MCB Group Limited
Financial Statements
30 June 2022

Deloitte.

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19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the Shareholders of MCB Group Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **MCB Group Limited** (the "Company" and the "Public Interest Entity") and its subsidiaries (the ''Group'') set out on pages 5 to 84, which comprise the consolidated and separate statements of financial position as at 30 June 2022, 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 30 June 2022, 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' International *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 - Financial assets which are not credit impaired	
IFRS 9 requires the Group to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • **Model estimations** – the Group has used the Run-off triangle model to estimate ECLs for the Retail portfolio, which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). For the Wholesale portfolio, statistical models were employed for estimating the PD and LGD. The PD and LGD models used 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. • **Significant Increase in Credit Risk ('SICR')** - 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.	Our audit procedures included amongst others: • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions used in the models; • Evaluating controls over model monitoring and validation; • Use of specialist team in performing certain procedures; • Verifying the historical data used in determination of PD in the models; • Reviewing a sample of the rating reports derived from the internal rating system; • 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; • Independently assess probability of default, loss given default and exposure at default assumptions;

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Independent auditor's report to the Shareholders of MCB Group Limited (cont'd)

Key audit matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are not credit impaired (cont'd)	
• **Macro-Economic Forecasts** – IFRS 9 requires the measurement of ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macroeconomic forecasts are estimates of future economic conditions. Variables that were used to estimate future changes in the macro-economic environment were the credit index, the real Gross Domestic Product and the Consumer Price Index. • **Economic scenarios** – For the wholesale portfolio, the Group has used a range of future economic conditions in light of the global pandemic of COVID-19. Three forward-looking scenarios (bull, bear and base) were probability weighted by management to determine the ECL. 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.	• Testing the accuracy and completeness of ECL by reperformance; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9.
Provision for expected credit losses - Financial assets which are credit impaired	
Provision for expected credit losses on credit-impaired loans and advances to customers at 30 June 2022 amount to MUR 7,399 million and the charge to profit or loss for the year amount to MUR 3,777 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 customers are disclosed in Note 6(b)(iv) to the financial statements. The most significant judgements are: - whether impairment events have occurred - valuation of collateral and future cash flows - management judgements and assumptions used	Our audit procedures included amongst others: • Obtaining audit evidence in respect of key controls over the processes for impairment events identification of impaired assets and impairment assessment; • Inspecting the minutes of Impairment Management Committee, Credit Committee, 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; • Independently recalculate the ECL, on a sample basis, based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level. Where collaterals were used, we assessed, on a sample basis, the reasonableness of the time taken into account to realise those collaterals and the objectivity and qualifications of the respective independent appraisers.

Other information

The directors are responsible for the other information. The other information comprises the below sections:

- MCB Group at a glance;
- Reflections from the Chairperson;
- Board of Directors and Committees of the Board;
- About this report;
- Our corporate profile;
- Delivering on our strategic objectives;
- Group financial performance;
- Corporate governance report, including the Statement of directors' responsibilities and Statement of compliance;
- Company Secretary's certificate;
- Risk and capital management report; and
- Administrative information

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Other information (cont'd)

The other information does not include the financial statements and our auditor's report thereon. Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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.

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.

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

- 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.

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 capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Financial Reporting Act 2004

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.

