked to the attributable benchmark rates. From a hedge accounting point of view, the Group designates the hedged risk as the exposure to changes in the fair value of a recognised financial asset or liability or an unrecognised firm commitment, or an identified portion of such financial assets, liabilities or firm commitments that is attributable to a particular risk and could affect profit or loss. The Group only hedges changes due to interest rates such as benchmark rates (e.g. LIBOR), which are typically the most significant component of the overall fair value change. The Group assesses hedge effectiveness by comparing fair value movements of the hedging instruments and the hedged items attributable to changes in these benchmark rates using the hypothetical derivative method as set out above.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f Financial instruments (cont'd)

Hedge accounting (cont'd)

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the Statement of Profit or Loss in Net Trading Income. In addition, the cumulative change in the fair value of the hedged item attributable to the hedged risk is recognised in the Statement of Profit or Loss in Net Trading Income, and also recorded as part of the carrying value of the hedged item in the statement of financial position.

Micro fair value hedges

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

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

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

g Derivative financial instruments

The Group 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.

h Impairment of non-financial assets

The Group 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 Group 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 Group 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.

i Provisions and other contingent liabilities

Provisions are recognised when the Group 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 Group 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 Group's business. When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group 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 Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group 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 Group 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

j Foreign currency translation

The financial statements are presented in Mauritian Rupees ('MUR').

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date and all differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

k 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.

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

l Dividend income

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

m 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 as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in profit or loss using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the year in 'Net trading income'. Interest on derivatives in economic hedge relationship is included in other interest income/expense.

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

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. 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 (i.e. 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 instruments measured as at FVTPL is included within the fair value movement during the year in other interest income/expense. Interest on derivatives in economic hedge relationship is included in other interest income/expense.

(ii) *Net fee and commission income*

Fee and commission income and expense include fees other than those that are an integral part of EIR. The Group earns fee and commission income from a diverse range of services being provided to its customers. Fee income can be categorised as follows:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

m Recognition of income and expenses (cont'd)

(ii) *Net fee and commission income (cont'd)*

Fee income earned from services provided (cont'd)

Fee and commission income and expense include fees other than those that are an integral part of EIR. The Bank earns fee and commission income from a diverse range of services being provided to its customers. Fee income can be categorised as follows:

These fees include commission income, 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 Group'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 Group 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 related interest income and expense and dividend 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.

Other net trading income includes the impact of fair value changes due to movement in the fair value of asset backed securities, recorded as held for trading.

(iv) *Other gains and 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 on those items designated as fair value through profit or loss.

n Comparative figures

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

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

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgements

4.1 Going concern

Directors have made an assessment of the Group’s ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group’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 Group 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 Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

4.3 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 Group 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. Refer to Note 39 for details of the characteristics considered in this judgement. The Group monitor 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 Group use 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 Group 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.

Estimates

4.5 Expected credit losses on financial assets

The 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 applied by the subsidiaries that are are considered accounting judgements and estimates include:

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

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

In relation to credit impaired facilities, the Group determines expected credit losses by estimating the shortfall between the present value of expected cash flows and the present value of contractual cash flows. The estimation of expected cash flows is inherently 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 Group 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.

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

4.8 Pension benefits

The Group 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 rate in respect of the pension plan. The value of the defined benefit pension fund plans is based on report submitted by an independent actuarial firm on an annual basis. Management considers that they have used their best estimates to value the retirement benefit obligation provisions. Actual results may be different from their estimates.

4.9 Provisions and other contingent liabilities

Provision is recognised in the financial statements when the Group 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.

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

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

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 and balances with banks and central banks excluding mandatory balances with central banks, loans to and placements with banks having an original maturity of up to 3 months.

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Cash in hand	**2,200,298**	2,016,632	2,884,293	**-**	-	-
Foreign currency notes and coins	**1,070,999**	1,318,174	33,579	**-**	-	-
Unrestricted balances with central banks [1]	**36,611,395**	11,290,418	4,480,589	**-**	-	-
Loans to and placements with banks[2]	**3,291,517**	2,543,251	2,215,105	**-**	-	-
Balances with banks	**4,469,891**	4,410,441	8,572,409	**90,055**	304,473	178,632
	47,644,100	21,578,916	18,185,975	**90,055**	304,473	178,632
Less: allowance for credit losses	**(7,279)**	(1,671)	(4,849)	**-**	-	-
	47,636,821	21,577,245	18,181,126	**90,055**	304,473	178,632

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

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
	Stage 1	Stage 1	Stage 1
ECL allowance as at 01 Janaury	**1,671**	4,849	43,298
Net remeasurement of loss allowance	**7,226**	1,671	4,849
Assets repaid	**(1,671)**	(4,282)	(43,298)
Translation adjustment	**54**	(567)	-
ECL allowance as at 31 December	**7,279**	1,671	4,849

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

[2] The balance above relates to loans and placements with banks having an original maturity of up to three months. The balances were classified under stage 1 and 12-month ECL was calculated thereon.[2] The balances include loans to and placements with banks having an original maturity of up to three months.

6. LOANS TO AND PLACEMENTS WITH BANKS

	The Group		
At amortised cost	**31 December 2021**	31 December 2020	31 December 2019
Loans to and placements with banks	**MUR' 000**	MUR' 000	MUR' 000
- In Mauritius	**-**	353,508	2,482,043
- Outside Mauritius	**843,079**	2,797,237	4,486,183
	843,079	3,150,745	6,968,226
Less: allowance for credit losses	**(5,109)**	(20,358)	(25,481)
	837,970	3,130,387	6,942,745
Remaining term to maturity			
Up to 3 months	**-**	47,293	2,158,912
Over 3 months and up to 6 months	**-**	1,257,394	2,637,285
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	6,968,226

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

Credit loss allowance for loans to and placement with banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are explained in Note 38.

	31 December 2021	31 December 2020	31 December 2019
	Total	Total	Total
	Stage 1	Stage 1	Stage 1
Internal rating grade	**MUR'000**	MUR'000	MUR'000
Performing			
High grade	**189,701**	-	2,003,522
Standard grade	**653,378**	2,807,724	3,719,888
Sub-standard grade	**-**	343,021	1,244,816
Total	**843,079**	3,150,745	6,968,226

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
	Total	Total	Total
	Stage 1	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 1 January	**3,150,745**	6,968,226	8,619,381
Financial assets originated or purchased	**-**	2,698,297	4,535,728
Financial assets derecognised or repaid	**(2,371,933)**	(6,589,629)	(6,342,254)
Foreign exchange adjustments	**64,267**	73,851	155,371
At 31 December	**843,079**	3,150,745	6,968,226

	31 December 2021	31 December 2020	31 December 2019
	Total	Total	Total
	Stage 1	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000
ECL allowance as at 1 January	**20,358**	25,481	36,967
Net remeasurement of loss allowance	**-**	18,004	5,801
Assets repaid (excluding write offs)	**(15,249)**	(22,614)	(17,394)
Discontinued operations of SBMBS	**-**	(513)	-
Foreign exchange adjustments	**-**	-	107
ECL allowance as at 31 December	**5,109**	20,358	25,481

7. DERIVATIVE FINANCIAL INTRUMENTS

	The Group		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Trading Assets			
Derivative assets	**784,250**	809,211	936,093
Trading Liabilities			
Derivative liabilities	**759,896**	1,279,984	1,126,364

	The Company		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Trading Liabilities			
Derivative liabilities	**-**	41,524	47,645

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

The Group	**Notional Principal Amount**	**Fair Values** Assets	**Fair Values** Liabilities
	MUR' 000	**MUR' 000**	**MUR' 000**
31 December 2021			
Derivatives held for trading			
Foreign exchange contracts*	**34,245,364**	**256,311**	**(225,124)**
Cross currency swaps	**2,017,833**	**209,838**	**(208,317)**
Other derivative contracts	**2,728,546**	**199,196**	**(198,081)**
Derivatives held for risk management purposes			
Foreign exchange contracts*	**-**	**-**	**-**
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	**4,901,874**	**118,906**	**(128,374)**
	43,893,617	**784,251**	**(759,896)**
31 December 2020			
Foreign exchange contracts*	32,091,286	229,597	(242,497)
Cross currency swaps	5,050,377	241,609	(163,384)
Other derivative contracts	5,750,536	252,074	(296,493)
Derivatives held for risk management purposes			
Foreign exchange contracts*	4,844,566	145	-
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	19,241,246	85,954	(577,610)
	66,978,011	809,379	(1,279,984)
31 December 2019			
Foreign exchange contracts*	42,455,045	631,353	(430,779)
Cross currency swaps	1,159,579	90,972	(56,421)
Other derivative contracts	17,682,461	179,057	(220,731)
Derivatives held for risk management purposes			
Foreign exchange contracts*	3,144,009	4,239	-
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	18,786,898	30,472	(418,433)
	83,227,992	936,093	(1,126,364)
The Company			
Derivatives held for risk management purpose			
31 December 2021			
Interest rate swap contracts	-	-	-
31 December 2020			
Interest rate swap contracts	2,571,602	-	(41,524)
31 December 2019			
Interest rate swap contracts	2,380,835	-	(47,645)

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

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS

	The Group		
	31 December 2021	31 December 2020	Restated 31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Retail customers	**45,490,284**	41,305,180	39,363,941
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	13,292,737
Corporate customers	**48,202,633**	47,880,434	46,530,244
Governments	**9,713**	7,705	8,515
Entities outside Mauritius (including offshore / Global Business Licence Holders)	**51,383,170**	46,408,128	35,552,853
	145,085,800	135,601,447	121,455,553
Less allowance for credit impairment (Note8 (c))	**(14,691,993)**	(15,743,574)	(12,256,989)
	130,393,807	119,857,873	109,198,564

a. Remaining term to maturity

Up to 3 months	**16,666,053**	11,940,304	12,521,968
Over 3 months and up to 6 months	**4,686,846**	4,181,143	3,982,537
Over 6 months and up to 12 months	**10,666,350**	10,873,128	7,758,109
Over 1 year and up to 2 years	**7,695,942**	12,402,657	8,086,141
Over 2 years and up to 5 years	**31,371,521**	25,566,946	23,822,145
Over 5 years	**73,999,088**	70,637,269	65,284,653
	145,085,800	135,601,447	121,455,553

Out of the Gross advances of MUR 145.09 billion, there is an amount of MUR 4.63 billion (2020: MUR 6.2 billion and 2019: MUR 8.2 billion) relating to loans where fair value hedge accounting has been applied. Refer to note 39(d)(ii) for more details.

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

b. Net investment in finance leases

Net investment in finance leases is measured at amortised cost

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

The Group acts as lessor of several items like car and equipment. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Group during the year is MUR 75.00 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:-

	The Group			
	Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2021				
Gross investment in finance leases	**(70,036)**	**(113,421)**	**(4,969)**	**(188,426)**
Less: Unearned finance income	-	-	-	-
Present value of minimum lease payments	**(70,036)**	**(113,421)**	**(4,969)**	**(188,426)**
Credit loss expense				-
Net investment in finance lease				**(188,426)**
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. Impairment losses on loans and advances to non-bank customers (Cont'd)

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are set out in note 38.

	31 December 2021			
Internal rating grade	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Performing				
High grade	**51,102,560**	**964,551**	**-**	**52,067,111**
Standard grade	**42,153,534**	**7,770,281**	**-**	**49,923,815**
Sub-standard grade	**6,471,531**	**15,605,720**	**-**	**22,077,251**
Past due but not impaired	**-**	**4,421,051**	**-**	**4,421,051**
Non-performing				
Individually impaired	**-**	**-**	**16,596,572**	**16,596,572**
Total	**99,727,625**	**28,761,603**	**16,596,572**	**145,085,800**

	31 December 2020			
Internal rating grade	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Performing				
High grade	41,810,646	1,441,207	-	43,251,853
Standard grade	44,765,531	8,832,917	-	53,598,448
Sub-standard grade	10,980,787	7,327,338	-	18,308,125
Past due but not impaired	-	1,731,527	-	1,731,527
Non-performing				
Individually impaired	-	-	18,711,494	18,711,494
Total	97,556,964	19,332,989	18,711,494	135,601,447

	31 December 2019			
Internal rating grade	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Performing				
High grade	38,335,023	857,934	239,536	39,432,493
Standard grade	34,920,776	5,943,635	293,978	41,158,389
Sub-standard grade	8,730,183	9,059,493	-	17,789,676
Past due but not impaired	-	7,062,859	-	7,062,859
Non-performing				
Individually impaired	-	167,846	15,844,290	16,012,136
Total	81,985,982	23,091,767	16,377,804	121,455,553

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

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

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

At 31 December 2021:	THE GROUP			
	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount	**97,556,964**	**19,332,989**	**18,711,494**	**135,601,447**
As at 1 January				
Financial assets originated or purchased	**33,196,264**	**3,406,763**	**56,161**	**36,659,188**
Assets derecognised or repaid (excluding write offs)	**(21,695,658)**	**(5,305,711)**	**(1,184,246)**	**(28,185,615)**
Transfers to Stage 1	**1,804,123**	**(1,766,644)**	**(37,479)**	**-**
Transfers to Stage 2	**(13,168,056)**	**13,237,925**	**(69,869)**	**-**
Transfers to Stage 3	**(310,058)**	**(640,751)**	**950,809**	**-**
Changes to contractual cash flows due to modifications not resulting in derecognition	**143,957**	**(313,180)**	**785,157**	**615,934**
Amounts written off	**-**	**-**	**(4,117,246)**	**(4,117,246)**
Foreign exchange adjustments	**752,158**	**767,697**	**1,087,149**	**2,607,004**
Translation adjustments	**1,447,931**	**42,515**	**414,642**	**1,905,089**
As at 31 December	**99,727,625**	**28,761,603**	**16,596,572**	**145,085,800**

At 31 December 2020:	THE GROUP			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
	MUR'000	MUR'000	MUR'000	MUR'000
As at 1 January	81,985,982	23,091,767	16,377,804	121,455,553
Financial assets originated or purchased	32,482,676	4,355,281	10,710	36,848,667
Assets derecognised or repaid (excluding write offs)	(21,161,948)	(5,226,186)	(5,166,160)	(31,554,294)
Assets impaired during the year	-	-	-	-
Transfers to Stage 1	5,462,444	(5,534,518)	72,074	-
Transfers to Stage 2	(5,837,787)	5,901,721	(63,934)	-
Transfers to Stage 3	(103,550)	(3,908,187)	4,011,737	-
Changes to contractual cash flows due to modifications not resulting in derecognition	2,110,013	(318,251)	2,475,216	4,266,978
Amounts written off	-	-	(8,904)	(8,904)
Foreign exchange adjustments	726,253	462,554	112,828	1,301,634
Translation adjustments	1,892,881	508,808	890,123	3,291,812
As at 31 December	97,556,964	19,332,989	18,711,494	135,601,447

At 31 December 2019:	THE GROUP			
Gross carrying amount	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
As at 1 January	61,266,857	32,926,111	18,233,075	112,426,043
Financial assets originated or purchased	31,192,083	7,498,932	473,898	39,164,913
Assets derecognised or repaid (excluding write offs)	(17,116,706)	(11,427,112)	(2,362,197)	(30,906,015)
Assets impaired during the year	-	-	-	-
Transfers to Stage 1	11,357,786	(11,031,690)	(326,096)	-
Transfers to Stage 2	(5,950,563)	6,026,778	(76,215)	-
Transfers to Stage 3	(312,532)	(1,083,518)	1,396,050	-
Changes to contractual cash flows due to modifications not resulting in derecognition	498,461	(342,182)	(36,968)	119,311
Amounts written off	-	-	(1,438,755)	(1,438,755)
Foreign exchange adjustments	726,253	462,554	112,828	1,301,634
Translation adjustments	324,344	61,894	402,184	788,422
As at 31 December	81,985,982	23,091,767	16,377,804	121,455,553

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

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

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

	31 December 2021			
	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2021	966,197	1,034,867	13,742,510	15,743,574
Movement for the year	196,233	907,956	2,657,907	3,762,096
Allowance on new financial assets	106,321	111,417	-	217,738
Assets derecognised or repaid (excluding write offs)	(485,892)	(324,150)	(633,805)	(1,443,847)
Transfers to Stage 1	175,845	(175,561)	(284)	-
Transfers to Stage 2	(86,189)	91,861	(5,672)	-
Transfers to Stage 3	(29,225)	(116,466)	145,691	-
Remeasurement of loss allowance	(38,372)	3,361	342,765	307,754
Amounts written off	-	-	(4,125,608)	(4,125,608)
Translation adjustments	23,889	5,426	200,971	230,286
At 31 December 2021	828,806	1,538,711	12,324,475	14,691,993

	THE GROUP			
	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2020	725,919	1,887,794	9,643,276	12,256,989
Movement for the year	373,554	726,758	3,755,117	4,855,429
Allowance on new financial assets	96,919	57,310	-	154,229
Assets derecognised or repaid (excluding write offs)	(471,231)	(275,141)	(1,036,393)	(1,782,765)
Transfers to Stage 1	234,020	(204,911)	(29,109)	-
Transfers to Stage 2	(56,871)	57,859	(988)	-
Transfers to Stage 3	2,336	(1,161,098)	1,158,762	-
Changes to contractual cash flows due to modifications not resulting in derecognition	(33,625)	(60,550)	439,347	345,172
Remeasurement of loss allowance	95,686	(1,496)	-	94,190
Amounts written off	-	-	(219,973)	(219,973)
Translation adjustments	(510)	8,342	32,471	40,303
At 31 December 2020	**966,197**	**1,034,867**	**13,742,510**	**15,743,574**

	THE GROUP			
	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2019	605,878	1,175,955	8,536,035	10,317,868
Movement for the year	512,205	1,488,206	3,685,092	5,685,503
Assets derecognised or repaid (excluding write offs)	(400,042)	(279,836)	(643,564)	(1,323,442)
Transfers to Stage 1	425,462	(280,018)	(145,444)	-
Transfers to Stage 2	(73,746)	132,305	(58,559)	-
Transfers to Stage 3	(10,509)	(163,935)	174,444	-
Changes to contractual cash flows due to modifications not resulting in derecognition	27,370	(22,152)	231	5,449
Changes to models and inputs used for ECL calculations	(5,736)	(62,430)	(36,127)	(104,293)
Impact of ECL on transfers	(363,926)	(114,964)	116,623	(362,267)
Recoveries	-	-	(840,365)	(840,365)
Amounts written off	-	-	(1,423,620)	(1,423,620)
Translation adjustments	8,963	14,663	278,530	302,156
At 31 December 2019	**725,919**	**1,887,794**	**9,643,276**	**12,256,989**

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

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

	THE GROUP				
	31 December 2021				
	Gross amount of loans	Credit impaired loans	Stage 3 allowance for credit impairment	Stage 1 & Stage 2 for credit allowance	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	2,844,733	1,005,981	551,971	26,572	578,543
Manufacturing	13,066,783	1,046,896	497,363	102,260	599,623
of which EPZ	*1,421,007*	*21,156*	*21,156*	*2,867*	*24,023*
Tourism	15,711,976	235,377	83,096	764,545	847,641
Transport	3,493,859	1,082,661	719,648	21,363	741,011
Construction	14,941,089	776,505	624,935	425,621	1,050,556
Financial and business	9,072,836	157,044	120,733	95,333	216,066
Traders	13,082,193	7,763,792	6,165,405	130,422	6,295,827
Personal	50,293,090	1,730,479	1,282,209	551,410	1,833,619
of which credit cards	3,013,197	268,683	241,343	41,559	*282,902*
Professional	279,551	82,760	82,752	6,238	88,989
Global Business Licence holders	9,754,671	1,372,644	1,371,147	40,901	1,412,048
Others	12,545,019	1,342,436	825,217	202,852	1,028,069
	145,085,800	16,596,575	12,324,476	2,367,517	14,691,993

	THE GROUP				
	31 December 2020				
	Gross amount of loans	Impaired loans	Stage 3 allowance for credit impairment	Stage 1 & Stage 2 Credit allowance	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	4,881,222	916,528	407,511	35,986	443,497
Manufacturing	12,254,721	1,246,358	838,904	144,637	983,541
of which EPZ	*1,778,397*	*26,531*	*3,942*	*22,840*	*26,782*
Tourism	16,320,868	267,751	90,110	365,930	456,040
Transport	3,733,064	1,398,448	1,037,958	33,866	1,071,824
Construction	11,700,345	805,954	607,453	399,245	1,006,698
Financial and business services	9,382,406	808,945	728,601	111,011	839,612
Traders	14,674,924	7,337,548	5,298,519	168,214	5,466,733
Personal	42,839,018	1,730,230	1,223,038	532,278	1,755,316
of which credit cards	*577,282*	*65,439*	*64,140*	*6,202*	*70,342*
Professional	379,744	82,718	82,718	8,913	91,631
Global Business Licence holders	8,561,145	1,248,424	1,096,615	14,089	1,110,704
Others	10,873,990	2,878,938	2,331,083	186,895	2,517,978
	135,601,447	18,721,842	13,742,510	2,001,064	15,743,574