Use of this report

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

Deloitte
Chartered Accountants

28 September 2022

Vishal Agrawal, FCA
Licensed by FRC

Statements of financial position as at 30 June 2022

	Notes	GROUP 2022 RS'M	GROUP 2021 RS'M	COMPANY 2022 RS'M	COMPANY 2021 RS'M
ASSETS					
Cash and cash equivalents	4	**73,294**	108,706	**1,188**	588
Derivative financial instruments	5	**477**	1,083	**-**	-
Loans to and placements with banks	6(a)	**23,375**	39,579	**-**	-
Loans and advances to customers	6(b)	**325,613**	273,399	**-**	-
Investment securities	7	**239,684**	198,530	**440**	669
Investments in associates	8	**12,356**	12,525	**147**	147
Investments in subsidiaries	9	**-**	-	**13,401**	13,225
Investment properties	10	**4,799**	5,032	**-**	-
Goodwill and other intangible assets	11	**2,488**	2,089	**-**	-
Property, plant and equipment	12	**7,329**	7,199	**225**	226
Deferred tax assets	13	**2,181**	1,519	**-**	-
Post employee benefit asset	20	**-**	1,218	**-**	-
Other assets	14	**36,532**	32,254	**1,764**	2,000
Total assets		**728,128**	683,133	**17,165**	16,855
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits from banks	15(a)	**6,979**	18,069	**-**	-
Deposits from customers	15(b)	**518,677**	485,903	**-**	-
Derivative financial instruments	5	**536**	1,454	**-**	-
Other borrowed funds	16	**94,995**	77,136	**-**	-
Debt securities	17	**3,848**	4,007	**4,008**	4,007
Subordinated liabilities	18	**1,793**	1,984	**1,109**	1,109
Preference shares	19	**3,396**	3,396	**3,396**	3,396
Current tax liabilities		**1,295**	1,097	**-**	-
Deferred tax liabilities	13	**386**	347	**-**	-
Post employee benefit liability	20	**460**	-	**-**	-
Other liabilities	21	**14,721**	13,944	**1,635**	1,818
Total liabilities		**647,086**	607,337	**10,148**	10,330
Shareholders' equity					
Stated capital	22	**3,109**	2,776	**3,109**	2,776
Retained earnings		**61,612**	57,746	**3,872**	3,686
Other components of equity		**13,191**	12,370	**36**	63
Equity attributable to the equity holders of the parent		**77,912**	72,892	**7,017**	6,525
Non-controlling interests		**3,130**	2,904	**-**	-
Total equity		**81,042**	75,796	**7,017**	6,525
Total equity and liabilities		**728,128**	683,133	**17,165**	16,855
CONTINGENT LIABILITIES (NET)	23	**126,118**	123,001		

These financial statements were approved by the Board of Directors and authorised for issue on the 28 September 2022.

Pierre Guy NOEL
Director
Chief Executive

Didier HAREL
Director
Chairperson-Board of Directors

San T SINGARAVELLOO
Director
Chairperson-Audit Committee

The notes on pages 15 to 84 form part of these financial statements.
Auditor's report on pages 1 to 4.

Statements of profit or loss for the year ended 30 June 2022

	Notes	GROUP 2022 RS'M	GROUP 2021 RS'M	COMPANY 2022 RS'M	COMPANY 2021 RS'M
Interest income using the effective interest method	24	**18,455**	17,148	**1**	3
Interest expense	25	**(3,264)**	(2,483)	**(129)**	(72)
Net interest income		**15,191**	14,665	**(128)**	(69)
Fee and commission income	26	**8,584**	5,828	**-**	-
Fee and commission expense	27	**(2,514)**	(1,368)	**-**	-
Net fee and commission income		**6,070**	4,460	**-**	-
Profit arising from dealing in foreign currencies		**2,130**	1,360	**1**	30
Net (loss)/gain from equity financial instruments carried at fair value through profit or loss		**(518)**	919	**-**	-
Net gain from other financial instruments carried at fair value	28	**160**	223	**-**	5
Dividend income	29	**113**	104	**4,100**	2,191
Other operating income		**699**	673	**-**	356
		2,584	3,279	**4,101**	2,582
Operating income		**23,845**	22,404	**3,973**	2,513
Non-interest expense					
Salaries and human resource costs	30(a)	**(4,972)**	(4,616)	**(93)**	(85)
Depreciation of property, plant and equipment	12	**(855)**	(839)	**(1)**	(1)
Amortisation of intangible assets	11	**(525)**	(421)	**-**	-
Other	30(b)	**(2,780)**	(2,395)	**(71)**	(62)
		(9,132)	(8,271)	**(165)**	(148)
Operating profit before impairment		**14,713**	14,133	**3,808**	2,365
Net impairment of financial assets	31	**(3,481)**	(4,766)	**-**	-
Operating profit		**11,232**	9,367	**3,808**	2,365
Share of profit of associates		**799**	372	**-**	-
Profit before tax		**12,031**	9,739	**3,808**	2,365
Income tax expense	32	**(2,070)**	(1,500)	**-**	-
Profit for the year		**9,961**	8,239	**3,808**	2,365
Profit for the year attributable to:					
Ordinary equity holders of the parent		**9,637**	8,019	**3,648**	2,205
Preference shareholders		**160**	160	**160**	160
Non-controlling interests		**164**	60	**-**	-
		9,961	8,239	**3,808**	2,365
Earnings per share:					
Basic (Rs)	34(a)	**40.14**	33.51		
Diluted (Rs)	34(b)	**40.13**	33.48		

The notes on pages 15 to 84 form part of these financial statements.
Auditor's report on pages 1 to 4.