	THE GROUP				
	31 December 2019				
	Gross amount of loans	Impaired loans	Stage 3 allowance for credit impairment	Stage 1 & Stage 2 Credit allowance	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	4,164,442	73,571	56,223	117,110	173,333
Manufacturing	8,085,702	1,211,337	905,635	154,316	1,059,951
of which EPZ	*1,811,805*	*28,053*	*4,141*	*31,192*	*35,333*
Tourism	12,063,809	226,433	130,143	144,781	274,924
Transport	3,742,076	1,345,010	1,009,414	150,088	1,159,502
Construction	9,937,058	444,383	325,468	115,677	441,145
Financial and business services	9,858,185	749,797	534,231	96,410	630,641
Traders	15,347,403	9,249,445	4,576,544	160,349	4,736,893
Personal	39,643,527	1,543,864	1,107,690	533,968	1,641,658
of which credit cards	*583,248*	*81,055*	*41,997*	*6,258*	*48,255*
Professional	179,735	73,872	73,872	2,532	76,404
Global Business Licence holders	10,104,245	286,541	144,822	501,775	646,597
Others	8,329,372	1,174,801	779,234	636,707	1,415,941
	121,455,553	16,379,054	9,643,276	2,613,712	12,256,989

9(a). INVESTMENTS SECURITIES

Remaining term to maturity	31 December 2021								
The Group	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(i) Investment securities measured at FVTPL									
Trading investment:									
Government bonds and treasury notes	-	-	-	1,869,314	106	821,169	372,268	-	3,062,857
Treasury bills	-	827,391	-	1,706,626	-	-	-	-	2,534,017
Bank of Mauritius bills / notes	509,376	153,920	-	-	504	-	-	-	663,800
Bank bonds	-	-	-	-	85,250	-	-	-	85,250
Corporate bonds	-	-	-	-	85,734	-	-	-	85,734
Other investments:									
Investment in mutual funds	-	-	-	-	-	-	-	2,363,795	2,363,795
Equity investments	-	-	-	-	-	-	-	1,669,600	1,669,600
	509,376	981,311	-	3,575,940	171,594	821,169	372,268	4,033,396	10,465,054
(ii) Debt securities measured at FVTOCI									
Government bonds	2,764,049	653,527	96,821	1,957,990	3,009,594	6,398,638	13,837,612	-	28,718,231
Treasury bills / notes	4,507,328	8,271,746	2,339,543	4,728,520	-	-	-	-	19,847,137
Bank of Mauritius bills	999,416	257,162	-	-	-	-	-	-	1,256,578
Bank bonds	1,135,094	157,488	4,116,867	536,971	6,547,107	3,837,908	-	-	16,331,435
Corporate paper and preference shares	-	518,753	601,460	43,067	1,738,889	4,394,559	2,898,700	-	10,195,428
Corporate bonds	-	-	-	-	-	-	-	-	-
	9,405,887	9,858,676	7,154,691	7,266,548	11,295,590	14,631,105	16,736,312	-	76,348,809
(iii) Debt securities measured at amortised cost									
Government bonds and treasury notes	1,499,553	3,973,911	747,934	667,145	1,951,612	13,663,864	23,077,152	-	45,581,171
Treasury bills	291,204	205,776	85,424	199,289	-	-	-	-	781,693
Bank of Mauritius bills	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	-	-	-	148,401	36,287	-	100,346	-	285,034
	1,904,924	4,180,244	1,006,138	1,014,835	5,218,961	19,686,556	28,242,051	-	61,253,709
(iv) Equity securities designated at FVTOCI									
Equity shares of companies:									
- Equity investments	-	-	-	-	-	-	-	5,416,262	5,416,262
Total gross investment securities	11,820,186	15,020,231	8,160,829	11,857,323	16,686,145	35,138,830	45,350,631	9,449,657	153,483,834
Less: allowance for credit losses									(57,087)
Total investment securities									153,426,747

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

Remaining term to maturity

The Group	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
(i) Investment securities measured at FVTPL									
Trading investments:									
Government bonds and treasury notes	15	-	-	-	-	-	706	-	721
Treasury bills	799,645	876,539	1,976,073	-	-	-	-	-	3,652,258
Bank of Mauritius bills / notes	1,537,842	1,498,127	541,717	-	-	762,825	-	-	4,340,511
Bank bonds secured by government	-	-	-	-	-	-	-	1,356,130	1,356,130
Other investments:									
Other investment securities	-	-	-	-	-	-	-	230,749	230,749
Equity investments	-	-	-	-	-	-	-	1,622,852	1,622,852
	2,337,502	2,374,666	2,517,791	-	-	762,825	706	3,209,731	11,203,220
(ii) Debt securities measured at FVTOCI									
Government bonds	995,332	313,326	-	1,852,056	1,657,444	5,116,989	10,897,184	-	20,832,331
Treasury bills / notes	9,242,582	-	528,846	1,756,622	-	-	-	-	11,528,050
Bank of Mauritius bills	100	-	-	896,766	1,018,377	2,453,980	-	-	4,369,223
Other investment	-	-	-	238,428	9,014	-	-	-	247,442
Bank bonds	786,223	416,735	1,114,654	587,681	5,210,501	6,499,153	312,759	-	14,927,706
Corporate paper and preference shares	43,250	174,219	39,943	203,803	738,559	3,609,441	1,872,842	-	6,682,057
Corporate bonds	134,710	-	-	-	-	-	177,928	-	312,638
	11,202,197	904,280	1,683,443	5,535,356	8,633,895	17,679,563	13,260,713	-	58,899,447
(iii) Debt securities measured at amortised cost									
Government bonds and treasury notes	29,632	628,729	611,381	89,897	7,061,189	9,374,063	13,247,337	-	31,042,228
Treasury bills	938,378	1,684,042	180,685	-	-	-	-	-	2,803,105
Bank of Mauritius bills	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
Corporate bonds	-	41,127	-	-	135,996	33,519	-	-	210,642
	969,325	2,404,066	1,781,913	89,897	7,454,912	14,977,330	18,223,803	-	45,901,246
Total gross investment securities	14,509,024	5,683,012	5,983,147	5,625,253	16,088,807	33,419,718	31,485,222	3,209,731	116,003,912
Less: allowance for credit losses									(131,871)
Total gross investment securities after allowance for credit losses									115,872,042
(iv) Equity designated at FVTOCI									
Equity shares of companies:									
- Equity investments	-	-	-	-	-	-	-	5,181,355	5,181,355
	-	-	-	-	-	-	-	5,181,355	5,181,355
Total investment securities									121,053,397

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

(i) Investment securities
Remaining term to maturity

The Group	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total
	31 December 2019								
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(i) Investment securities mandatorily measured at FVTPL									
Trading investments:									
Government bonds and treasury notes	-	-	-	-	212,779	2,014,088	232,849	-	2,459,716
Treasury bills	1,800,754	1,017,626	874,265	327,225	-	-	-	-	4,019,870
Bank of Mauritius bills / notes	2,482,402	866,386	123,368	780,168	-	-	-	-	4,252,324
Bank bonds	-	-	-	-	-	493,666	-	-	493,666
Bank bonds secured by government	-	-	-	-	-	-	-	549,308	549,308
Other investments:									
Other investment securities	-	-	-	-	-	-	220,233	-	220,233
	4,283,156	1,884,012	997,633	1,107,393	212,779	2,507,754	453,082	549,308	11,995,117
(ii) Investment securities measured at FVTOCI (debt instruments)									
Government bonds	7,083	955	303,925	503,108	680,191	10,742,520	7,296,622	-	19,534,404
Treasury bills / notes	7,501,499	1,827,606	2,544,975	870,067	-	-	-	-	12,744,147
Bank of Mauritius bills	3,431,679	891,955	3,791	832,769	76,055	435,332	-	-	5,671,581
Other investment	-	-	-	-	-	-	-	-	-
Bank bonds	1,511,872	62,265	484,089	-	1,121,357	7,206,266	572,576	-	10,958,425
Corporate paper and preference shares	375,346	-	-	-	-	-	-	-	375,346
Corporate bonds	83,231	55,425	-	26,221	809,925	2,611,632	1,515,168	-	5,101,602
	12,910,710	2,838,206	3,336,780	2,232,165	2,687,528	20,995,750	9,384,366	-	54,385,505
(iii) Debt securities measured at amortised cost									
Government bonds and treasury notes	1,219,545	88,316	202,421	387,912	2,837,684	7,703,694	12,254,898	-	24,694,470
Treasury bills	205,839	-	161,894	-	231,281	-	102,286	-	701,300
Bank of Mauritius bills	1,248,969	53,085	-	100,000	50,257	151,779	-	-	1,604,090
Bank bonds	-	-	-	-	361,602	399,239	-	-	760,841
Corporate bonds	-	-	-	-	-	-	-	-	-
	2,674,353	141,401	364,315	487,912	3,480,824	8,254,712	12,357,184	-	27,760,701
Total investment securities	19,868,219	4,863,619	4,698,728	3,827,470	6,381,131	31,758,216	22,194,632	549,309	94,141,324
Less: allowance for credit losses									(166,435)
Total investment securities									93,974,889
(v) Equity designated at FVTOCI									
- Other equity investments measured at FVTOCI	-	-	-	-	-	-	-	6,316,046	6,316,046
	-	-	-	-	-	-	-	6,316,046	6,316,046
Total investment securities									100,290,935

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

Remaining term to maturity	31 December 2021			
The Company	**2-5 years**	**Over 5 years**	**No specific maturity**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
(i) Investment securities measured at FVTPL				
Redeemable participating shares	-	-	289,049	289,049
Equity investments	-	-	1,669,600	1,669,600
	-	-	1,958,650	1,958,650
(ii) Debt securities measured at amortised cost				
Government bonds and treasury notes	-	587,215	-	587,215
	-	587,215	-	587,215
(ii) Debt securities measured at FVTOCI				
Corporate bonds	8,981	-	-	8,981
	8,981	-	-	8,981
(iv) Equity securities designated at FVTOCI				
Equity shares of companies	-	-	4,004,362	4,004,362
Total gross investment securities	8,981	587,215	5,963,011	6,559,207
Less: allowance for credit losses				(14)
Total investment securities				6,559,193

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

	Remaining term to maturity	31 December 2020								
	The Company	**Up to 3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**No specific maturity**	**Total**
		MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
(i)	**Investment securities measured at FVTPL**									
	Redeemable participating shares	-	-	-	-	-	-	-	661,057	661,057
	Equity shares of companies -measured at FVTPL	-	-	-	-	-	-	-	1,622,331	1,622,331
		-	-	-	-	-	-	-	2,283,388	2,283,388
(ii)	**Investment securities measured at FVTOCI (debt instruments)**									
	Corporate bonds	-	-	-	-	-	8,637	-	-	8,637
		-	-	-	-	-	8,637	-	-	8,637
(iii)	**Debt securities measured at amortised cost**									
	Government bonds and treasury notes	-	139,613	-	-	149,273	203,830	584,860	-	1,077,577
	Bank of Mauritius bills / notes	-	-	-	-	-	-	-	-	-
		-	139,613	-	-	149,273	203,830	584,860	-	1,077,577
	Total gross investment securities	-	139,613	-	-	149,273	212,468	584,860	661,057	3,369,602
	Less: allowance for credit losses									(778)
	Total gross investment securities after allowance for credit losses									3,368,825
(iv)	**Equity designated at FVTOCI**									
	Equity shares of companies -measured at FVTOCI	-	-	-	-	-	-	-	3,636,307	3,636,307
		-	-	-	-	-	-	-	3,636,307	3,636,307
	Total investment securities									7,005,132

9. INVESTMENTS SECURITIES (CONT'D)

(i) Investment securities
Remaining term to maturity

The Company	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total
	31 December 2019								
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(i) Investment securities measured at FVTPL									
Redeemable participating shares	-	-	-	-	-	-	-	598,699	598,699
(ii) Equity designated at FVTOCI									
Equity shares	-	-	-	-	-	-	-	4,227,683	4,227,683
	-	-	-	-	-	-	-	4,227,683	4,227,683
(iii) Debt securities measured at amortised cost									
Government bonds and treasury notes	-	15,003	-	-	205,298	172,808	431,649	-	824,758
Bank of Mauritius bills / notes	239,844	-	-	-	-	-	-	-	239,844
Bank bonds	-	-	-	-	-	7,738	-	-	7,738
	239,844	15,003	-	-	205,298	180,546	431,649	-	1,072,340
Total gross investment securities	239,844	15,003	-	-	205,298	180,546	431,649	4,826,383	5,898,722
Less: allowance for credit losses									(561)
Total investment securities									5,898,161

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

The Group

The table shows the credit quality and the maximum exposure to credit risk as well as year end stage classification. The amount presented are gross of impairment allowance

Debt securities at amortised cost

	31 December 2021	31 December 2020	31 December 2019
	Stage 1	Stage 1	Stage 1
	MUR '000	MUR '000	MUR '000
High Grade	**8,492,563**	10,584,921	7,377,774
Standard Grade	**50,811,558**	33,636,087	19,681,628
Sub Standard Grade	**1,949,588**	1,680,238	701,299
Total gross carrying amount	**61,253,709**	45,901,246	27,760,701
Credit loss allowance	**(57,087)**	(131,871)	(166,435)
Carrying amount	**61,196,623**	45,769,375	27,594,267

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

	31 December 2020	31 December 2021	31 December 2019
	Stage 1 MUR'000	Stage 1 MUR'000	Stage 1 MUR'000
Gross carrying amount as at 01 January	**45,901,246**	27,752,964	29,662,805
New financial assets originated	**21,659,290**	39,304,331	12,313,483
Financial assets that have been repaid	**(7,370,035)**	(21,461,797)	(14,988,490)
Other movements	**(111,716)**	314,211	(140,292)
Translation adjustment	**1,174,923**	(8,463)	913,195
Gross carrying amount as at 31 December	**61,253,708**	45,901,246	27,760,701

	Total Stage 1 MUR'000	Total Stage 1 MUR'000	Total Stage 1 MUR'000
ECL allowance as at 1 January	**131,871**	166,338	60,916
Net remeasurement of loss allowance	**1,929**	63,235	31,724
Assets derecognised or repaid (excluding write offs)	**(11,631)**	(100,062)	(2,243)
Impact on year end ECL of exposures	**-**	-	5,102
Amounts written off	**(70,000)**	-	63,114
Translation adjustment	**4,918**	2,360	7,822
At 31 December	**57,087**	131,871	166,435

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

Debt securities at FVTOCI

The Group

	31 December 2021			31 December 2020	31 December 2019
	Stage 1 12-month ECL MUR' 000	**Stage 2 Lifetime ECL MUR' 000**	**Total MUR '000**	Total Stage 1 MUR '000	Total Stage 1 MUR '000
High Grade	**57,146,642**	**-**	**57,146,642**	38,093,070	30,942,979
Standard Grade	**18,127,590**	**513,374**	**18,640,964**	19,288,208	22,685,597
Sub Standard Grade	**169,377**	**391,826**	**561,202**	1,518,169	756,930
Total gross carrying amount	**75,443,609**	**905,200**	**76,348,809**	58,899,447	54,385,505

The Company

Debt investment securities at amortised cost

	Stage 1	Stage 1	Stage 1
	Total MUR '000	Total MUR '000	Total MUR '000
Standard Grade	**587,215**	1,077,577	1,064,602
Credit loss allowance	**(14)**	(778)	(561)
Carrying amount	**587,201**	1,076,799	1,064,041

The Company

	Total Stage 1 MUR'000	Total Stage 1 MUR'000	Total Stage 1 MUR'000
ECL allowance as at 1 January			
At 1 January	**561**	561	1,638
New assets originated or purchased	**(549)**	216	-
Assets derecognised or repaid (excluding write offs)	**-**	-	(1,077)
At 31 December	**12**	777	561

Debt investment securities at FVTOCI	**Stage 1 Total MUR '000**	Total Stage 1 MUR '000	Total Stage 1 MUR '000
Debt investment securities at FVTOCI			
Standard Grade	**8,981**	8,637	7,738
Total gross carrying amount	**8,981**	8,637	7,738

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

9(a). INVESTMENT SECURITIES (CONT'D)
The Group

ECL allowance on debt instruments at FVOCI

	31 December 2021			
	Stage 1 MUR'000	**Stage 2 MUR'000**	**Stage 3 MUR'000**	**Total MUR'000**
As at 1 January	**29,118**	**24,664**	**-**	**53,782**
Net remeasurement of loss allowance	**11,178**	**24,086**	**-**	**35,264**
Assets derecognised or repaid (excluding write offs)	**(27,552)**	**(1,198)**	**-**	**(28,750)**
Transfers to stage 2	**(664)**	**664**	**-**	**-**
As at 31 December	**12,080**	**48,215**	**-**	**60,296**

ECL allowance on debt instruments at FVOCI

	31 December 2020			
	Stage 1 MUR'000	**Stage 2 MUR'000**	**Stage 3 MUR'000**	**Total MUR'000**
As at 1 January	53,308	-	-	53,308
Assets derecognised or repaid (excluding write offs)	(44,545)	-	-	(44,545)
Transfers to stage 2	(2,727)	2,727	-	-
Net remeasurement of loss allowance	23,082	21,937	-	45,019
As at 31 December	29,118	24,664	-	53,782

ECL allowance on debt instruments at FVOCI

	31 December 2019			
	Stage 1 MUR'000	**Stage 2 MUR'000**	**Stage 3 MUR'000**	**Total MUR'000**
As at 1 January	59,678	-	-	59,678
Net remeasurement of loss allowance	44,533	-	-	44,533
Assets derecognised or repaid (excluding write offs)	(50,903)	-	-	(50,903)
As at 31 December	53,308	-	-	53,308

9(b). INVESTMENT IN SUBSIDIARIES

Accounting policy

Financial statements of the Company

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

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

The Company	**31 December 2021**	31 December 2020	31 December 2019
Investment in subsidiaries	**MUR' 000**	MUR' 000	MUR' 000
Equity shares	**175**	175	175
Capital contribution	**29,800,546**	29,523,568	29,899,743
Total investment in subsidiaries	**29,800,721**	29,523,743	29,899,918

Investment reconciliation is as follows:	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Opening balance	**29,523,743**	29,899,918	28,485,152
Investments during the year	**-**	-	25
Capital contribution granted during the year	**586,519**	97,825	1,414,741
Surplus funds distributed on winding up of subsidiary	**(179,541)**	(350,000)	-
Impairment losses	**(130,000)**	(124,000)	-
Closing balance	**29,800,721**	29,523,743	29,899,918

Details of subsidiaries are as follows:

	Country of Incorporation and Operation	**Business Activity**	**Effective % holding**	**Carrying Amount**		
				31 December 2021	31 December 2020	31 December 2019
				MUR' 000	MUR' 000	MUR' 000
SBM (NFC) Holdings Ltd [1]	Mauritius	Non-Financial Holding Company	100	**50**	50	25
SBM 3S Ltd	Mauritius	Training Services	100	**25**	25	25
SBM (Bank) Holdings Ltd	Mauritius	Bank Investment Holding	100	**75**	75	75
SBM (NBFC) Holdings Ltd	Mauritius	Non-Banking Financial Investments Holding Company	100	**25**	25	25
				175	175	150

[1]Following an assessment of the recoverable value based on the net asset value, an impairment loss of MUR 130 million (2020: MUR 124 million) is recorded with respect to the investment in SBM (NFC) Holdings Ltd.

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

The directors believe that no additional impairment need to be recognised.

9(c). INVESTMENT IN ASSOCIATE

Accounting policy

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

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

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

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

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

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

	The Group 31 December 2019	The Company 31 December 2019
	MUR' 000	MUR' 000
At 01 January	1,308,157	1,272,977
Share of profit	139,237	-
Share of associate-	(31,105)	-
Share of other comprehensive income	76,112	-
Exchange differences	25,496	-
Dividend income from associate (Note27)	(38,849)	-
Carrying amount at 31 December	1,479,048	1,272,977

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

	The Group 31 December 2019
Summarised financial information in respect of the Group's associate is set out below:	MUR' 000
Total assets	21,880,172
Total liabilities	15,684,648
Total revenue	1,238
Total profit for the period	696
Share of profit	139
Share of other comprehensive income	(26,944)
Share of net assets	1,239,105
Carrying amount	1,479,048

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

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

The investment in associate was classified as non current assets

10(a). PROPERTY AND EQUIPMENT

Accounting policy

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

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

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

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

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

Buildings	50 years
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.

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

The Group	**Freehold land and buildings**	**Buildings on leasehold land**	**Other tangible fixed assets**	**Motor vehicles**	**Total**
Cost or valuation	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2019	1,052,951	1,573,753	2,875,392	72,421	5,574,517
Additions	-	507	192,567	3,222	196,296
Disposals	-	-	-	(13,821)	(13,821)
Write off	(9,962)	-	(331)		(10,293)
Revaluation adjustment	78,837	(153,210)	-	-	(74,373)
Translation adjustment	13,795	-	37,503	2,100	53,398
At 31 December 2019	1,135,621	1,421,050	3,105,131	63,922	5,725,724
Additions	18	16,827	224,207	-	241,052
Disposals	(33,000)	-	(174,004)	(2,900)	(209,904)
Write off	-	-	(89)	-	(89)
Revaluation adjustment	-	-	754	-	754
Translation adjustment	12,028	-	1,363	213	13,604
At 31 December 2020	1,114,667	1,437,877	3,157,362	61,235	5,771,141
Additions	**-**	**-**	**155,647**	**-**	**155,647**
Disposals	**-**	**-**	**(178,519)**	**(10,553)**	**(189,072)**
Translation adjustment	**23,199**	**-**	**51,381**	**1,845**	**76,425**
At 31 December 2021	**1,137,866**	**1,437,877**	**3,185,871**	**52,527**	**5,814,141**

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

The Group	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accumulated depreciation					
At 01 January 2019	86,497	223,083	2,182,472	39,105	2,531,157
Charge for the year	17,846	52,443	187,996	10,682	268,967
Discontinued operations (Note 40)	-	-	811	-	811
Write off	-	-	(170)	-	(170)
Disposals	-	-	-	(11,506)	(11,506)
Revaluation movement	(56,589)	(272,931)	-	-	(329,520)
Translation adjustment	178	-	15,512	885	16,575
At 31 December 2019	47,932	2,595	2,386,621	39,166	2,476,314
Charge for the year	26,033	57,067	197,437	9,813	290,350
Write off	-	-	(52)	-	(52)
Disposals	(727)	-	(141,802)	(2,460)	(144,989)
Discontinued operations (Note 40)	-	-	1,597	-	1,597
Translation adjustment	12,747	-	989	4	13,740
Transfer	1,157	-	(1,157)	-	-
At 31 December 2020	87,142	59,662	2,443,633	46,523	2,636,960
Charge for the year	**17,446**	**57,721**	**203,671**	**9,205**	**288,043**
Disposals	**-**	**-**	**(172,059)**	**(9,471)**	**(181,530)**
Translation adjustment	**4,611**	**-**	**31,720**	**1,346**	**37,677**
At 31 December 2021	**109,199**	**117,383**	**2,506,965**	**47,603**	**2,781,150**
Net book value					
At 31 December 2021	**1,028,667**	**1,320,494**	**678,906**	**4,924**	**3,032,991**
Progress payments on tangible fixed assets					**552,764**
					3,585,755
At 31 December 2020	1,027,525	1,378,215	713,729	14,712	3,134,181
Progress payments on tangible fixed assets					61,914
					3,196,095
At 31 December 2019	1,087,689	1,418,455	718,510	24,756	3,249,410
Progress payments on tangible fixed assets					78,898
					3,328,308

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

The Company

Cost or valuation	Other tangible fixed assets	Motor vehicles	Total
	MUR' 000	MUR' 000	MUR' 000
At 01 January 2019	80	10,553	10,633
Additions	227	-	227
At 31 December 2019	307	10,553	10,860
Additions	-	-	-
At 31 December 2020	307	10,553	10,860
Additions	**968**	**-**	**968**
Disposals	**-**	**(10,553)**	**(10,553)**
At 31 December 2021	**1,275**	**-**	**1,275**
Accumulated depreciation			
At 01 January 2019	9	4,844	4,853
Charge for the year	32	2,110	2,142
At 31 December 2019	41	6,954	6,995
Charge for the year	61	1,610	1,671
At 31 December 2020	102	8,564	8,666
Charge for the year	**63**	**906**	**969**
Disposals	**-**	**(9,470)**	**(9,470)**
At 31 December 2021	**165**	**-**	**165**
Net book value			
At 31 December 2021	**1,110**	**-**	**1,110**
At 31 December 2020	205	1,989	2,194
At 31 December 2019	266	3,599	3,865

The Property and Equipment are Classified As Non Current Assets.

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

The directors have reviewed the carrying amount of the Group’s and Company’s property and equipment and are of the opinion that no impairment is required at the reporting date (2020 and 2019: Nil).

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

		The Group		
		31 December 2021	31 December 2020	31 December 2019
		MUR' 000	MUR' 000	MUR' 000
Freehold land	Level 2	**485,001**	485,001	485,001
Freehold buildings	Level 3	**652,865**	629,666	650,620
Buildings on leasehold land	Level 3	**1,437,877**	1,437,877	1,421,050
		2,575,743	2,552,544	2,556,671

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

	The Group		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	**738,290**	718,378	779,955
Building on leasehold land	**319,351**	333,426	347,500
	1,057,641	1,051,804	1,127,455

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

The directors have assessed the fair value of the properties at 31 December 2021 and 2020 and have estimated the fair value to approximate the carrying value as at that date.

10(b). RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Group

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group 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 (such as printers). For these leases, the Group 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 Group 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 Group 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 Group 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 Group 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 Group apply 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 Group 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.

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

(a) Right-of-Use Assets

	Land and buildings	Other tangible fixed assets	Total
Cost	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2019	559,599	206,167	765,766
Additions	132,079	81,485	213,564
Termination	(8,434)	-	(8,434)
At 31 December 2019	683,244	287,652	970,896
Additions	133,049	38,189	171,238
Termination	(69,936)	(8,733)	(78,669)
Discontinued operations (Note 40)	(6,009)	-	(6,009)
Translation adjustment	23,683	-	23,683
At 31 December 2020	764,031	317,108	1,081,139
Additions	**118,749**	**2,714**	**121,463**
Termination	**(54,615)**	**(121)**	**(54,736)**
Translation adjustment	**45,148**	**-**	**45,148**
At 31 December 2021	**873,313**	**319,701**	**1,193,014**

The Group

	Land and buildings	Other tangible fixed assets	Total right-of-use assets
	MUR' 000	**MUR' 000**	**MUR' 000**
Accumulated Depreciation			
At 01 January 2019	-	-	-
Charge for the year	158,762	45,452	204,214
Discontinued operations (Note 40)	-	2,847	2,847
Translation adjustment	3,956	(26)	3,930
At 31 December 2019	162,718	48,273	210,991

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

(a) Right-of-Use Assets (Cont'd)

Accumulated Depreciation (Cont'd)

	162,718	48,273	210,991
At 31 December 2019	164,386	19,094	183,480
Termination	(113,379)	(8,759)	(122,138)
Discontinued operations (Note 40)	2,277	-	2,277
Translation adjustment	1,749	-	1,749
At 31 December 2020	217,751	58,608	276,359
Charge for the year	**182,912**	**29,469**	**212,381**
Termination	**(38,778)**	**(121)**	**(38,900)**
Translation adjustment	**14,756**	**-**	**14,756**
At 31 December 2021	**376,641**	**87,956**	**464,597**
Net book value			
At 31 December 2021	**496,672**	**231,745**	**728,417**
At 31 December 2020	546,280	258,500	804,780
At 31 December 2019	520,526	239,379	759,905

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

(a) Right-of-Use Assets (Cont'd)

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	**212,382**	183,481	204,214
Interest expense on lease liability (Note 27)	**64,905**	60,093	57,750
Expense relating to leases of low-value assets (included in other operating expenses)	**5,711**	7,156	6,801
Discontinued operations of SBMBS (Depreciation/interest Expenses)	**-**	2,277	2,847
Gain on contract termination of right-of-use asset	**(1,495)**	-	(344)
Total amount recognised in profit or loss	**281,503**	253,007	271,268

The directors have reviewed the carrying amount of the Group's right of use assets and are of the opinion that no impairment is required at the reporting date. (2020:nil)

The Group leases several assets including land, buildings and equipment . The average lease term is 3-6 years.

(b) Lease Liabilities

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	**142,916**	237,099	238,254
1 to 5 years	**547,937**	699,057	755,584
5 to 25 years	**129,209**	28,414	140,234
	820,062	964,570	1,134,072
Less unearned interest	**(79,159)**	(160,163)	(338,728)
	740,903	804,407	795,344
Further analysed into:			
Non current	**564,838**	699,257	694,245
Current	**176,064**	105,150	101,100
	740,902	804,407	795,345

The Group does not face significant liquidity risk with regards to its lease liabilities. All the lease obligations are denominated in Mauritian Rupees or functional currency of the subsidiaries.

The Group had a total cash outflow for leases of MUR 281.2 million (2020:MUR 266.9 million;2019:MUR 229 million)

At 31 December 2021, the Group does not have any commitment for short term leases

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

11. INTANGIBLE ASSETS

Accounting policy

Intangible assets

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

(b) *Intellectual property rights*

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

(c) *WIP Software*

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

The Group	**Software**	**WIP Software**	**Intellectual Property**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Cost				
At 01 January 2019	4,677,635	99,475	284,915	5,062,025
Translation adjustment	45,248	935	-	46,183
Additions	49,034	76,661	-	125,695
Write off	(4,430)	(9,882)	-	(14,312)
Scrapping of assets	-	(928)	-	(928)
Transfer	78,175	(78,175)	-	-
At 31 December 2019	4,845,662	88,086	284,915	5,218,663
Translation adjustment	7,406	709	-	8,115
Additions	36,067	117,482	-	153,549
Write off	(13,973)	(767)	-	(14,740)
Disposal	(110,156)	-	-	(110,156)
Transfer	96,561	(96,561)	-	-
At 31 December 2020	4,861,567	108,949	284,915	5,255,431
Translation adjustment	**56,846**	**1,629**	**-**	**58,475**
Additions	**57,200**	**97,707**	**-**	**154,907**
Write off	**(7,967)**	**(6,503)**	**-**	**(14,470)**
Transfer	**107,550**	**(107,550)**	**-**	**-**
At 31 December 2021	**5,075,196**	**94,232**	**284,915**	**5,454,343**
Accumulated amortisation				
At 01 January 2019	1,664,759	-	170,949	1,835,708
Translation adjustment	35,648	-	-	35,648
Discontinued operations (Note 40)	910			910
Charge for the year	559,940	-	56,983	616,923
At 31 December 2019	**2,261,257**	-	**227,932**	**2,489,189**
Translation adjustment	4,960	-	-	4,960
Charge for the year	518,403	-	56,983	575,386
Write off	(641)	-	-	(641)
Disposal	(110,157)	-	-	(110,157)
At 31 December 2020	2,673,822	-	284,915	2,958,737
Translation adjustment	**51,127**	**-**	**-**	**51,127**
Charge for the year	**488,986**	**-**	**-**	**488,986**
Write off	**(7,630)**	**-**	**-**	**(7,630)**
At 31 December 2021	**3,206,305**	**-**	**284,915**	**3,491,220**
Net book value				
At 31 December 2021	**1,868,891**	**94,232**	**-**	**1,963,123**
At 31 December 2020	2,187,745	108,949	-	2,296,694
At 31 December 2019	2,584,405	88,086	56,983	2,729,474

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

11. INTANGIBLE ASSETS (CONT'D)

The Company

Cost or valuation	Software	Total
	MUR' 000	MUR' 000
At 01 January 2019	50	50
Additions	1,321	1,321
At 31 December 2019	1,421	1,421
Additions	-	-
At 31 December 2020	**1,371**	**1,371**
Additions	-	-
At 31 December 2021	**1,371**	**1,371**
Accumulated depreciation		
At 01 January 2019	6	6
Charge for the year	208	208
At 31 December 2019	214	214
Charge for the year	**274**	**274**
At 31 December 2020	**488**	**488**
Charge for the year	**274**	**274**
At 31 December 2021	**762**	**762**
Net book value		
At 31 December 2021	**609**	**609**
At 31 December 2020	**883**	**883**
At 31 December 2019	1,157	1,157

12. OTHER ASSETS

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
			Restated			
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Accounts receivable[1]	**2,785,274**	2,561,957	2,689,697	**150,343**	48,900	231,000
Balances due in clearing	**6,804**	9,999	118,917	**-**	-	-
Tax paid in advance[2]	**113,653**	106,316	97,127	**-**	-	-
Dividend receivable	**-**	-	62,092	**-**	-	-
Prepayment[3]	**306,987**	223,411	187,255	**513**	513	509
Others	**253,169**	333,182	81,290	**110**	306	6
	3,599,922	3,234,865	3,236,378	**150,966**	49,719	231,515
Less: allowance for credit losses	**(21,450)**	(16,414)	(380)	**-**	-	-
	3,578,472	3,218,451	3,235,998	**150,966**	49,719	231,515

subsidiaries is as follows:

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
	Stage 1	Stage 1	Stage 1
ECL allowance as at 01 Janaury	**16,414**	380	(95)
Movement for the year	**23,436**	16,414	380
Assets repaid	**(16,414)**	(380)	95
Amount written off	**(1,986)**	-	-
ECL allowance as at 31 December	**21,450**	16,414	380

12. OTHER ASSETS (CONT'D)

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

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

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

13. PENSION LIABILITY

Accounting policy

(i) Pension benefits for eligible participating employees

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

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

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

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

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

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

(iii) Travel tickets/allowances

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

13. PENSION LIABILITY (CONT'D)

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Defined benefit plan (note 13 (a))	**304,970**	579,836	241,628	**1,428**	2,231	1,363
Residual retirement gratuities (note 13 (b))	**105,213**	163,971	97,247	**3,715**	4,683	1,096
	410,183	743,807	338,875	**5,143**	6,914	2,459

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

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
Reconciliation of net defined benefit liability	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Present value of funded defined benefit oblig	**1,895,096**	1,944,808	1,315,862	**11,798**	11,137	7,425
Fair value of planned assets	**(1,590,126)**	(1,364,972)	(1,074,234)	**(10,370)**	(8,906)	(6,062)
Net liability arising from defined benefit obli	**304,970**	579,836	241,628	**1,428**	2,231	1,363
Reconciliation of net defined benefit liability						
Balance at start of the year	**579,836**	241,628	109,621	**2,231**	1,363	-
Amount recognised in statements of profit or loss (Note30)	**60,905**	39,545	34,166	**404**	292	1,363
Amount recognised in other comprehensive i	**(289,726)**	601,282	204,365	**(737)**	3,189	-
Less employer contributions	**(46,045)**	(302,619)	(106,524)	**(470)**	(2,613)	-
Balance at end of the year	**304,970**	579,836	241,628	**1,428**	2,231	1,363
Reconciliation of fair value of planned assets						
Balance at start of the year	**1,364,972**	1,074,234	935,095	**8,906**	6,062	-
Interest income	**39,341**	60,273	59,075	**265**	361	-
Employer contributions	**46,045**	299,815	106,524	**469**	2,612	-
Transfer from another entity	**-**	-	-	**-**	-	6,062
Benefits paid	**(62,891)**	(46,149)	(38,813)	**(9)**	(8)	-
Return on planned assets excluding interest i	**202,659**	(23,201)	12,353	**739**	(121)	-
Balance at end of the year	**1,590,126**	1,364,972	1,074,234	**10,370**	8,906	6,062
Reconciliation of present value of defined benefit obligation						
Balance at start of the year	**1,944,807**	1,315,862	1,044,716	**11,137**	7,425	-
Current service cost	**44,752**	31,285	30,680	**346**	260	-
Past service cost	**-**	-	-	**-**	-	1,363
Interest expense	**55,494**	68,533	62,561	**323**	393	-
Other benefits paid	**(62,890)**	(46,149)	(38,813)	**(9)**	(8)	-
Transfer from another entity	**-**	-	-	**-**	-	6,062
Liability experience loss	**-**	-	226,181	**-**	-	-
Liability gain due to change in demographic assumptions	**(7,253)**	-	-	**-**	-	-
Liability (gain)/loss due to change in financial assumptions	**(79,814)**	575,277	(9,463)	**1**	3,067	-
Balance at end of the year	**1,895,096**	1,944,808	1,315,862	**11,798**	11,137	7,425

13. PENSION LIABILITY (CONT'D)

(a) Defined benefit plans (Cont'd)

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
Components of amount recognised in statements of profit or loss	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Service cost	**44,752**	31,285	30,680	**346**	260	1,363
Net interest on net employee defined benefit	**16,153**	8,260	3,486	**58**	32	-
Total expense (Note 30)	**60,905**	39,545	34,166	**404**	292	1,363
Components of amount recognised in other comprehensive income						
Return on planned assets below / (above) inte	**(202,659)**	23,201	(12,353)	**(739)**	121	-
Liability experience loss	**-**	-	226,181	**-**	-	-
Change in effect of asset ceiling	**-**	578,081	-	**-**	-	-
Liability (gain)/loss due to change in demographic assumptions	**(7,253)**					
Liability experience (gain) / loss due to change in financial assumptions	**(79,814)**	-	(9,463)	**1**	3,067	-
Total	**(289,726)**	601,282	204,365	**(738)**	3,188	-

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
Allocation of plan assets at end of year	**%**	%	%	**%**	%	%
Equity - Overseas quoted	**36**	26	23	**36**	26	23
Equity - Overseas unquoted	**3**	5	8	**3**	5	8
Equity - Local quoted	**18**	25	26	**18**	25	26
Equity - Local unquoted	**4**	5	7	**4**	5	7
Debt - Overseas quoted	**-**	-	1	**-**	0	1
Debt - Overseas unquoted	**-**	-	-	**-**	-	-
Debt - Local quoted	**10**	6	6	**10**	6	6
Debt - Local unquoted	**15**	10	15	**15**	10	15
Cash and other	**14**	23	14	**14**	23	14
Total	**100**	100	100	**100**	100	100

	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
Allocation of planned assets at end of year						
Reporting entity's own transferable financial	**3%**	2%	3%	**3%**	2%	3%
Principal assumptions used at end of year						
Discount rate based on government bonds	**4.7%**	2.9%	5.3%	**4.7%**	2.9%	5.3%
Rate of salary increases	**5.2%**	2.6%	3.1%	**5.2%**	5.0%	3.1%
Rate of pension increases	**1.5%**	1.0%	0.8%	**1.5%**	1.0%	0.8%
Average retirement age (ARA)	**65**	65	65	**65**	65	65
Average life expectancy for:						
- Male at ARA	**15.9 Years**	15.9 years	15.9 years	**15.9 years**	15.9 years	15.9 years
- Female at ARA	**20 Years**	20.0 years	20.0 years	**20.0 years**	20.0 years	20.0 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 2020 and the duration of last year's liabilities.

13. PENSION LIABILITY (CONT'D)

(a) Defined benefit plans (Cont'd)

	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
Sensitivity analysis on defined benefit obligation at end of year	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Increase due to 1% decrease in discount rate	**303,278**	350,141	205,990	**1,652**	1,782	1,157
Decrease due to 1% increase in discount rate	**246,439**	272,348	167,365	**1,416**	1,448	962

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 entity's actuaries.

The Group expects to make a contribution of around MUR 47.52 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 13 years.

The Company expects to make a contribution of around MUR 430,000 to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 15 years.

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

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

Investment risk

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

Interest risk

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

Longevity risk

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

Salary risk

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

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

(b) Residual retirement gratuities

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

The liability relates to residual retirement gratuities payable under the Workers' Rights Act 2019 and is unfunded.

	The Group			**The Company**		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
Reconciliation of net defined benefit liability	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Balance at start of the year	**163,971**	97,247	63,434	**4,683**	1,096	-
Amount recognised in statements of profit or loss (Note 32)	**30,172**	(79,331)	34,313	**2,641**	(515)	1,096
Amount recognised in other comprehensive income	**(88,173)**	146,055	(500)	**(3,609)**	4,102	-
Less Employer contributions	**(757)**	-	-	**-**	-	-
Balance at end of the year	**105,213**	163,971	97,247	**3,715**	4,683	1,096
Reconciliation of present value of defined benefit obligation						
Balance at start of the year	**163,971**	97,247	63,434	**4,683**	1,096	-
Current service cost	**25,380**	7,525	3,700	**1,909**	523	-
Interest expense	**4,792**	5,155	3,869	**156**	58	-
Past service cost	**-**	(92,011)	26,744	**576**	(1,096)	1,096
Liability experience (gain) /loss	**(23,072)**	(1,594)	2,612	**(1,414)**	(122)	-
Liability (gain) / loss due to change in financial assumptions	**(65,101)**	147,649	(3,112)	**(2,195)**	4,224	-
Benefits paid	**(757)**	-	-	**-**	-	-
Balance at end of the year	**105,213**	163,971	97,247	**3,715**	4,683	1,096

13. PENSION LIABILITY (CONT'D)

(b) Residual retirement gratuities (Cont'd)

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Components of amount recognised in statements of profit or loss						
Service cost	**25,380**	(84,486)	30,444	**1,909**	(573)	1,096
Past service cost				**576**		
Net interest on net defined benefit liability	**4,792**	5,155	3,869	**156**	58	-
Total expense as Above	**30,172**	(79,331)	34,313	**2,641**	(515)	1,096
Components of amount recognised in other comprehensive income						
Liability experience (gain)/loss	**(23,072)**	(1,594)	2,612	**(1,414)**	(122)	-
Liability experience gain due to change in demographic assumptions	**(29,982)**	0	0			
Liability (gain)/loss/ due to change in financial assumptions	**(35,119)**	147,649	(3,112)	**(2,195)**	4,224	-
Total	**(88,173)**	146,055	(500)	**(3,609)**	4,102	-

	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
Principal assumptions used at end of year						
Discount rate	**4.7%**	2.9%	5.3%	**4.7%**	2.9%	5.3%
Rate of salary increases	**5.2%/6%**	5.0%	3.1%	**5.2%/6%**	5.0%	3.1%
Rate of pension increases	**1.5%**	1.0%	0.8%	**1.5%**	0.0%	0.8%
Average retirement age (ARA)	**60/65**	60/65	60/65	**60/65**	60/65	60/65
Sensitivity Analysis on defined benefit obligation at end of year						
Increase due to 1% decrease in discount rate	**37,711**	55,857	13,458	**1,521**	1,797	471
Decrease due to 1% increase in discount rate	**30,995**	44,150	9,002	**1,258**	1,419	271

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

Future cashflows

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

The Group expects to make a contribution of around MUR 10.79 million for the next financial year and the weighted average duration of the defined benefit obligation is 19 years.

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

Interest risk

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

Salary risk

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

14. DEPOSITS FROM BANKS

	The Group		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	**2,770,002**	1,403,315	907,521

15. DEPOSITS FROM NON-BANK CUSTOMERS

	The Group		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
(i) Retail customers			
Current accounts	**27,384,014**	23,620,520	19,411,521
Savings accounts	**70,842,599**	62,410,927	55,538,113
Time deposits with remaining term to maturity:			
- Up to 3 months	**8,992,165**	6,086,658	4,687,493
- Over 3 months and up to 6 months	**3,835,300**	2,795,976	2,146,348
- Over 6 months and up to 12 months	**4,638,675**	4,056,610	4,464,390
- Over 1 year and up to 5 years	**5,048,058**	5,404,438	5,033,085
- Over 5 years	**15,332**	12,571	2,297,269
Total time deposits	**22,529,530**	18,356,253	18,628,585
Total deposits from retail customers	**120,756,142**	104,387,700	93,578,219
(ii) Corporate customers			
Current accounts	**115,265,924**	72,477,613	56,596,878
Savings accounts	**4,189,782**	4,538,500	3,993,407
Time deposits with remaining term to maturity:			
- Up to 3 months	**18,560,078**	15,889,458	12,901,434
- Over 3 months and up to 6 months	**6,855,530**	3,898,494	4,306,609
- Over 6 months and up to 12 months	**9,903,545**	8,192,992	5,780,107
- Over 1 year and up to 5 years	**3,919,863**	1,534,469	2,607,327
- Over 5 years	**38,668**	1,024	1,033
Total time deposits	**39,277,687**	29,516,437	25,596,510
Total deposit from corporate customers	**158,733,393**	106,532,550	86,186,795
(iii) Government			
Current accounts	**10,851,448**	8,639,186	8,756,331
Savings accounts	**4,530,341**	3,855,442	3,441,526
Time deposits with remaining term to maturity:			
- Up to 3 months	**126,022**	43,313	6,918,163
- Over 3 months and up to 6 months	**1,600**	130,443	1,600
- Over 6 months and up to 12 months	**3,304,792**	3,273,488	260,191
- Over 1 year and up to 5 years	**277,000**	99	254,363
- Over 5 years	**122**	-	-
Total time deposits	**3,709,536**	3,447,343	7,434,317
Total deposit from the Government	**19,091,325**	15,941,971	19,632,174
Total deposit from non-bank customers	**298,580,858**	226,862,221	199,397,188

16. OTHER BORROWED FUNDS

	The Group		
	31 December 2021	31 December 2020	31 December 2019 Restated
	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks			
- For refinancing	**3,576,334**	5,558,836	3,334,663
Other financial institutions			
- For refinancing	**1,456,416**	3,518,739	2,718,585
Borrowings from banks			
- In Mauritius	**4,358,708**	3,927,866	2,448,757
- Abroad	**121,454**	2,011,736	4,871,028
	9,512,912	15,017,177	13,373,033
Remaining term to maturity			
Up to 3 months	**7,594,918**	4,750,571	7,901,991
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	**1,365,947**	5,742,128	3,611,155
Over 5 years	**493,621**	485,523	661,329
	9,512,912	15,017,177	13,373,033

17. TAXATION

Accounting policy

Income tax

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

Corporate social responsibility (CSR)

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

Bank levy

SBM (Bank) Mauritius Ltd, a subsidiary of SBM Holdings Ltd, is liable to pay a special levy as a percentage of its leviable income from residents excluding Global Business Licence holders (the special levy was paid as a percentage of its segmental chargeable income for the year 2019 and 2018). A communique issued by BOM in 2020 clarified that Special Levy should be treated as a tax expense.

As from 01 January 2020, a new tax regime is applicable for the banking sector in Mauritius. Mauritian banks are being taxed at 5% on the first MUR 1.5 billion of their chargeable income, at 15% of the chargeable income between MUR 1.5 billion and the base year income, and at 5% on the remainder, subject to meeting prescribed conditions. The applicable tax rate for India is 43.26% (2019: 43.26% and 2018: 43.26%), whereas that of Madagascar is 20% (2019: 20% and 2018: 20%) and Kenya is 30% (2019: 30% and 2018: 30%).

17 a CURRENT TAX LIABILITIES

Current tax liabilities can be analysed as follows:

	The Group			The Company		
Statement of financial position	**31 December 2021**	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
At 01 January	**260,225**	712,071	502,109	**-**	-	503
Income tax expenses	**431,289**	421,064	784,562	**4,140**	-	-
Corporate Social Responsibility contribution	**74,655**	70,257	43,597	**-**	-	860
Underprovision / (overprovision) in prior years	**29,207**	24,948	3,940	**-**	(336)	(503)
Paid during the year	**(667,121)**	(1,140,644)	(800,502)	**-**	336	(860)
Exchange difference	**-**	1,161	6,997	**-**	-	-
Bank levy payable	**186,416**	171,368	171,368	**-**	-	-
At 31 December	**314,671**	260,225	712,071	**4,140**	-	-

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

17. TAXATION (CONT'D

17 b. TAX EXPENSE

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

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
In Mauritius	**459,623**	191,466	1,069,241	**4,140**	(336)	357
Overseas	**(18,303)**	108,660	(352,112)	**-**	-	-
Total tax expense	**441,319**	300,126	717,129	**4,140**	(336)	357
Income tax expense	**471,052**	445,615	803,719	**4,140**	(336)	(503)
Deferred income tax (Note 17b)	**(291,506)**	(398,481)	(301,792)	**-**	-	-
Corporate Social Responsibility contribution	**74,655**	70,266	43,597	**-**	-	860
Special levy on banks	**186,416**	171,368	171,211			
Withholding tax	**702**	11,358	394	**-**	-	-
Total tax expense	**441,319**	300,126	717,129	**4,140**	(336)	357

17 c. Tax reconciliation

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit/(loss) before income tax from continuing operations	**2,178,307**	1,313,230	752,450	**(298,381)**	(501,768)	737,535
Tax on accounting profit at applicable tax rates	**142,640**	210,194	102,216	**(44,757)**	(75,265)	110,630
Under / (Over) provision in previous periods	**29,197**	26,111	10,396	**-**	(337)	(503)
Non allowable expenses	**249,393**	153,114	679,277	**162,495**	101,024	122,863
Exempt income	**(234,122)**	(205,341)	(351,277)	**(102,352)**	(41,425)	(235,229)
Corporate Social Responsibility contribution	**74,655**	70,266	43,597	**-**	-	860
Special levy on banks	**186,416**	171,368	171,211	**-**	-	-
Deferred tax assets not recognised	**(53)**	(153,781)	95,676	**(11,247)**	15,667	1,736
Deferred tax on bargain purchase	**(12,610)**	-	-	**-**	-	-
Effect of tax rates in foreign jurisdiction	**19,604**	16,837	16,937	**-**	-	-
Tax loss utilised	**(14,505)**	-	(1,787)	**-**	-	-
Withholding tax	**702**	11,358	394	**-**	-	-
	441,319	300,126	766,640	**4,140**	(336)	357
Foreign tax credit	**-**	-	(49,511)	**-**	-	-
Total tax expense / (income)	**441,319**	300,126	717,129	**4,140**	(336)	357

17. TAXATION (CONT'D)

17 d. DEFERRED TAX ASSETS/(LIABILITIES)

Accounting policy

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

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

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

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

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

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

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

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

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

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

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

Change in tax rate of SBM Bank (Mauritius) Ltd

The deferred tax rate applied for segment A and segment B in SBM (Bank) Mauritius Ltd is 7% and 5% respectively (2020 7% & 5% and 2019: 7% & 3 %). The change in the rate resulted in a tax credit of MUR 112.59 million in the statement of profit or loss and MUR 110.47 million in other comprehensive income. Deferred tax (assets) / liabilities are treated as non current (assets) / liabilities as they have a maturity of over more than one year.

Reconciliation of deferred tax assets/(liabilities)

	The Group	The Company
	MUR' 000	**MUR' 000**
At 01 January 2019	70,037	-
Exchange difference	(9,447)	-
Deferred income tax (Note 17a)	(189,205)	
Deferred tax on retirement benefit obligations	(14,271)	-
Deferred tax on revaluation of property	9,950	-
Change in tax rate - recognised in		
- Other comprehensive income	(110,469)	-
- Statement of profit or loss (Note 17a)	(112,587)	-
At 31 December 2019	(355,992)	-
At 01 January 2019	(355,992)	-
Exchange difference	(5,440)	-
Deferred income tax (Note 17a)	(398,481)	-
Deferred tax on retirement benefit obligations	(51,409)	-
Underprovision of deferred tax assets in prior years	5,212	-
At 31 December 2020	(806,110)	-
At 01 January 2021	**(806,110)**	-
Exchange difference	**(15,123)**	-
Deferred income tax (Note 17a)	**(291,506)**	-
Deferred tax on retirement benefit obligations	**25,667**	-
At 31 December 2021	**(1,087,073)**	-

17. TAXATION (CONT'D)

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

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Deferred tax assets	**1,087,074**	806,110	355,992	**-**	-	-
Deferred tax liabilities	**-**	-	-	**-**	-	-
	1,087,074	806,110	355,992	**-**	-	-
Analysed as follows:						
Mauritius Operations	**521,576**	497,123	219,302	**-**	-	-
Indian Operations	**-**	-	-	**-**	-	-
Kenya Operations	**565,498**	308,987	136,690			
	1,087,074	806,110	355,992	**-**	-	-
Analysed as resulting from:						
Accelerated capital allowances	**(29,892)**	(142,376)	(201,527)	**-**	-	-
Allowances for credit impairment	**663,072**	667,424	525,758	**-**	-	-
Carried forward losses	**-**	(459,521)	137,828	**-**	-	-
Revaluation of property	**(77,709)**	-	(160,247)	**-**	-	-
Defined benefit plans and retirement residual gratuity	**-**	50,686	23,380	**-**	-	-
Bargain purchase	**-**	3,821	(374,805)	**-**	-	-
Interest payable	**85,166**					
Other provisions	**450,921**	686,076	405,605	**-**	-	-
Exchange differences	**(4,485)**					
	1,087,074	806,110	355,992	**-**	-	-

18. OTHER LIABILITIES

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Bills payable	**322,231**	230,908	381,142	**-**	-	-
Accruals for expenses	**1,554,887**	1,086,191	953,880	**37,431**	14,502	16,516
Accounts payable	**4,952,612**	3,629,367	4,406,467	**125,570**	196,704	96,072
Deferred income	**49,976**	60,863	56,795	**-**	-	-
Balance due in clearing	**2,908**	473	15,762	**-**	-	-
Balances in transit	**971,013**	862,905	899,888	**-**	-	-
ECL on memorandum Items (Note 22)	**329,498**	368,722	156,426	**-**	-	-
Others	**139,792**	90,931	309,618	**-**	-	-
	8,322,917	6,330,359	7,179,977	**163,001**	211,206	112,588

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

19. SUBORDINATED DEBTS

	The Group and the Company		
	31 December 2021	31 December 2020	31 December 2019
Subordinated Bonds:	**MUR' 000**	MUR' 000	MUR' 000
Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024	**1,514,667**	1,514,667	1,521,542
Class B 1 series bond of USD floating interest rate senior unsecured bonds maturing in 2021	**-**	2,575,899	2,388,057
Class A 2 series bond of MUR fixed interest rate senior unsecured bonds maturing in 2028	**3,060,520**	3,060,520	3,060,520
Class B 2 series bond of USD fixed interest rate senior unsecured bonds maturing in 2025	**3,295,374**	2,991,700	2,769,862
Class A 3 series bond of MUR fixed interest rate senior unsecured bonds maturing in 2031	**1,003,452**	-	-
Class B 3 series bond of MUR floating interest rate senior unsecured bonds maturing in 2031	**1,003,333**	-	-
	9,877,346	10,142,786	9,739,981

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

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

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

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

The Class B 1 Series bond amounting to USD 65 million has matured in May 2021. This was fully repaid during the year.

Private placement of Subordinated Tier II bonds amounting to MUR 2 Bilion at a price of MUR 10,000 per bond maturing 2031, issued in two series: Series A3 and Series B3, at the rate of 4.2% and 4.0%.

20. STATED CAPITAL AND TREASURY SHARES

	The Group		The Company	
Authorised, issued and paid up share capital	Number	MUR' 000	Number	MUR' 000
At 31 December 2021	**3,037,402,230**	**32,500,204**	**3,037,402,230**	**32,500,204**
At 31 December 2020	3,037,402,230	32,500,204	3,037,402,230	32,500,204
At 31 December 2019	3,037,402,230	32,500,204	3,037,402,230	32,500,204
Treasury shares held				
At 31 December 2021	**455,610,330**	**4,875,031**	**455,610,330**	**4,875,031**
At 31 December 2020	**455,610,330**	**4,875,031**	**455,610,330**	**4,875,031**
At 31 December 2019	455,610,330	4,875,031	455,610,330	4,875,031

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

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.

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Dividend declared after the reporting date:						
2020: nil ;2019: nil ; 2018: 5 cents per share of nominal 10 cents	-	-	-	-	-	-
Dividend declared in preceeding year and paid in current year:						
2019: nil 2018: 5 cents; 2017: 10 cents	-	-	129,090	-	-	129,090
Dividend declared and paid in current year:						
2020:nil; 2019:30 cents; 2018:25 cents	-	-	774,542	-	-	774,542
	-	-	903,632	-	-	903,632
Less dividend declared and paid during the year	-	-	(903,632)	-	-	(903,632)
Dividend payable	-	-	-	-	-	-

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

22. MEMORANDUM ITEMS

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

	The Group		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Acceptances on account of customers	**1,878,468**	361,590	792,774
Guarantees on account of customers	**13,377,544**	11,433,868	8,037,776
Letters of credit and other obligations on account of customers	**3,196,187**	3,974,549	760,345
Other contingent items	**2,706,038**	202,295	185,584
	21,158,237	15,972,302	9,776,479
b. Commitments			
Undrawn credit facilities	**21,042,819**	15,342,522	13,675,505
c. Other			
Inward bills held for collection	**319,258**	227,129	195,680
Outward bills sent for collection	**2,003,361**	1,584,874	982,276
	2,322,619	1,812,003	1,177,956
Total Note	**44,523,675**	33,126,827	24,629,940

22. MEMORANDUM ITEMS (CONT'D)

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

	31 December 2021			
Internal rating grade	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Performing				
High grade	**21,213,380**	**1,255**	**-**	**21,214,636**
Standard grade	**14,276,586**	**707,855**	**-**	**14,984,442**
Sub-standard grade	**6,731,991**	**1,431,873**	**-**	**8,163,864**
Past due but not impaired	**-**	**-**	**-**	**-**
Non-performing				
Individually impaired	**-**	**-**	**160,734**	**160,734**
Total Note	**42,221,958**	**2,140,984**	**160,734**	**44,523,675**

	31 December 2020			
Internal rating grade	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Performing				
High grade	16,897,993	8,047	-	16,906,040
Standard grade	8,939,807	334,060	-	9,273,867
Sub-standard grade	5,652,053	1,050,224	-	6,702,277
Past due but not impaired	-	54,140	-	54,140
Non-performing				
Individually impaired	-	-	190,503	190,503
Total Note	31,489,853	1,446,471	190,503	33,126,827

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

22. MEMORANDUM ITEMS (CONT'D)

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

	31 December 2021			
	Stage 1 Individual MUR'000	**Stage 2 Individual MUR'000**	**Stage 3 MUR'000**	**Total MUR'000**
Gross carrying amount as at 01 January 2021	**31,489,853**	**1,446,471**	**190,503**	**33,126,827**
New exposures	**22,975,389**	**906,474**	**16,127**	**23,897,990**
Exposures derecognised or matured/lapsed	**(12,373,901)**	**(1,073,030)**	**(47,009)**	**(13,493,939)**
Transfers to Stage 1	**285,413**	**(285,413)**	**-**	**-**
Transfers to Stage 2	**(1,132,617)**	**1,132,617**	**-**	**-**
Transfers to Stage 3	**-**	**(1,020)**	**1,020**	**-**
Translation adjustments	**977,821**	**14,884**	**94**	**992,798**
Gross carrying amount as at 31 December 2021	**42,221,958**	**2,140,983**	**160,735**	**44,523,676**

	31 December 2020			
	Stage 1 Individual MUR'000	**Stage 2 Individual MUR'000**	**Stage 3 MUR'000**	**Total MUR'000**
Gross carrying amount as at 01 January 2020	22,370,435	2,258,500	1,005	24,629,940
New exposures	21,648,167	617,553	62,859	22,328,579
Exposures derecognised or matured/lapsed	(12,474,154)	(1,471,906)	(8,107)	(13,954,167)
Transfers to Stage 1	211,246	(211,246)	-	-
Transfers to Stage 2	(387,022)	387,022	-	-
Transfers to Stage 3	-	(134,746)	134,746	-
Translation adjustments	121,181	1,294	-	122,475
Gross carrying amount as at 31 December 2020	31,489,853	1,446,471	190,503	33,126,827

	31 December 2019			
	Stage 1 Individual MUR'000	**Stage 2 Individual MUR'000**	**Stage 3 MUR'000**	**Total MUR'000**
Gross carrying amount as at 01 January 2019	14,933,183	5,518,093	3,498	20,454,774
New exposures	12,657,043	1,167,803	-	13,824,846
Exposures derecognised or matured/lapsed	(7,714,536)	(2,090,913)	(2,533)	(9,807,982)
Transfers to Stage 1	2,424,141	(2,424,141)	-	-
Transfers to Stage 2	(87,122)	87,242	(120)	-
Transfers to Stage 3	(160)	-	160	-
Translation adjustments	157,886	416	-	158,302
Gross carrying amount as at 31 December 2019	22,370,435	2,258,500	1,005	24,629,940

22. MEMORANDUM ITEMS (CONT'D)

	31 December 2021			
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2021	**106,503**	**111,407**	**150,812**	**368,722**
New exposures	**70,059**	**22,429**	**28,533**	**121,022**
Exposured derecognised or repaid	**(66,650)**	**(78,972)**	**(16,974)**	**(162,596)**
Transfers to Stage 1	**244**	**(244)**	**-**	**-**
Transfers to Stage 2	**(3,139)**	**3,139**	**#REF!**	**#REF!**
Transfers to Stage 3	**#REF!**	**(1)**	**1**	**#REF!**
Foreign exchange adjustments	**2,143**	**158**	**49**	**2,350**
At 31 December 2021	**#REF!**	**57,916**	**#REF!**	**#REF!**

	31 December 2020			
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2020	136,059	15,508	8,455	160,022
New exposures	76,231	107,555	144,625	328,411
Exposured derecognised or repaid	(104,183)	(13,361)	(2,692)	(120,236)
Transfers to Stage 1	559	(559)	-	-
Transfers to Stage 2	(2,688)	2,688	-	-
Transfers to Stage 3	-	(424)	424	-
Foreign exchange adjustments	525	-	-	525
At 31 December 2020	106,503	111,407	150,812	368,722

	31 December 2019			
	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 1 January 2019	161,446	13,664	4,590	179,700
New exposures	78,232	10,082	-	88,314
Exposured derecognised or repaid	(139,701)	(22,593)	(994)	(163,288)
Transfers to Stage 1	25,545	(25,545)	-	-
Transfers to Stage 2	(248)	248	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	3,468	39,652	4,761	47,881
Foreign exchange adjustments	3,720	-	98	3,818
At 31 December 2019	132,462	15,508	8,455	156,425

The Group is subject to various legal claims from former employees and customers with claims totaling MUR 724.8 million (2020: MUR 724.8 million; 2019: MUR 932.8 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 Group has not made any provision on the basis that so far there is no indication that the claims would succeed in court.

In 2019, Kenya Revenue Authority (KRA) demanded from SBM Bank (Kenya)Ltd ("SBMBK"), excise duty on gain on business combination that was recognized in the financial statements for the period ended 31 December 2018. This demand notice was disputed by SBMBK and an appeal lodged at the Tax Tribunal through the services of a tax consultant. The appeal was not granted by the Tax Tribunal citing gaps in documentation provided by SBMBK. The latter has appealed against the decision of the Tax Tribunal in the High Court. The hearing and determination of the appeal is being awaited. The directors, in consideration of the underlying facts about the demand notice, are confident that SBMBK is not liable for payment of this tax. Consequently, no provision has been made in these financial statements for the principal tax, penalties and interest totaling KShs 400 millon (MUR 154 million).

23. ASSETS PLEDGED

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

	The Group		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Treasury bills / Government bonds	**4,461,014**	9,470,767	3,638,940
Other	**-**	5,704,231	-
	4,461,014	15,174,998	3,638,940
Analysed as:			
- In Mauritius	**4,076,830**	6,555,000	70,000
- Overseas	**384,184**	8,619,998	3,568,940
	4,461,014	15,174,998	3,638,940

24. CAPITAL COMMITMENTS

	The Group		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Approved and contracted for	**253,748**	101,081	187,111
Approved and not contracted for	**219,599**	282,953	402,998

25. NET INTEREST INCOME / (EXPENSES)

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Interest Income using the effective interest method						
Cash and cash equivalents	**107,187**	120,984	264,649	**-**	-	-
Loans to and placements with banks	**124,105**	133,551	229,843	**-**	-	-
Loans and advances to non-bank customers	**7,318,631**	6,782,849	6,592,597	**-**	-	-
Investment securities at amortised cost	**3,317,068**	2,942,378	2,529,391	**70,976**	51,929	76,627
Investment securities at FVTOCI	**855,114**	1,051,956	1,197,111	**-**	357	1,236
Other	**-**	22,672	-	**-**	-	-
	11,722,105	11,054,390	10,813,591	**70,976**	52,286	77,863
Interest income on financial instruments at fair value						
Investment securities at FVTPL	**(19,676)**	13,591	24,771	**-**	-	-
Derivatives held for risk management	**155,159**	188,422	122,786	**-**	-	-
	135,483	202,013	147,557	**-**	-	-
Total interest income	**11,857,588**	11,256,403	10,961,148	**70,976**	52,286	77,863
Interest expense using the effective interest method						
Deposits from non-bank customers	**(2,914,145)**	(2,450,927)	(2,971,139)	**-**	-	-
Other borrowed funds	**(497,524)**	(669,903)	(650,468)	**-**	-	-
Subordinated debts	**(444,726)**	(444,508)	(476,589)	**(445,205)**	(444,508)	(476,589)
Interest expense on lease liabilities	**(64,905)**	(60,093)	(57,280)	**-**	-	-
Total interest expense	**(3,921,301)**	(3,625,431)	(4,155,476)	**(445,205)**	(444,508)	(476,589)
Other interest expense						
Derivatives held for risk management	**(395,716)**	(434,831)	(163,906)	**(30,575)**	(50,728)	(9,784)
Total interest expense	**(4,317,017)**	(4,060,262)	(4,319,382)	**(920,986)**	(495,236)	(486,373)
Net interest income / (expense)	**7,540,571**	7,196,141	6,641,766	**(850,009)**	(442,950)	(408,510)

26. NET FEE AND COMMISSION INCOME/(EXPENSE)

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000 *Restated*	**MUR' 000**	MUR' 000	MUR' 000
Fee and commission income						
Retail banking customer fees	**408,224**	331,815	340,641	**-**	-	-
Corporate banking customer fees	**611,354**	461,586	472,319	**-**	-	-
Brokerage income	**75,511**	43,213	44,272	**-**	-	-
Asset management fees	**59,347**	40,684	42,956	**-**	-	-
Card income	**370,937**	370,742	411,385	**-**	-	-
Other	**238,011**	203,331	164,971	**-**	-	-
Total fee and commission income	**1,763,384**	1,451,371	1,476,544	**-**	-	-
Fee and commission expense						
Interbank transaction fees	**(41,695)**	(37,467)	(2,344)	**-**	-	-
Brokerage	**-**	(1,042)	(18,719)	**-**	-	-
Other	**(37,915)**	(18,803)	(22,445)	**-**	(13)	(150)
Total fee and commission expense	**(79,610)**	(57,312)	(43,508)	**-**	(13)	(150)
Net fee and commission income/(expense)	**1,683,774**	1,394,059	1,433,036	**-**	**(13)**	**(150)**

* Out of the other fee and commission income (2021: MUR'000 238,011); ((2020: MUR'000 203,331) and ((2019: MUR'000 164,971)an amount of MUR'000 108,112; MUR'000 103,284 pertain to revenue from contract with customers disclosed in note 26.a.(i).

26.a REVENUE FROM CONTRACTS WITH CUSTOMERS

Significant accounting estimates and judgements

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

Accounting policy

Identify the performance obligations

SBM Mauritius Asset Managers Ltd

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

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

SBM Capital Markets Ltd

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

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

Identify the performance obligations (cont'd)

SBM Capital Markets Ltd (cont'd)

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

SBM Fund Services Ltd

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

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

SBM Factors Ltd

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

SBM Insurance Agency Ltd

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

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

Determine the transaction price

SBM Mauritius Asset Managers Ltd

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

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

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

Arranger fees are based on an agreed percentage of the amount raised on behalf of the client.The fees are recognised when they are probable to be received
Commission from structured products on the other hand represents a fixed consideration on the amount invested by third parties.

SBM Securities Ltd

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

SBM Fund Services Ltd

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

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

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

Accounting policy (cont'd)

SBM Capital Markets Ltd

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

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

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

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

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

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

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

SBM Factors Ltd

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

Signing fee is charged upon onboarding of a new client.

SBM Insurance Agency Ltd

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

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

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

Allocate the transaction price to the performance obligations

SBM Mauritius Asset Managers Ltd

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

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

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

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

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

SBM Fund Services Ltd

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

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

SBM Capital Markets Ltd

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

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

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

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

Accounting policy (cont'd)

SBM Factors Ltd

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

SBM Insurance Agency Ltd

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

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

Satisfaction of performance obligations

SBM Mauritius Asset Managers Ltd

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

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

SBM Fund Services Ltd

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

SBM Capital Markets Ltd

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

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

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

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

SBM Factors Ltd

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

SBM Insurance Agency Ltd

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

Principal versus agent considerations

SBM Mauritius Asset Managers Ltd

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

SBM Fund Services Ltd

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

SBM Capital Markets Ltd

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

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

Accounting policy (cont'd)

SBM Factors Ltd

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

SBM Insurance Agency Ltd

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

26.a .(i) Disaggregated revenue information

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

	THE GROUP		
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
	MUR'000	MUR'000	MUR'000
SBM Mauritius Asset Managers Ltd			
Management fees	**42,337**	37,444	36,781
Retrocession fees	**-**	-	2,682
Entry and exit fees	**4,364**	2,628	3,387
Arranger fees	**314**	612	-
Commission from structured products	**-**	-	106
Asset management fees	**47,015**	40,684	42,956
SBM Capital Markets Ltd			
Commission income - Local equity	**20,065**	5,709	21,597
Commission income - Foreign equity	**40,160**	26,299	9,421
Commission income - Local bonds	**985**	1,180	793
Commission income - Foreign bonds	**20,114**	10,025	12,461
Brokerage income	**81,324**	43,213	44,272
SBM Capital Markets Ltd			
Entry and exit fees	**1,126**	1,822	612
Management fees	**19,946**	12,488	2,871
Retrocession fees	**6,782**	5,469	1,659
Advisory fees	**5,509**	4,121	8,596
SBM Fund Services Ltd			
Registry fees from Funds	**5,434**	4,784	3,569
Registry fees from other clients	**5,725**	4,886	4,357
Trustee fees	**902**	903	942
Debenture holder representative fees	**300**	-	-
Administrative fees	**6,162**	5,455	5,176
SBM Factors Ltd			
Factoring fees	**4,868**	21,055	17,862
Signing fees	**-**	75	96
SBM E-Business Ltd			
Setup fee	**118**	296	-
Network fee	**3,065**	-	-
Administrative fee	**2,139**	-	-
SBM Insurance Agency Ltd			
Life commission	**14,072**	12,797	12,845
General commission	**5,424**	2,741	2,394
DTA commission	**26,539**	26,392	23,103
Others	**108,112**	103,284	84,082
Total revenue from contracts with customers	**236,452**	187,181	171,310
Geographical markets			
Mauritius	**169,393**	145,092	145,090
Europe	**11,604**	5,469	12,399
US	**54,247**	21,972	8,538
Asia Pacific	**603**	6,225	2,244
Africa	**603**	8,423	3,039
Total revenue from contracts with customers	**236,449**	187,181	171,310
Timing of revenue recognition			
Services transferred at a point in time	**148,862**	115,752	111,158
Services transferred over time	**87,588**	71,429	60,152
Total revenue from contracts with customers	**236,451**	187,181	171,310

27. NET TRADING INCOME

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit arising from dealing in foreign currencies	**1,344,118**	734,553	641,117	**-**	-	-
Debt securities	**83,840**	179,722	443,234	**-**	-	-
Other interest rate instruments	**63,055**	137,119	153,060	**-**	-	-
	1,491,013	1,051,394	1,237,411	**-**	-	-

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

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Financial assets measured at fair value through profit or loss	**163,246**	(63,755)	(94,902)	**88,596**	366,601	-
Derivatives held for risk management purposes	**44,753**	18,086	(59,044)	**35,507**	9,847	(8,422)
	207,999	(45,668)	(153,946)	**124,103**	376,448	(8,422)

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

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Financial assets measured at amortised cost	**5,890**	180,325	27,110	**5,890**	2,372	6,396
	5,890	180,325	27,110	**5,890**	2,372	6,396

Disposal of financial assets in SBM Holdings was made for capital injection purposes in the subsidiaries of the group

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

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Debt securities measured at FVTOCI	**720,847**	1,245,740	231,379	**-**	-	371
	720,847	1,245,740	231,379	**-**	-	371

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

29. OTHER OPERATING INCOME

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Gain on disposal of property and equipment	**925**	90,482	4,493	**2,013**	-	-
Dividend income from financial assets	**139,699**	133,255	220,652	**52,345**	54,467	187,581
Dividend income from investment in subsidiaries	**-**	-	-	**500,000**	220,000	1,382,875
Others	**4,432**	(24,166)	-	**73,916**	-	-
	145,056	199,571	225,145	**628,274**	274,467	1,570,456

Accounting policy

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

30. PERSONNEL EXPENSES

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

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

The Group operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under personnel expenses. Unpaid contributions are recorded as a liability. Refer to note 13 for accounting policy on defined benefit plans.

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Salaries	**2,660,365**	2,340,238	2,304,430	**89,942**	48,566	67,826
Other social security obligations	**23,821**	20,214	31,130	**895**	652	831
Contributions to defined contribution plans	**219,589**	181,161	187,188	**9,414**	3,359	7,117
Defined benefit plans (Notes 13 (a))	**60,905**	39,545	34,166	**3,045**	(223)	1,363
Residual retirement gratuities (Notes 13 (b))	**30,172**	(79,331)	34,313	**-**	-	-
Staff welfare cost	**394,509**	340,490	246,394	**4,200**	3,672	3,003
	3,389,361	2,842,316	2,837,621	**107,496**	56,026	80,140

31. OTHER EXPENSES

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Software licensing and other information technology cost	**947,171**	783,999	692,661	**1,033**	2,571	73
Utilities	**76,233**	71,470	88,161	**91**	185	-
Professional charges	**412,512**	203,596	236,595	**22,020**	14,478	22,420
Marketing costs	**102,558**	84,403	124,161	**5,333**	1,563	6,555
Rent, repairs and maintenance	**254,265**	193,090	168,030	**4**	-	-
Licence and other registration fees	**148,066**	37,334	60,332	**26,609**	8,188	15,249
Other*	**822,375**	885,505	814,814	**358,774**	502,918	296,904
	2,763,180	2,259,397	2,184,754	**413,866**	529,904	341,201

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

32. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND MEMORANDUM ITEM

The table below shows the impairment charges recorded in the statements of profit or loss under IFRS 9 during 2021:

The Group	**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	**(161,280)**	**498,418**	**2,506,602**	**2,843,740**
Loans and placements with banks*	**(9,695)**	**-**	**-**	**(9,695)**
Debt instruments measured at amortised cost and FVTOCI**	**(96,740)**	**23,552**	**-**	**(73,188)**
Other receivables	**7,022**	**-**	**-**	**7,022**
Loan commitments	**17,885**	**-**	**-**	**17,885**
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	**(17,370)**	**(53,649)**	**11,560**	**(59,459)**
Total credit loss expense under IFRS 9	**(260,177)**	**468,321**	**2,518,162**	**2,726,306**
Write off	**-**	**-**	**-**	**163,082**
Bad debts recovered	**-**	**-**	**-**	**(414,494)**
	(260,177)	**468,321**	**2,518,162**	**2,474,893**

The Company	**31 December 2021**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Debt instruments measured at amortised cost	**(764)**	**-**	**-**	**(764)**
Total credit loss expense under IFRS 9	**(764)**	**-**	**-**	**(764)**

The Group	**31 December 2020**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Loans and advances to non-bank customers	240,788	(861,269)	4,286,736	3,666,255
Loans and placements with banks*	(7,734)	-	-	(7,734)
Debt instruments measured at amortised cost and FVTOCI**	(61,017)	24,664	-	(36,353)
Other receivables	13,338	-	-	13,338
Loan commitments	(18,351)	-	-	(18,351)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(11,730)	95,899	142,357	226,526
Total credit loss expense under IFRS 9	155,294	(740,707)	4,429,096	3,843,681
Write off	-	-	-	185,372
Bad debts recovered	-	-	-	(271,651)
	155,294	(740,707)	4,429,096	3,757,402

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

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

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

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

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

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

33. EARNINGS PER SHARE

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

	The Group		
	31 December 2021	31 December 2020	31 December 2019
Profit for the year from continuing operations	**1,736,988**	1,013,104	35,321
Profit attributable to equity holders of the parent	**1,738,869**	1,021,010	17,356
Number of shares entitled to dividend (thousands)	**2,581,792**	2,581,792	2,581,792
From continuing operations			
Basic and Diluted Earnings per share (cents)	**67.3**	39.2	1.4
From continuing and discontinued operations			
Basic and Diluted Earnings per share (cents)	**67.4**	39.5	0.7

34. NET CASH FROM OPERATING ACTIVITIES

		The Group			The Company		
				Restated			
	Notes	**31 December 2021**	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
Cash flows from operating activities		**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit for the year		**1,738,869**	1,021,010	17,356	**(302,518)**	(501,432)	737,178
Adjustments to determine net cash flows:							
Depreciation of property and equipment	10(a)	**288,042**	290,350	268,967	**969**	1,671	2,142
Depreciation of right of use assets	10(b)	**212,381**	183,480	204,214	**-**	-	-
Amortisation of intangible assets	11	**488,986**	575,386	616,923	**274**	274	208
Impairement of Equity investment		**-**	-	-	**130,000**	124,000	-
Write off of property plant and equipment	10(a)	**-**	37	10,293	**-**	-	-
Pension expense	30	**91,077**	(39,786)	68,479	**3,045**	(223)	-
Net impairment loss on financial assets		**2,474,897**	3,757,401	2,916,209	**(764)**	217	(1,085)
Write off of intangible assets	11	**14,470**	14,099	15,240	**-**	-	-
Exchange difference		**715,966**	481,978	641,350	**(134,267)**	369,616	335,824
Net gain from dealings in trading securities	29	**(1,344,118)**	(1,049,474)	(1,234,987)	**-**	-	-
Net (gain) / loss on disposal of property and equipment	29	**(7,630)**	4,017	(4,493)	**-**	-	-
Net gain on financial assets at amortised cost	28 (b)	**(5,890)**	(180,325)	(27,110)	**(5,890)**	(2,372)	(6,396)
Investment securities at fair value through profit or loss		**(124,103)**	(18,086)	59,043	**(124,103)**	(376,448)	8,422
Interest income		**(11,857,588)**	(11,256,403)	(10,666,034)	**(70,976)**	(52,286)	(77,863)
Interest expense		**4,317,017**	4,000,169	4,262,102	**475,780**	495,236	476,589
Interest on lease liabilities	10(b)	**60,093**	60,093	57,280	**-**	-	-
Tax expense	17 b	**430,061**	300,126	717,129	**4,140**	(336)	357
Share of profit of associate	9(a)	**-**	-	(139,236)	**-**	-	-
Dividend income	29	**(139,699)**	(135,175)	(223,076)	**(274,467)**	(274,467)	(1,570,456)
Operating (loss) / profit before working capital changes		**(2,647,169)**	(1,991,103)	(2,440,351)	**(298,777)**	(216,550)	(95,080)
Change in operating assets and liabilities							
Increase / (decrease) in trading assets		**1,369,079**	1,176,189	1,178,636	**(72,099)**	(6,121)	(28,289)
Decrease in loans to and placements with banks		**2,307,720**	3,816,911	1,728,743	**-**	-	-
Increase in loans and advances to non bank customers		**(13,128,266)**	(14,343,348)	(10,387,568)	**-**	-	-
(Increase) / decrease in gilt-edged investment securities		**(33,553,396)**	(18,839,350)	(22,308,819)	**973,467**	(17,218)	1,432,088
Increase in mandatory balances with central banks		**(2,355,182)**	(610,076)	(703,027)	**-**	-	-
(Increase) / decrease in other assets		**(367,043)**	17,766	(1,495,004)	**(101,247)**	181,796	(78,206)
(Decrease) / increase in trading liabilities		**(520,089)**	153,620	117,193	**-**	-	-
Increase in deposits from banks		**1,366,687**	495,793	190,819	**-**	-	-
Increase in deposits from non-bank customers		**71,718,637**	27,465,033	30,012,707	**-**	-	-
Increase / (decrease) in other liabilities		**1,992,561**	(957,165)	1,015,681	**(48,684)**	98,618	80,150
Pension contribution paid	14 (a)	**(46,802)**	(302,619)	(106,524)	**(470)**	(2,613)	-
Interest received		**11,857,588**	11,256,403	10,666,034	**41,687**	22,997	70,537
Interest paid		**(4,256,924)**	(4,000,169)	(4,262,102)	**-**	(462,046)	(485,108)
Income tax (paid)/received	17 c	**(667,121)**	(1,140,644)	(800,502)	**-**	336	(860)
Net cash from / (used in) operating activities		**33,070,280**	2,197,241	2,405,916	**493,877**	(400,801)	895,232

35. RELATED PARTY DISCLOSURES

Accounting policy

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

The Group

		Key management personnel including directors			Associates and other entities in which the Group has significant influence			Entities under common control		
		31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 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	**347,588**	137,288	209,711	**-**	2,828,699	2,589,191	**(12,974)**	1,417,901	1,687,766
	Loans to directors / entities who ceased to be related parties during the year	**(916)**	(56,568)	(49,167)	**-**	-	-	**-**	(1,417,901)	(256,891)
	Existing loans of new related parties	**29,894**	34,669	24,067	**-**	-	-	**-**	-	-
	Exchange difference	**55**	25	3,578	**-**	-	-	**-**	-	-
	Other net movements	**99,027**	115,216	11,709	**-**	(2,828,699)	239,508	**12,974**	(12,974)	(12,974)
	Balance at end of year	**475,648**	230,630	199,898	**-**	-	2,828,699	**-**	(12,974)	1,417,901
(ii)	*Off-balance sheet obligations*									
	Balance at end of year	**-**	-	-	**-**	-	720,982	**165,360**	165,360	42,235
(b)	Deposits at end of year	**217,575**	242,961	225,959	**-**	-	2,031,404	**59,581**	59,581	696,682
(c)	Interest income	**7,527**	7,432	11,904	**-**	-	84,331	**15,027**	15,027	73,085
(d)	Interest expense	**2,139**	1,692	1,720	**-**	-	29,358	**9**	9	968
(e)	Other income	**423**	186	51	**-**	-	12,548	**5,882**	5,882	29,876
(f)	Dividend income	**-**	-	-	**-**	-	-	**-**	-	-
(g)	Purchase of goods and services	**-**	-	12,549	**-**	-	-	**602**	602	-
(h)	Emoluments	**89,703**	53,096	166,466	**-**	-	-	**-**	-	-

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

The Company

		Entities in which the company has control		
		31 December 2021	31 December 2020	31 December 2019
		MUR'000	MUR'000	MUR'000
(a)	Cash and Cash Equivalents at year end	**90,055**	304,473	178,632
(b)	Derivative financial liability	**-**	41,524	47,645
(c)	Payables	**91,645**	168,468	75,026
(d)	Interest expense	**30,575**	50,728	9,784
(e)	Dividend income	**500,000**	220,000	1,382,875
(f)	Services recharged	**73,851**	90,007	1,314
(g)	Management support cost	**14,495**	-	-

35. RELATED PARTY DISCLOSURES (CONT'D)

	The Group		
	31 Dec 2021	31 Dec 2020	31 Dec 2019
Related party transactions in relation to Post Employment Benefit Plans are as follows:	**MUR' 000**	MUR' 000	MUR' 000
Deposits at end of year	**313,666**	188,549	211,640
Interest expense	**1,587**	1	216
Other income	**4**	4	-
Contributions paid	**161,360**	132,322	172,701

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.

36. CAPITAL MANAGEMENT

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

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

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

	The Group		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Tier 1 Capital	**21,906,513**	20,626,490	19,944,878
Eligible capital	**32,730,005**	30,669,954	30,175,351
Risk weighted assets	**153,042,844**	148,284,367	136,015,554
Capital adequacy ratio (%)	**21.39**	20.68	22.19

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

37. OTHER RESERVES

	Net unrealised investment fair value reserve	Net translation reserve	General reserve	Net other reserve	Earnings reserve	Restructure reserve	Total
The Group	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 1 January 2019	(837,132)	(66,526)	-	(94,669)	2,935,807	(8,316,147)	(6,378,667)
Other comprehensive income for the year	764,774	352,874	-	-	-	-	1,117,648
Reclassification of associate to their respective reserve	(76,785)	(17,884)	-	94,669	-	-	-
Transfer to retained earnings	-	(1,078)	-	-	-	-	(1,078)
At 31 December 2019	(149,143)	267,386	-	-	2,935,807	(8,316,147)	(5,262,097)
At 1 January 2020	(149,143)	267,386	-	-	2,935,807	(8,316,147)	(5,262,097)
Other comprehensive income for the year	209,300	113,072	-	-	-	-	322,372
Reclassification of reserves	-	-	1,131	-	-	-	1,131
Transfer from retained earnings to general reserve	-	-	589,241	-	-	-	589,241
At 31 December 2020	60,157	380,458	590,372	-	2,935,807	(8,316,147)	(4,349,353)
At 1 January 2021	**60,157**	**380,458**	**590,372**	**-**	**2,935,807**	**(8,316,147)**	**(4,349,353)**
Other comprehensive income for the year	**(1,383,227)**	**474,092**	**-**	**-**	**-**	**-**	**(909,135)**
Transfer from retained earnings	**-**	**-**	**120,584**	**-**	**-**	**-**	**120,584**
Reclassification of reserves	**-**	**265**	**-**	**-**	**-**	**-**	**265**
At 31 December 2021	**(1,323,070)**	**854,815**	**710,956**	**-**	**2,935,807**	**(8,316,147)**	**(5,137,639)**

Restructuring reserve

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

Fair value reserve on financial instruments recognised in OCI

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

Net translation reserve

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

General reserve

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

Earnings reserve

The earnings reserve has arisen due to the fair value of assets and liabilities during the restructuring exercise done in October 2014.

38. RISK MANAGEMENT

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

a (i) Classification of financial assets and financial liabilities

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

THE GROUP	Classification and measurement category	31 December 2021	31 December 2020	31 December 2019
Financial assets		**MUR' 000**	MUR' 000	MUR' 000
Cash and cash equivalents	Amortised cost	**47,636,821**	21,577,245	18,181,126
Mandatory balances with central banks	Amortised cost	**13,645,545**	11,290,363	10,680,287
Derivative financial instruments	Fair value through P&L	**784,250**	809,211	936,093
Loans to and placements with banks	Amortised cost	**837,970**	3,130,387	6,942,745
Loans and advances to non-bank customers	Amortised cost	**130,393,807**	119,857,873	109,198,564
Investment securities	Amortised cost	**61,196,622**	45,769,375	27,594,362
Investment securities	Fair value through OCI	**76,348,809**	58,899,447	54,385,410
Investment securities	Fair value through P&L	**8,795,454**	9,580,368	11,995,117
Equity investment	Fair value through OCI	**5,416,262**	5,181,355	6,316,046
Equity investment	Fair value through P&L	**1,669,600**	1,622,852	-
Other assets	Amortised Cost	**2,878,828**	2,650,217	2,797,855
Total financial assets		**349,603,968**	280,368,693	249,027,605
Financial liabilities				
Deposits from banks	Amortised Cost	**2,770,002**	1,403,315	907,521
Deposits from non-bank customers	Amortised Cost	**298,580,858**	226,862,221	199,397,188
Derivative financial instruments	Fair value through P&L	**759,896**	1,279,984	1,126,364
Other borrowed funds	Amortised Cost	**9,512,912**	15,017,177	13,373,033
Lease liabilities	Amortised Cost	**740,902**	804,407	795,345
Other liabilities	Amortised Cost	**7,738,986**	6,009,465	7,191,434
Subordinated debts	Amortised Cost	**9,877,346**	10,142,786	9,739,981
Total financial liabilities		**329,980,902**	261,519,355	232,530,866
THE COMPANY				
Financial assets				
Cash and cash equivalents	Amortised cost	**90,055**	304,473	178,632
Investment securities	Amortised cost	**587,201**	1,076,799	1,064,041
Investment securities	Fair value through P&L	**289,049**	661,057	598,699
Investment securities	Fair value through OCI	**8,981**	8,637	7,738
Equity investment	Fair value through OCI	**4,004,362**	3,636,307	4,227,683
Equity investment	Fair value through P&L	**1,669,600**	1,622,331	-
Other assets	Amortised Cost	**150,966**	48,900	231,000
Total financial assets		**6,800,214**	7,358,505	6,307,793
Financial liabilities				
Derivative financial instruments	Fair value through P&L	**-**	41,524	47,645
Other liabilities	Amortised Cost	**163,001**	211,206	112,588
Subordinated debts	Amortised Cost	**9,877,346**	10,142,786	9,739,981
Total financial liabilities		**10,040,347**	10,395,516	9,900,214

An amount of MUR 700 million pertaining to security deposits, prepayments and taxes has been excluded from other assets under the above section. (2020: MUR 568 million; 2019: MUR 438 million)

An amount of MUR 584 million pertaining to taxes has been excluded from other liabilities under the above section. (2020: MUR 321 million; 2019: MUR 11 million)

38. RISK MANAGEMENT (CONT'D)

a (i) Fair values

Accounting policy

The Group measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 39a (ii) below. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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**
THE GROUP	**MUR' 000**	**MUR' 000**	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets						
Cash and cash equivalents	**47,636,821**	**47,636,821**	21,577,245	21,577,245	18,181,126	18,181,126
Mandatory balances with central banks	**13,645,545**	**13,645,545**	11,290,363	11,290,363	10,680,287	10,680,287
Loans to and placements with banks	**837,970**	**837,970**	3,130,387	3,130,387	6,942,745	6,942,745
Derivative financial instruments	**784,250**	**784,250**	809,211	809,211	936,093	936,093
Loans and advances to non-bank customers	**130,393,807**	**130,100,343**	119,857,873	119,670,345	109,198,564	108,953,890
Investment securities	**153,426,747**	**151,905,238**	121,053,397	123,216,788	100,290,935	100,937,032
Other assets	**2,878,828**	**2,878,828**	2,650,217	2,650,217	2,797,855	2,797,855
	349,603,968	**347,788,995**	280,368,693	282,344,556	249,027,605	249,429,028
Financial liabilities						
Deposits from banks	**2,770,002**	**2,770,002**	1,403,315	1,403,315	907,521	907,521
Deposits from non-bank customers	**298,580,858**	**298,596,843**	226,862,221	226,889,978	199,397,188	199,396,303
Other borrowed funds	**9,512,912**	**9,512,912**	15,017,177	15,017,177	13,373,033	13,373,033
Derivative financial instruments	**759,896**	**759,896**	1,279,984	1,279,984	1,126,364	1,126,364
Lease liabilities	**740,902**	**740,902**	804,407	804,407	795,345	795,345
Other liabilities	**7,738,986**	**7,738,986**	6,009,465	6,009,465	7,191,434	7,191,434
Subordinated debts	**9,877,346**	**9,877,346**	10,142,786	10,142,786	9,739,981	9,739,981
	329,980,902	**329,996,887**	261,519,355	261,547,112	232,530,866	232,529,981
COMPANY						
Financial assets						
Cash and cash equivalents	**90,055**	**90,055**	304,473	304,473	178,632	178,632
Investment securities	**6,559,193**	**6,545,068**	7,005,132	7,519,611	5,898,161	6,298,302
Other assets	**150,966**	**150,966**	48,900	48,900	231,000	231,000
	6,800,214	**6,786,089**	7,358,505	7,872,984	6,307,793	6,707,934
Financial liabilities						
Derivative financial instruments	**-**	**-**	41,524	41,524	47,645	47,645
Other liabilities	**163,001**	**163,001**	211,206	211,206	112,588	112,588
Subordinated debts	**9,877,346**	**9,877,346**	10,142,786	10,142,786	9,739,981	9,739,981
	10,040,347	**10,040,347**	10,395,516	10,395,516	9,900,214	9,900,214

Loans and advances to non- bank customers

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

Investment securities and equity investments

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

Derivative financial instruments

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

Deposits from non-bank customers

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

Except for the levels in which the financial assets and financial liabilities are shown in table 38 (a)(iii), the fair values of the other financial assets and financial liabilities are categorised in level 3.

38. RISK MANAGEMENT (CONT'D)

a (ii) 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.

	The Group				The Company			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2021								
Derivative financial assets	-	784,250	-	784,250	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	8,229,271	-	566,183	8,795,454	289,049	-	-	289,049
Equity securities	-	1,669,600	-	1,669,600	-	1,669,600	-	1,669,600
Investments at FVTOCI (debt and equity instruments)								
Debt securities	69,304,669	5,449,990	1,594,150	76,348,809	8,981	-	-	8,981
Equity securities	82,693	628,394	4,705,174	5,416,261	-	-	4,004,362	4,004,362
Total assets	77,616,632	8,532,234	6,865,507	93,014,374	298,029	1,669,600	4,004,362	5,971,991
Derivative financial liabilities	-	759,896	-	759,896	-	-	-	-
Total liabilities	-	759,896	-	759,896	-	-	-	-

38. RISK MANAGEMENT (CONT'D)

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

	The Group				The Company			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020								
Derivative financial assets	-	809,211	-	809,211	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	9,580,368	-	-	9,580,368	661,057	-	-	661,057
Equity securities	-	1,622,852	-	1,622,852	-	1,622,331	-	1,622,331
Investments at FVTOCI (debt and equity instruments)								
Debt securities	54,193,777	3,805,254	900,416	58,899,447	8,637	-	-	8,637
Equity securities	70,959	695,204	4,415,192	5,181,355	-	-	3,636,307	3,636,307
Total assets	63,845,104	6,932,521	5,315,608	76,093,233	669,694	1,622,331	3,636,307	5,928,332
Derivative financial liabilities	-	1,279,984	-	1,279,984	-	41,524	-	41,524
Total liabilities	-	1,279,984	-	1,279,984	-	41,524	-	41,524
31 December 2019								
Derivative financial assets	-	936,093	-	936,093	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	11,445,809	-	549,308	11,995,117	598,699	-	-	598,699
Equity securities	-	-	-	-	-	-	-	-
Investments at FVTOCI (debt and equity instruments)								
Debt securities	50,494,293	2,999,631	891,486	54,385,410	7,738	-	-	7,738
Equity securities	384,887	802,826	5,128,333	6,316,046	-	-	4,227,683	4,227,683
Total assets	62,324,989	4,738,550	6,569,126	73,632,666	606,437	-	4,227,683	4,834,120
Derivative financial liabilities	-	1,126,364	-	1,126,364	-	47,645	-	47,645
Total liabilities	-	1,126,364	-	1,126,364	-	47,645	-	47,645

38. RISK MANAGEMENT (CONT'D)

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

Fair Value through other comprehensive income

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

	Favourable changes	Unfavourable changes
0.25% change in WACC (MUR'000)	369,852,131	(369,852,131)

Reconciliation of level 3 assets:

	The Group			The Company		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Balance at start of year	**5,315,608**	6,569,126	5,469,102	**3,636,307**	4,227,683	4,227,683
Additions	**1,853,822**	419,855	1,486,216	**-**	-	-
Disposals	**(656,982)**	(1,037,314)	(2,493)	**-**	-	-
Exchange difference	**(16,653)**	77,081	(11,436)	**-**	-	-
Movement in fair value	**369,712**	(713,140)	(372,263)	**368,055**	(591,376)	-
Balance at end of year	**6,865,507**	5,315,608	6,569,126	**4,004,362**	3,636,307	4,227,683

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

b Credit risk

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

38. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure

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

	THE GROUP			THE COMPANY		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Fund-based exposures:						
Cash and cash equivalents	**44,372,803**	18,244,110	15,268,102	**90,055**	304,473	178,632
Mandatory balances with Central Banks	**13,645,545**	11,290,363	10,680,287	**-**	-	-
Loans to and placements with banks	**843,079**	3,150,745	6,968,226	**-**	-	-
Derivative financial instruments	**784,250**	809,211	936,093	**-**	-	-
Loans and advances to non-bank customers	**145,085,800**	135,601,447	121,455,553	**-**	-	-
Investment securities	**153,483,834**	121,185,269	100,457,370	**6,559,207**	1,738,633	1,671,039
Other assets	**2,878,828**	2,650,217	2,797,855	**150,966**	48,900	231,000
	361,094,139	292,931,362	258,563,486	**6,800,227**	2,092,006	2,080,671
Non-fund based exposures:						
Acceptances, guarantees, letters of credit, endorsements and other obligations on account	**23,480,856**	17,784,305	10,954,435	**-**	-	-
Credit commitments	**21,042,819**	15,342,522	13,675,505	**-**	-	-
	44,523,675	33,126,827	24,629,940	**-**	-	-

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

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

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Grades:			
1 to 3 - High Grade	**67,461,972**	29,605,582	43,942,917
4 to 6 - Standard	**53,838,713**	43,604,083	46,220,106
7 to 10 (including unrated) - Sub standard	**40,850,474**	73,785,457	31,136,274
	162,151,159	146,995,122	121,299,297

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

Overview of modified loans

From a risk management point of view, once an asset is modified, the Group continues to monitor the exposure until it is completely and ultimately 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	**14,877,456**	**726,931**	25,441,261	353,714	12,494,575	326,436

38. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

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

Internal credit risk ratings

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

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

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

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

38. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

Internal credit risk ratings (Cont'd)

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

Bank's credit risk grades	BOM external rating grade	Standard & Poor's Rating services	Moody's Investors rating	Moody's Investors rating	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 Group analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time and uses probability-weighted forecasts to adjust estimates of PDs.

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

1. Inputs, assumptions and techniques used in estimating 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 Group's policies for determining if there has been a significant increase in credit risk are set out below. 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 Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

The Group 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.

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

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

The Group has monitoring procedures in place to make sure that the quantitative and qualitative criteria used to identify significant increases in credit risk are effective, meaning SICR is identified before the exposure is defaulted or when the asset becomes 30 days past due.

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 Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

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

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

38. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

Internal credit risk ratings (Cont'd)

2. Incorporation of forward-looking information

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

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.
The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The following key indicators were considered:
• Consumer Price Index [CPI];
• Nominal Bilateral Exchange Rate;
• Debt to GDP ratio;
• Unemployment rate;
• interest rate;
• official reserves;
• current account balance;
• share price index and
• real imports of goods and services.

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 Group 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 Group 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 Group 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 Group 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 Ukraine war.

Significant increase in credit risk

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

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

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

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

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

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.

38. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

Internal credit risk ratings (Cont'd)

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 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.

(iii) exposure at default (EAD).

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.

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.

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

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

EAD

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

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

38. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

Internal credit risk ratings (Cont'd)

3. Measurement of ECL

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 Group’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 Group has the legal right to call it earlier.

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

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

Financial guarantee contracts: The Group’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 Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within other liabilities.

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

Purchased or originated credit impaired financial assets (POCI): For POCI financial assets, the Group only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

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

Individually assessed allowances

The Group 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 Groupruptcy 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 Group of Mauritius Guideline on ‘Credit Impairment Measurement and Income Recognition (April 2016)’ and' Additional Macroprudential Measures For the Grouping Sector (January 2015)' which require the Group 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 regulatory provision.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Group’s accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Group’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 Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

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

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

38. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

Internal credit risk ratings (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 Group renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under this policy, renegotiation is performed on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original terms and the debtor is expected to be able to meet the revised terms.
The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to renegotiation policy. For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal based on the Group's previous experience on similar renegotiation.
Generally modification of financial assets is a qualitative indicator of a significant increase in credit risk and may constitute evidence that the exposure is credit-impaired/ in default. A customer needs to demonstrate consistently good payment behaviour over a period of time, as prescribed by BOM guidelines on Credit 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 Group, in amount and in such stipulated time, for a continuous period of six months, strictly in accordance with the terms and conditions of the restructured loan.
Where the loan has been restructured more than once, the restructured loan shall continue to be classified as impaired until repayments have been received by the financial institutions in amount and in such stipulated time, for a continuous period of nine months, at a minimum, strictly in accordance with the terms and conditions of the restructured loan.

38. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(iii) Collateral and other credit enhancements

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

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

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

Type of credit exposure	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	**44,372,803**	18,244,110	15,268,102	*Unsecured*

38. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

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

Type of credit exposure (Cont'd)	31 December 2021	31 December 2020	31 December 2019	Principal Type of collateral held
	MUR' 000	MUR' 000	MUR' 000	
Mandatory balances with Central Banks	**13,645,545**	11,290,363	10,680,287	*Unsecured*
Loans to and placements with banks	**843,079**	3,150,745	6,968,226	*Unsecured*
Derivative financial instruments	**784,250**	809,211	936,093	*Unsecured*
Loans and advances to non-bank customers	**145,085,800**	135,601,447	121,455,553	*Residential property*
Investment securities	**153,483,834**	121,185,269	100,457,370	*Unsecured*
Other assets	**2,878,828**	2,650,217	2,797,855	*Unsecured*
Non-fund based exposures:				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	**23,480,856**	17,784,305	10,954,435	*Residential property*
Credit commitments	**21,042,819**	15,342,722	13,675,505	*Unsecured*

38. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

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

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

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

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

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Up to 1 month	**714,421**	233,890	183,537
Over 1 month and up to 3 months	**558,886**	579,223	389,921
	1,273,307	813,113	573,458

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

	31 December 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)	99,727,625	828,806	97,556,964	966,197	81,985,982	725,919
31-89 days (Stage 2)	28,761,603	1,538,711	19,332,989	1,034,867	23,091,767	1,887,794
Total	128,489,228	2,367,517	116,889,953	2,001,064	105,077,749	2,613,713

38. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(v) Impaired financial assets

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

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

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 8d)	**16,596,572**	18,711,494	16,377,804
Specific allowance held in respect of impaired advances (Note 8d)	**12,324,475**	13,742,510	9,643,276
Fair value of collaterals of impaired advances	**3,419,555**	8,176,210	7,461,298

38. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(vi) Credit concentration of risk by industry sectors

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

	THE GROUP		
	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Portfolio			
Agriculture	**2,843,509**	3,227,632	2,319,392
Traders	**9,227,334**	8,042,135	9,646,283
Real estate	**5,921,847**	5,704,924	5,150,442
Financial Institutions	**-**	2,397,744	2,201,073
Services	**-**	-	2,543,437
Tourism	**5,848,610**	8,389,473	4,889,755
	23,841,300	27,761,908	26,750,382

(vii) 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 Group ensures that sufficient liquidity is maintained to fund its day-to-day operations, meet deposit withdrawals and loan disbursements. Liquidity risk is managed by setting prudential limits on maturity mismatches, liquid assets ratios, concentration of deposits by type and by entity. Liquidity gap analysis is used to measure and monitor the mismatches by time bucket and currency under realistic and stress scenarios.

38. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

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

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket *	Total
Group	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
31 December 2021								
Financial assets								
Cash and cash equivalents	47,644,101	-	-	-	-	-	(7,280)	47,636,821
Mandatory balances with central banks	3,704,569	863,306	401,928	795,710	501,526	7,378,506	-	13,645,545
Loans to and placements with banks	-	-	992	-	653,330	188,757	(5,109)	837,970
Derivative financial instruments	-	-	-	-	-	-	784,250	784,250
Loans and advances to non-bank customers	5,987,984	9,587,920	8,302,849	15,738,540	27,754,331	63,321,893	(299,710)	130,393,807
Investment securities	50,917,806	3,337,909	6,180,847	6,497,331	17,810,072	61,389,502	7,293,280	153,426,747
Other assets	-	-	-	-	-	-	2,878,828	2,878,828
	108,254,460	13,789,135	14,886,616	23,031,581	46,719,259	132,278,658	10,644,259	349,603,968
Financial liabilities								
Deposits from banks	1,483,194	292,239	95,040	526,199,408	373,330	-	-	2,770,002
Deposits from non-bank customers	44,871,525	22,934,634	11,893,972	20,154,103	12,739,966	185,986,658	-	298,580,858
Other borrowed funds	661,178	4,410,688	22,901	74,766	3,825,327	518,052	-	9,512,912
Derivative financial instruments	-	-	-	-	-	-	759,896	759,896
Subordinated debts	-	-	21,258	-	1,500,000	8,356,088	-	9,877,346
Lease liabilities	-	-	-	-	-	-	740,902	740,902
Other liabilities	-	-	-	-	-	-	7,738,986	7,738,986
Total financial liabilities	47,015,898	27,637,561	12,033,171	20,755,068	18,438,623	194,860,798	9,239,784	329,980,902
Liquidity Gap	61,238,563	(13,848,426)	2,853,445	2,276,513	28,280,636	(62,582,140)	1,404,475	19,623,066

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.

38. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket *	Total
Group	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020								
Financial assets								
Cash and cash equivalents	21,559,196	19,719	-	-	-	-	(1,670)	21,577,245
Mandatory balances with central banks	3,178,071	536,542	252,663	701,226	337,968	6,283,893	-	11,290,363
Loans to and placements with banks	-	46,000	1,260,591	1,008,285	593,109	242,760	(20,358)	3,130,387
Derivative financial instruments	-	-	-	-	-	-	809,212	809,212
Loans and advances to non-bank customers	4,888,018	6,749,608	7,552,598	10,249,836	32,906,239	56,812,399	699,175	119,857,873
Investment securities	34,145,958	1,112,125	5,749,689	5,815,198	17,021,764	50,590,975	6,617,688	121,053,397
Other assets	-	-	-	-	-	-	2,650,217	2,650,217
	63,771,243	8,463,994	14,815,541	17,774,545	50,859,080	113,930,027	10,754,264	280,368,693
Financial liabilities								
Deposits from banks	1,004,821	-	398,494	-	-	-	-	1,403,315
Deposits from non-bank customers	30,952,096	15,111,610	8,088,167	18,463,886	9,933,096	144,313,366	-	226,862,221
Other borrowed funds	1,268,589	2,039,641	2,225,506	1,062,055	7,769,690	651,696	-	15,017,177
Derivative financial instruments	-	-	-	-	-	-	1,279,984	1,279,984
Subordinated debts	-	-	2,575,899	-	-	7,566,887	-	10,142,786
Lease liabilities	-	-	-	99,727	-	704,680	-	804,407
Other liabilities	-	-	-	-	-	-	6,009,465	6,009,465
Total financial liabilities	33,225,506	17,151,251	13,288,066	19,625,668	17,702,786	153,236,628	7,289,449	261,519,355
Liquidity Gap	30,545,737	(8,687,257)	1,527,475	(1,851,123)	33,156,294	(39,306,602)	3,464,815	18,849,338

38. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket *	Total
Group	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019								
(as restated)								
Financial assets								
Cash and cash equivalents	18,181,480	4,496	-	-	-	-	(4,850)	18,181,126
Mandatory balances with central banks	3,592,349	300,317	197,619	457,473	329,940	5,537,396	265,193	10,680,287
Loans to and placements with banks	1,832,440	395,111	2,728,703	1,249,520	762,453	-	(25,482)	6,942,745
Derivative financial instruments	-	-	-	-	-	-	936,093	936,093
Loans and advances to non-bank customers	5,710,068	6,105,555	5,326,436	10,118,903	28,698,900	50,154,607	3,084,095	109,198,564
Investment securities	30,349,176	4,222,832	3,565,739	6,216,733	12,155,524	37,203,340	6,577,591	100,290,935
Other assets	-	-	-	-	-	-	2,797,855	2,797,855
	59,665,513	11,028,311	11,818,497	18,042,629	41,946,817	92,895,343	13,630,495	249,027,605
Financial liabilities								
Deposits from banks	871,688	23,747	12,086	-	-	-	-	907,521
Deposits from non-bank customers	27,658,415	10,660,621	7,613,939	12,384,050	7,165,911	128,249,279	5,664,973	199,397,188
Other borrowed funds	7,901,991	43,307	1,272,535	146,271	2,398,950	1,609,979	-	13,373,033
Derivative financial instruments	-	-	-	-	-	-	1,126,364	1,126,364
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	-	9,739,981
Lease liabilities						795,345		795,345
Other liabilities	-	-	-	-	-	-	7,191,434	7,191,434
Total financial liabilities	36,432,094	10,727,675	8,927,324	12,530,321	11,945,696	137,984,985	13,982,771	232,530,866
Liquidity Gap	23,233,419	300,636	2,891,173	5,512,308	30,001,121	(45,089,641)	(352,276)	16,496,739

38. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity *	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Company								
31 December 2021								
Financial assets								
Cash and cash equivalents	90,055	-	-	-	-	-	-	90,055
Investment securities	-	-	52,509	-	8,711	535,000	5,962,973	6,559,193
Other assets	-	-	-	-	-	-	150,966	150,966
	90,055	-	52,509	-	8,711	535,000	6,113,939	6,800,214
Financial liabilities								
Subordinated debts	-	-	21,258	-	1,500,000	8,356,088	-	9,877,346
Other liabilities	-	-	-	-	-	-	163,001	163,001
	-	-	21,258	-	1,500,000	8,356,088	163,001	10,040,347
Liquidity Gap	90,055	-	31,251	-	(1,491,289)	(7,821,088)	5,950,938	(3,240,133)

* 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

38. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity *	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Company								
31 December 2020								
Financial assets								
Cash and cash equivalents	304,473	-	-	-	-	-	-	304,473
Investment securities	661,058	-	179,306	-	157,908	749,000	5,257,860	7,005,132
Other assets	-	-	-	-	-	-	48,900	48,900
	965,531	-	179,306	-	157,908	749,000	5,306,760	7,358,505
Financial liabilities								
Derivative financial instruments							41,524	41,524
Subordinated debts	-	-	2,575,899	-	-	7,566,887	-	10,142,786
Other liabilities	-	-	-	-	-	-	211,206	211,206
	-	-	2,575,899	-	-	7,566,887	252,730	10,395,516
Liquidity Gap	965,531	-	(2,396,593)	-	157,908	(6,817,887)	5,054,030	(3,037,011)
31 December 2019								
Financial assets								
Cash and cash equivalents	178,632	-	-	-	-	-	-	178,632
Investment securities	239,844	-	26,674	-	353,500	452,321	4,825,822	5,898,161
Other assets	-	-	-	-	-	-	231,000	231,000
	418,476	-	26,674	-	353,500	452,321	5,056,822	6,307,793
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	47,645	47,645
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	-	9,739,981
Other liabilities	-	-	-	-	-	-	112,588	112,588
	-	-	28,764	-	2,380,835	7,330,382	160,233	9,900,214
Liquidity Gap	418,476	-	(2,090)	-	(2,027,335)	(6,878,061)	4,896,589	(3,592,421)

38. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

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

Group	On Demand	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial liabilities							
Deposits	**233,737,420**	**23,181,669**	**15,338,295**	**16,150,827**	**12,197,473**	**745,176**	**301,350,860**
Derivative financial instruments	**759,896**	**-**	**-**	**-**		**-**	**759,896**
Other borrowed funds	**-**	**5,071,866**	**22,901**	**74,766**	**3,825,327**	**518,052**	**9,512,912**
Subordinated debts	**-**	**-**	**21,258**	**-**	**1,500,000**	**8,356,088**	**9,877,346**
Lease liabilities	**-**	**-**	**-**	**-**	**-**	**740,902**	**740,902**
Other liabilities	**7,738,986**	**-**	**-**	**-**	**-**	**-**	**7,738,986**
31 December 2021	**242,236,302**	**28,253,535**	**15,382,454**	**16,225,593**	**17,522,800**	**10,360,218**	**329,980,902**
Financial liabilities							
Deposits	176,942,836	22,650,827	7,137,145	15,090,185	5,673,965	770,577	228,265,535
Derivative financial instruments	1,279,984	-	-	-		-	1,279,984
Other borrowed funds	-	732,331	4,801,404	1,062,055	202,804	8,218,583	15,017,177
Subordinated debts	-	2,575,899	-	-	7,566,887	-	10,142,786
Lease liabilities	-	-	-	99,726,902	-	704,680	804,407
Other liabilities	6,009,465	-	-	-	-	-	6,009,465
31 December 2020	184,232,285	25,959,057	11,938,549	16,251,967	13,443,656	9,693,841	261,519,355
Deposits	149,121,514	23,787,816	5,921,274	9,885,889	8,922,818	2,665,398	200,304,709
Derivative financial instruments	1,126,364	-		-		-	1,126,364
Other borrowed funds	85	7,945,298	1,272,450	146,271	2,398,950	1,609,979	13,373,033
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	9,739,981
Lease liabilities	-	-	-	-	-	795,345	795,345
Other liabilities	7,191,434	-	-	-	-	-	7,191,434
31 December 2019 (as restated)	157,439,397	31,733,114	7,222,488	10,032,160	13,702,603	12,401,104	232,530,866

38. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

	On Demand	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Total
Company	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Financial liabilities							
Subordinated debts	**-**	**-**	**21,258**	**-**	**1,500,000**	**8,356,088**	**9,877,346**
Other liabilities	**163,001**	**-**	**-**	**-**	**-**	**-**	**163,001**
31 December 2021	**163,001**	**-**	**21,258**	**-**	**1,500,000**	**8,356,088**	**10,040,347**
Financial liabilities							
Derivative financial instruments	-	-	-	-	-	41,524	41,524
Subordinated debts	-	2,575,899	-	-	7,566,887	-	10,142,786
Other liabilities	211,206	-	-	-	-	-	211,206
31 December 2020	211,206	2,575,898,721	-	-	7,566,887	41,524	10,395,516
Financial liabilities							
Derivative financial instruments	47,645	-	-	-	-	-	47,645
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	9,739,981
Other liabilities	112,588	-	-	-	-	-	112,588
31 December 2019	160,233	-	28,764	-	2,380,835	7,330,382	9,900,214

d Market risk

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

38. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk

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

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

Group	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
31 December 2021	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Assets								
Cash and cash equivalents	**3,291,256**	**-**	**-**	**-**	**-**	**-**	**44,345,566**	**47,636,821**
Mandatory balances with central banks	**-**	**-**	**-**	**-**	**-**	**-**	**13,645,543**	**13,645,544**
Loans to and placements with banks	**653,330**	**-**	**-**	**-**	**188,757**	**-**	**(4,116)**	**837,970**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**784,250**	**784,250**
Loans and advances to non-bank customers	**106,456,902**	**3,673,010**	**3,782,356**	**10,820,993**	**7,525,910**	**10,053,180**	**(11,918,546)**	**130,393,807**
Investment securities	**19,374,817**	**15,034,649**	**18,628,830**	**17,925,328**	**33,508,083**	**40,395,488**	**8,559,554**	**153,426,747**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**2,878,828**	**2,878,828**
Total assets	**129,776,305**	**18,707,659**	**22,411,185**	**28,746,321**	**41,222,750**	**50,448,668**	**58,291,079**	**349,603,968**
Liabilities								
Deposits from banks	**1,789**	**-**	**-**	**-**	**-**	**-**	**2,768,213**	**2,770,002**
Deposits from non-bank customers	**120,032,082**	**10,599,419**	**16,410,952**	**6,273,186**	**2,344,615**	**778**	**142,919,826**	**298,580,858**
Other borrowed funds	**5,811,831**	**-**	**-**	**3,576,334**	**-**	**121,454**	**3,293**	**9,512,912**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**		**759,896**	**759,896**
Lease liabilities							**740,902**	**740,902**
Subordinated debts	**1,500,000**	**-**	**-**	**-**	**3,295,568**	**5,060,520**	**21,258**	**9,877,346**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**7,738,986**	**7,738,986**
Total liabilities	**127,345,702**	**10,599,420**	**16,410,952**	**9,849,520**	**5,640,184**	**5,182,752**	**154,952,374**	**329,980,902**
On balance sheet interest rate sensitivity gap	**2,430,601**	**8,108,239**	**6,000,232**	**18,896,800**	**35,582,568**	**45,265,916**	**(96,661,295)**	**19,623,066**
Off balance sheet interest rate sensitivity gap	**8,793,601**	**(3,568,124)**	**(838,111)**	**(2,510,099)**	**(951,516)**	**(921,239)**	**-**	**4,512**
	11,224,202	**4,540,116**	**5,162,122**	**16,386,701**	**34,631,052**	**44,344,677**	**(96,661,295)**	**19,627,578**

38. 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	2,543,035	-	-	-	-	-	19,034,210	21,577,245
Mandatory balances with central banks	-	-	-	-	-	-	11,290,363	11,290,363
Loans to and placements with banks	1,890,154	1,243,992	-	0	-	-	(3,759)	3,130,387
Derivative financial instruments	-	-	-	-	-	-	809,211	809,211
Loans and advances to non-bank customers	97,667,632	7,072,318	6,612,937	6,640,456	4,422,759	4,604,186	(7,162,416)	119,857,873
Investment securities	15,453,258	5,676,749	11,269,902	15,654,077	32,128,390	30,035,697	10,835,324	121,053,397
Other assets	-	-	-	-	-	-	2,650,217	2,650,217
Total assets	117,554,079	13,993,059	17,882,839	22,294,533	36,551,149	34,639,883	37,453,150	280,368,693
Liabilities								
Deposits from banks	-	398,494	-	-	-	-	1,004,821	1,403,315
Deposits from non-bank customers	96,025,962	6,722,207	14,890,715	5,288,749	2,015,407	719	101,918,462	226,862,221
Other borrowed funds	10,974,971	417,841	-	3,462,912	102,866	-	58,587	15,017,177
Derivative financial instruments	-	-	-	-	-	-	1,279,984	1,279,984
Subordinated debts	-	-	-	-	-	-	804,407	804,407
Lease liabilities	1,514,667	2,575,899	-	-	-	6,052,220	-	10,142,786
Other liabilities	-	-	-	-	-	-	6,009,465	6,009,465
Total liabilities	108,515,600	10,114,441	14,890,715	8,751,661	2,118,273	6,052,939	111,075,726	261,519,355
On balance sheet interest rate sensitivity gap	9,038,479	3,878,618	2,992,124	13,542,872	34,432,876	28,586,944	(73,622,576)	18,849,338
Off balance sheet interest rate sensitivity gap	8,793,601	(3,568,124)	(838,111)	(2,510,099)	(951,516)	(921,239)	-	4,512
	17,832,080	310,494	2,154,013	11,032,773	33,481,360	27,665,705	(73,622,576)	18,853,850

38. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
31 December 2019	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(as restated)								
Assets								
Cash and cash equivalents	2,158,613	-	-	-	-	-	16,022,513	18,181,126
Mandatory balances with central banks	-	-	-	-	-	-	10,680,287	10,680,287
Loans to and placements with banks	4,575,917	1,651,268	334,335	346,000	-	-	35,225	6,942,745
Derivative financial instruments	-	-	-	-	-	-	936,093	936,093
Loans and advances to non-bank customers	91,066,455	4,414,910	7,969,455	4,609,525	6,068,393	3,347,879	(8,278,053)	109,198,564
Investment securities	20,505,890	5,066,964	8,838,982	5,580,124	31,538,981	21,328,297	7,431,697	100,290,935
Other assets	-	-	-	-	-	-	2,797,855	2,797,855
Total assets	118,306,875	11,133,142	17,142,772	10,535,649	37,607,374	24,676,176	29,625,617	249,027,605
Liabilities								
Deposits from banks	59,317	11,830	-	-	-	-	836,374	907,521
Deposits from non-bank customers	104,842,582	6,199,031	9,734,316	3,799,708	2,571,496	14,906	72,235,149	199,397,188
Other borrowed funds	8,359,654	1,650,689	-	-	1,098,810	-	2,263,880	13,373,033
Derivative financial instruments	-	-	-	-	-	-	1,126,364	1,126,364
Subordinated debts	1,500,000	2,380,835	-	-	-	5,830,382	28,764	9,739,981
Lease liabilities	-	-	-	-	-	-	795,345	795,345
Other liabilities	-	-	-	-	-	-	7,191,434	7,191,434
Total liabilities	114,761,553	10,242,385	9,734,316	3,799,708	3,670,306	5,845,288	84,477,310	232,530,866
On balance sheet interest rate sensitivity gap	3,545,322	890,757	7,408,456	6,735,941	33,937,068	18,830,888	(54,851,693)	16,496,739
Off balance sheet interest rate sensitivity gap	11,685,641	1,841,883	3,852,369	(1,187,222)	(3,001,308)	(2,169,370)	-	11,021,993
	15,230,963	2,732,640	11,260,825	5,548,719	30,935,760	16,661,518	(54,851,693)	27,518,732

38. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

The Company	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
31 December 2021	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	-	-	-	-	-	-	90,055	90,055
Investment securities	-	-	-	8,711	-	535,000	6,015,482	6,559,193
Other assets	-	-	-	-	-	-	150,966	150,966
Total assets	-	-	-	8,711	-	535,000	6,256,502	6,800,214
Liabilities								
Subordinated debts	1,500,000	-	-	-	3,295,568	5,060,520	21,258	9,877,346
Other liabilities	-	-	-	-	-	-	163,001	163,001
Total liabilities	1,500,000	-	-	-	3,295,568	5,060,520	184,259	10,040,347
On balance sheet interest rate sensitivity gap	(1,500,000)	-	-	8,711	(3,295,568)	(4,525,520)	6,072,243	(3,240,133)
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	(1,500,000)	-	-	8,711	(3,295,568)	(4,525,520)	6,072,243	(3,240,133)
31 December 2020								
Assets								
Cash and cash equivalents	-	-	-	-	-	-	304,473	304,473
Investment securities	-	138,500	-	150,000	204,908	552,000	5,959,724	7,005,132
Other assets	-	-	-	-	-	-	48,900	48,900
Total assets	-	138,500	-	150,000	204,908	552,000	6,313,097	7,358,505
Liabilities								
Derivative financial instruments							41,524	41,524
Subordinated debts	1,514,667	2,575,899	-	-	-	6,052,220	-	10,142,786
Other liabilities	-	-	-	-	-	-	211,206	211,206
Total liabilities	1,514,667	2,575,899	-	-	-	6,052,220	252,730	10,395,516
On balance sheet interest rate sensitivity gap	(1,514,667)	(2,437,399)	-	150,000	204,908	(5,500,220)	6,060,367	(3,037,011)
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	(1,514,667)	(2,437,399)	-	150,000	204,908	(5,500,220)	6,060,367	(3,037,011)

38. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019								
Assets								
Cash and cash equivalents	-	-	-	-	-	-	178,632	178,632
Investment securities	240,000	15,000	-	203,500	182,321	420,000	4,837,340	5,898,161
Other assets	-	-	-	-	-	-	231,000	231,000
Total assets	240,000	15,000	-	203,500	182,321	420,000	5,246,972	6,307,793
Liabilities								
Derivative financial instruments							47,645	47,645
Subordinated debts	1,500,000	2,380,835	-	-	-	5,830,382	28,764	9,739,981
Other liabilities	-	-	-	-	-	-	112,588	112,588
Total liabilities	1,500,000	2,380,835	-	-	-	5,830,382	188,997	9,900,214
On balance sheet interest rate sensitivity gap	(1,260,000)	(2,365,835)	-	203,500	182,321	(5,410,382)	5,057,975	(3,592,421)
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	(1,260,000)	(2,365,835)	-	203,500	182,321	(5,410,382)	5,057,975	(3,592,421)

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	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Increase in profit	**408,271**	341,700	249,404

38. 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 Group has non derivative financial instruments and fair value hedge relationships affected by the interest rate benchmark reform.

The Group 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 settings

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

In response to the announcements, the Group 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 Group arising from the transition:

Interest rate basis risk: If the bilateral negotiations with the Group'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 Group 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-Group 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 Group 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 Group's team is currently focusing on converting existing contracts in EURO and GBP. Thereafter, the Group will address the USD exposures.

The Group 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	**Hedge accounting**	**Transition progress**
Floating rate financial assets		
Loan and advances to customers linked to EURO	N/A	Expected to transition to EURIBOR in quarter March 2022
Loan and advances to customers linked to GBP	-	Expected to transition to SONIA in quarter March 2022
Loan and advances to customers linked to USD	-	Transition discussion in progress
Loan and advances to customers linked to EURO	Designated in fair value hedge	Expected to transition to EURIBOR in quarter March 2022
Trading assets	-	Expected to transition to SOFR by June 2023
Floating rate financial liabilities		
Term deposits linked to USD (USD)	-	Transitioned in January 2022
Term deposits linked to USD (USD)	-	Transitioned in January 2022
Term deposits linked to EURO (EUR)	-	Transitioned in January 2022
Term deposits linked to GBP (GBP)	-	Transitioned in January 2022

38. 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 Group 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 Group 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 identifiable.

For Group'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 Group has signed up to the protocol, along with each of the Group's counterparties. This ensures all legacy trades will, on cessation of IBOR, follow the fallback clause provided in the protocol.

The Group 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 Group is exposed ends. The Group expects this uncertainty will continue until the Group'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.

Interest rate sensitivity

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

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Mauritius	**519,877**	520,801	(340,216)
India	**(65,569)**	68,681	(154,673)
Madagascar	**(2,055)**	(2,080)	(2,414)
Kenya	**(204,601)**	(173,454)	80,371
Others	**(43,515)**	(72,251)	59,929
	204,137	341,697	(357,003)

38. 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	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	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		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	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		
<u>Hedged items</u>	<u>Hedging instruments</u>	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)

38. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk

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

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

Group	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
31 December 2021	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
ASSETS								
Cash and cash equivalents	2,488,125	39,164,775	738,085	861,469	37,031	462,357	3,884,979	47,636,821
Mandatory balances with Central Banks	9,716,310	928,952	142,879	395,785	1,249,195	956,816	255,608	13,645,545
Loans to and placements with banks	(5,109)	653,378	-	189,701	-	-	-	837,970
Derivative financial instruments	319,077	242,117	24	17	211,801	-	11,214	784,250
Loans and advances to non-bank customers	62,630,532	22,612,267	1,232,102	14,618,460	21,295,380	7,367,386	637,680	130,393,807
Investment securities	74,404,251	49,638,260	-	1,686,823	12,951,787	13,990,344	755,282	153,426,747
Other assets	1,944,241	397,712	(333)	17,827	628,336	335,662	(444,617)	2,878,828
Total monetary financial assets	151,497,428	113,637,457	2,112,757	17,770,083	36,373,530	23,112,565	5,100,145	349,603,968
LIABILITIES								
Deposits from banks	494,500	374,597	3,251	435,949	1,408,683	14,644	38,378	2,770,002
Deposits from non-bank customers	121,242,234	107,348,520	3,885,737	17,452,969	28,478,931	17,519,766	2,652,701	298,580,858
Other borrowed funds	-	4,358,708	-	916,692	121,454	4,116,058	-	9,512,912
Derivative financial instruments	214,408	318,027	24	6,497	217,878	-	3,062	759,896
Subordinated debts	7,307,917	2,569,429	-	-	-	-	-	9,877,346
Lease liabilities	740,902	-	-	-	-	-	-	740,902
Other liabilities	4,117,480	2,835,771	5,383	121,935	-	-	658,417	7,738,986
Total monetary financial liabilities	134,117,441	117,805,053	3,894,393	18,934,042	30,226,947	21,650,467	3,352,558	329,980,902
On balance sheet position	17,379,986	(4,167,595)	(1,781,636)	(1,163,959)	6,146,582	1,462,097	1,747,587	19,623,066
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	17,379,986	(3,580,720)	(1,781,636)	(1,163,959)	5,559,708	1,462,097	1,747,587	19,623,066

38. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

Group	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
31 December 2020	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
ASSETS								
Cash and cash equivalents	12,634,383	3,798,574	362,261	398,703	2,427,738	925,573	1,030,013	21,577,245
Mandatory balances with Central Banks	8,628,978	807,233	83,389	211,255	411,067	841,797	306,644	11,290,363
Loans to and placements with banks	270,345	2,616,008	-	244,034	-	-	-	3,130,387
Derivative financial instruments	279,262	389,614	1,571	10,327	118,868	-	9,570	809,212
Loans and advances to non-bank customers	60,271,170	24,875,118	1,083,035	15,883,046	11,898,970	5,721,187	125,347	119,857,873
Investment securities	61,535,323	38,721,218	-	493,439	4,631,678	14,844,150	827,589	121,053,397
Other assets	539,546	806,769	1,572	598,464	130,163	555,140	18,563	2,650,217
Total monetary financial assets	144,159,007	72,014,534	1,531,828	17,839,268	19,618,484	22,887,847	2,317,726	280,368,693
LIABILITIES								
Deposits from banks	244,708	484,545	2,013	92,660	546,473	5,465	27,451	1,403,315
Deposits from non-bank customers	106,889,917	71,801,463	2,850,787	13,547,684	12,387,937	16,651,909	2,732,524	226,862,221
Other borrowed funds	-	10,008,035	-	1,048,793	118,240	3,842,109	-	15,017,177
Derivative financial instruments	202,942	928,603	1,075	41,797	85,559	-	20,008	1,279,984
Subordinated debts	4,575,167	5,567,619	-	-	-	-	-	10,142,786
Lease liabilities	804,407	-	-	-	-	-	-	804,407
Other liabilities	1,435,214	93,110	(1,098,171)	4,162,608	516,516	1,219,878	(319,690)	6,009,465
Total monetary financial liabilities	114,152,355	88,883,375	1,755,704	18,893,542	13,654,725	21,719,361	2,460,293	261,519,355
On balance sheet position	30,006,652	(16,868,841)	(223,876)	(1,054,274)	5,963,759	1,168,486	(142,567)	18,849,338
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	30,006,652	(16,281,966)	(223,876)	(1,054,274)	5,376,884	1,168,486	(142,567)	18,849,338

38. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

Group	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
31 December 2019 (as restated)	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
ASSETS								
Cash and cash equivalents	7,123,704	6,998,246	605,988	1,397,285	204,115	982,331	869,457	18,181,126
Mandatory balances with Central Banks	8,231,853	972,536	94,288	26,276	215,539	910,454	229,341	10,680,287
Loans to and placements with banks	2,431,333	1,637,371	-	1,237,890	1,636,151	-	-	6,942,745
Derivative financial instruments	347,822	452,420	3	10,312	108,729	-	16,807	936,093
Loans and advances to non-bank customers	60,162,176	27,064,201	802,901	12,203,995	4,655,125	3,884,398	425,768	109,198,564
Investment securities	55,663,578	24,225,476	-	1,040,942	3,161,825	15,525,268	673,846	100,290,935
Other assets	957,062	159,478	607	39,289	50,531	813,115	777,773	2,797,855
Total monetary financial assets	134,917,528	61,509,728	1,503,787	15,955,989	10,032,015	22,115,566	2,992,992	249,027,605
LIABILITIES								
Deposits from banks	437,123	294,898	7,176	47,341	114,482	4,163	2,338	907,521
Deposits from non-bank customers	102,865,291	61,831,066	2,184,904	11,176,989	3,746,439	15,481,465	2,111,034	199,397,188
Other borrowed funds	-	6,084,400	3,254	4,052,113	-	3,232,817	449	13,373,033
Derivative financial instruments	76,816	871,392	2	65,874	93,067		19,213	1,126,364
Subordinated debts	4,582,051	5,157,930	-	-	-	-	-	9,739,981
Lease liabilities	795,345	-	-	-	-	-	-	795,345
Other liabilities	1,678,923	3,760,306	(561,503)	1,123,475	1,746	1,327,272	(138,785)	7,191,434
Total monetary financial liabilities	110,435,549	77,999,992	1,633,833	16,465,792	3,955,734	20,045,717	1,994,249	232,530,866
On balance sheet position	24,481,979	(16,490,264)	(130,046)	(509,803)	6,076,281	2,069,849	998,743	16,496,739
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	24,481,979	(15,903,389)	(130,046)	(509,803)	5,489,406	2,069,849	998,743	16,496,739

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

Currency risk sensitivity

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

	Impact on Group's profit after tax and Equity					
	USD	GBP	EURO	INR	KES	OTHER
31 December 2021	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
5%	**(208,380)**	**(89,082)**	**(58,198)**	**307,329**	**73,105**	**87,379**
-5%	**208,380**	**89,082**	**58,198**	**(307,329)**	**(73,105)**	**(87,379)**
31 December 2020						
5%	(843,442)	(11,194)	(52,714)	298,188	58,424	(7,128)
-5%	843,442	11,194	52,714	(298,188)	(58,424)	7,128
31 December 2019 (as restated)						
5%	1,224,099	(824,513)	(6,502)	(25,490)	303,814	103,492
-5%	(1,224,099)	824,513	6,502	25,490	(303,814)	(103,492)

38. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

Value-at-Risk Analysis

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

The Group's VAR amounted to:

	31 December 2021	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	**694,978**	580,912	850
Maximum for the year	**28,323,690**	9,792,592	19,588
Year end	**3,136,074**	2,231,943	3,271

(iv) Equity price sentivity analysis

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

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

	The Group			**The Company**		
	31 December 2021	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Statements of comprehensive income	**270,813**	259,068	315,802	**200,218**	181,815	211,384
	270,813	259,068	315,802	**200,218**	181,815	211,384

e Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability and equity instruments are disclosed in *Note 3* to the financial statements (summary of accounting policies).

39. SEGMENT INFORMATION - THE GROUP

Accounting policy

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

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

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

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

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

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

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2021						
Interest income from external customers	11,709,928	76,685	-	70,976	-	11,857,588
Non-interest income from external customers	3,806,934	262,632	364	264,260	-	4,334,190
Revenue from external customers	15,516,862	339,317	364	335,236	-	16,191,779
Interest income from internal customers	61,251	-	-	-	(61,251)	-
Non interest income from internal customers	400,000	235,293	-	510,000	(1,145,294)	- 1,634
Revenue from other segments of the entity	461,251	235,293	-	510,000	(1,206,546)	- 1,634
Total gross revenue	15,978,113	574,609	364	845,236	(1,206,546)	16,191,777
Interest and fee and commission expense to external customers	(3,947,912)	(34,186)	-	(475,782)	-	(4,457,880)
Interest expense to internal customers	-	-	-	2	61,251	61,253
	(3,947,911)	(34,186)	-	(475,780)	61,251	(4,396,627)
Operating income	12,030,202	540,424	364	369,454	(1,145,294)	11,795,150
Depreciation and amortisation	(975,560)	(12,071)	(461)	(1,317)	-	(989,408)
Other non-interest expenses	(5,505,806)	(238,537)	(2,387)	(538,730)	132,920	(6,152,541)
Net impairment loss on financial assets	(2,468,638)	(7,020)	-	764	-	(2,474,893)
Operating profit	3,080,198	282,795	(2,482)	(169,829)	(1,012,376)	2,178,308
Share of profit of associate	-	-	-	-	-	-
Profit before income tax	3,080,198	282,795	(2,482)	(169,829)	(1,012,376)	2,178,308
Tax expense	(429,908)	(6,710)	(561)	(4,140)	-	(441,318)
Profit for the year	2,650,290	276,086	(3,043)	(173,969)	(1,012,375)	1,736,990
Segment assets	377,405,175	3,543,422	163,733	36,605,702	(60,050,051)	357,667,980
Segment liabilities	321,628,534	1,504,311	929	10,051,184	(1,895,271)	331,289,687
Additions to tangible and intangible assets	287,658	7,909	-	968	-	296,535

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

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

	Banking	**Non-bank financial institutions**	**Non financial institutions**	**Other institutions**	**Intersegment adjustments**	**Group Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
31 December 2020						
Interest income from external customers	11,077,176	104,269	22,672	52,286	-	11,256,403
Non-interest income from external customers	3,641,940	39,011	4,852	396,929	-	4,082,732
Revenue from external customers	14,719,116	143,280	27,524	449,215	-	15,339,135
Interest income from internal customers	81,294	-	-	-	(81,294)	-
Non interest income from internal customers	80	398,178	-	260,000	(658,258)	-
Revenue from other segments of the entity	81,374	398,178	-	260,000	(739,552)	-
Total gross revenue	14,800,490	541,458	27,524	709,215	(739,552)	15,339,135
Interest and fee and commission expense to external customers	(3,670,532)	(2,521)	-	(444,521)	-	(4,117,574)
Interest expense to internal customers	(301)	(30,516)	-	(50,728)	81,545	-
	(3,670,833)	(33,037)	-	(495,249)	81,545	(4,117,574)
Operating income	11,129,657	508,421	27,524	213,965	(658,007)	11,221,561
Depreciation and amortisation	(1,035,564)	(11,075)	(557)	(2,019)	-	(1,049,215)
Other non-interest expenses	(4,384,274)	(168,465)	(3,311)	(591,899)	46,235	(5,101,714)
Net impairment loss on financial assets	(3,743,848)	(13,338)	-	(217)	-	(3,757,403)
Operating profit	1,965,971	315,543	23,656	(380,169)	(611,772)	1,313,229
Share of profit of associate	-	-	-	-	-	-
Profit before income tax	1,965,971	315,543	23,656	(380,169)	(611,772)	1,313,229
Tax expense	(291,634)	(4,941)	(3,887)	336	-	(300,126)
Profit for the year	1,674,337	310,602	19,769	(379,833)	(611,772)	1,013,103
Segment assets	307,261,407	3,981,468	169,995	36,889,453	(60,261,717)	288,040,607
Segment liabilities	253,359,061	1,432,582	3,853	10,403,064	(2,354,282)	262,844,279
Additions to tangible and intangible assets	383,278	11,323	-	-	-	394,601

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019 (Restated)						
Interest income from external customers	10,800,473	82,812	-	77,863	-	10,961,148
Non-interest income from external customers	2,659,848	224,223	3,621	155,952	-	3,043,643
Revenue from external customers	13,460,321	307,034	3,621	233,815	-	14,004,791
Interest income from internal customers	38,251	-	-	-	(38,251)	-
Non interest income from internal customers	1,327,881	121,277	-	1,412,849	(2,862,008)	-
Revenue from other segments of the entity	1,366,132	121,277	-	1,412,849	(2,900,258)	-
Total gross revenue	14,826,453	428,312	3,621	1,646,663	(2,900,258)	14,004,791
Interest and fee and commission expense to external c	(3,882,224)	5,857	-	(486,523)	-	(4,362,890)
Interest expense to internal customers	(8,011)	(30,240)	-	-	38,251	-
	(3,890,234)	(24,383)	-	(486,523)	38,251	(4,362,890)
Operating income	10,936,218	403,929	3,621	1,160,140	(2,862,007)	9,641,901
Depreciation and amortisation	(1,076,807)	(10,476)	(396)	(2,425)	-	(1,090,104)
Other non-interest expenses	(4,441,128)	(152,519)	(2,763)	(421,546)	(4,419)	(5,022,375)
Net impairment loss on financial assets	(2,917,193)	-	(284)	1,085	183	(2,916,209)
Operating profit	2,501,089	240,933	177	737,254	(2,866,243)	613,213
Share of profit of associate	-	-	-	139,237	-	139,237
Profit before income tax	2,501,089	240,933	177	876,490	(2,866,243)	752,450
Tax expense	(694,805)	(21,797)	(169)	(357)	(1)	(717,130)
Profit for the year	1,806,284	219,136	7	876,133	(2,866,244)	35,320
Segment assets	275,856,713	4,159,936	650,743	37,486,471	(60,035,388)	258,118,475
Segment liabilities	224,028,961	1,590,353	213	9,903,341	(1,952,512)	233,570,356
Additions to tangible and intangible assets	311,953	8,490	-	1,548	-	321,992

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

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

	Banking		
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Revenue from external customers arising from the following products and services:			
Loans and advances to non-bank customers	**480,051**	373,181	395,101
Loans to and placements with banks	**107,187**	254,535	494,492
Exchange income	**1,342,332**	708,977	628,068
Card income	**(378,908)**	293,826	387,850
Trade finance services	**1,868,423**	509,655	756,581
Deposit and other products /services	**950,285**	235,440	174,528
	4,369,369	2,375,614	2,836,620

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

	Banking		
	Mauritius	**Other countries**	**Total**
31 December 2021			
Revenue from external customers	**6,661,074**	**8,843,502**	**15,504,576**
Tangible and intangible assets	**4,983,214**	**1,278,199**	**6,261,414**
31 December 2020			
Revenue from external customers	**7,364,856**	**7,354,260**	**14,719,116**
Tangible and intangible assets	**4,983,214**	**1,278,199**	**6,261,414**
31 December 2019			
Revenue from external customers	7,825,550	5,634,771	13,460,321
Tangible and intangible assets	5,372,893	1,360,438	6,733,331

40. DISCONTINUED OPERATIONS

The Board has approved the exit of SBM Bank (Seychelles) Ltd ("SBMBS") in the Seychelles. The approval from the Central Bank of Seychelles has been received on 30 July 2020 and it has submitted its banking license to the Central Bank of Seychelles on 18 December 2020. The winding up of SBMBS was concluded on 24 May 2021. The results of the foreign subsidiary for the year ended 31 December 2021 are presented below:

	Audited Year ended 31 December 2021	Audited Year ended 31 December 2020	Audited Year ended 31 December 2019
	MUR' 000	MUR' 000	MUR' 000
Interest income using the effective interest income method	**24**	5,141	1,976
Interest expense using the effective interest income method	**-**	(311)	-
Net interest income	**24**	4,830	1,976
Fee and commission income	**-**	87	16
Fee and commission expense	**-**	(2)	-
Net fee and commission income	**-**	85	16
Other income			
Net trading income	**1,857**	52,084	436
Other operating income	**-**	-	-
	1,857	52,084	436
Non- interest income	**1,857**	52,169	452
Operating income	**1,881**	56,999	2,428
Personnel expenses	**-**	(243)	(910)
Depreciation of property, equipment	**-**	(36,675)	(10,142)
Depreciation right-of-use assets	**-**	-	-
Amortisation of intangible assets	**-**	(49,079)	(19,807)
Other expenses	**-**	-	-
Non- interest expense	**-**	(85,997)	(30,859)
Profit/(loss) before credit loss expense on financial assets and memorandum items	**1,881**	-	-
Credit loss expense on financial assets and memorandum items	**-**	(484)	-
Profit/(loss) before income tax	**1,881**	(484)	-
Tax expense	**-**	-	-
Profit/(loss) for the year from discontinuing operations	**1,881**	(484)	-

The net cash flows incurred by SBMBS are as follows:

	Audited Year ended 31 December 2021	Audited Year ended 31 December 2020	Audited Year ended 31 December 2019
	MUR'000	MUR'000	MUR'000
Operating activities	**(109,896)**	60,252	(204,423)
Investing activities	**-**	30,175	(29,009)
	(109,896)	90,427	(233,432)