Statements of comprehensive income for the year ended 30 June 2022

	Note	GROUP 2022 RS'M	GROUP 2021 RS'M	COMPANY 2022 RS'M	COMPANY 2021 RS'M
Profit for the year		**9,961**	8,239	**3,808**	2,365
Other comprehensive (expense)/income:					
Items that will not be reclassified to profit or loss:					
Net fair value (loss)/gain on equity instruments		**(73)**	197	**(27)**	21
Reclassification adjustments on disposal of investments at fair value		**-**	(1)	**-**	-
Remeasurement of defined benefit pension plan, net of deferred tax	32(b)	**(1,529)**	2,108	**-**	-
Share of other comprehensive income of associates		**242**	782	**-**	-
		(1,360)	3,086	**(27)**	21
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(20)**	1,380	**-**	-
Reclassification adjustments on disposal of investments at fair value		**7**	-	**-**	-
Net fair value loss on debt instruments		**(23)**	(108)	**-**	-
Share of other comprehensive income of associates		**2**	-	**-**	-
		(34)	1,272	**-**	-
Other comprehensive (expense)/income for the year		**(1,394)**	4,358	**(27)**	21
Total comprehensive income for the year		**8,567**	12,597	**3,781**	2,386
Total comprehensive income attributable to:					
Ordinary equity holders of the parent		**8,150**	12,033	**3,621**	2,226
Preference shareholders		**160**	160	**160**	160
Non-controlling interests		**257**	404	**-**	-
		8,567	12,597	**3,781**	2,386

The notes on pages 15 to 84 form part of these financial statements.
Auditor's report on pages 1 to 4.

MCB GROUP

Statements of changes in equity for the year ended 30 June 2022

	Notes	Stated Capital	Retained Earnings	Capital Reserve	Translation Reserve	Statutory Reserve	Total	Non-Controlling Interests	Total Equity
		Attributable to equity holders of the parent							
		RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP									
At 1 July 2020		**2,719**	**50,460**	**2,226**	**193**	**6,947**	**62,545**	**2,549**	**65,094**
Profit for the year		-	8,179	-	-	-	8,179	60	8,239
Other comprehensive income for the year		-	2,108	544	1,362	-	4,014	344	4,358
Total comprehensive income for the year		-	10,287	544	1,362	-	12,193	404	12,597
Dividends to ordinary shareholders	33	-	(1,736)	-	-	-	(1,736)	(22)	(1,758)
Dividends to preference shareholders	33	-	(160)	-	-	-	(160)	-	(160)
Impact of disposal of subsidiary		-	-	-	-	-	-	(21)	(21)
Issue of shares following the exercise of Group Employee Share Options Scheme	22	57	-	-	-	-	57	-	57
Transactions with owners		57	(1,896)	-	-	-	(1,839)	(43)	(1,882)
Share of transfer by associate		-	16	(16)	-	-	-	-	-
Share of other movements in reserves of associate		-	(7)	-	-	-	(7)	(6)	(13)
Transfer to statutory reserve		-	(1,114)	-	-	1,114	-	-	-
At 30 June 2021		**2,776**	**57,746**	**2,754**	**1,555**	**8,061**	**72,892**	**2,904**	**75,796**
Profit for the year		**-**	**9,797**	**-**	**-**	**-**	**9,797**	**164**	**9,961**
Other comprehensive (expense)/income for the year		**-**	**(1,506)**	**24**	**(5)**	**-**	**(1,487)**	**93**	**(1,394)**
Total comprehensive income/(expense) for the year		**-**	**8,291**	**24**	**(5)**	**-**	**8,310**	**257**	**8,567**
Dividends to ordinary shareholders	33	**-**	**(3,462)**	**-**	**-**	**-**	**(3,462)**	**(32)**	**(3,494)**
Dividends to preference shareholders	33	**-**	**(160)**	**-**	**-**	**-**	**(160)**	**-**	**(160)**
Shares issued under the Scrip Dividend Scheme	22	**247**	**-**	**-**	**-**	**-**	**247**	**-**	**247**
Issue of shares following the exercise of Group Employee Share Options Scheme	22	**86**	**-**	**-**	**-**	**-**	**86**	**-**	**86**
Transactions with owners		**333**	**(3,622)**	**-**	**-**	**-**	**(3,289)**	**(32)**	**(3,321)**
Share of other movements in reserves of associate		**-**	**93**	**(94)**	**-**	**-**	**(1)**	**1**	**-**
Transfer to statutory reserve		**-**	**(896)**	**-**	**-**	**896**	**-**	**-**	**-**
At 30 June 2022		**3,109**	**61,612**	**2,684**	**1,550**	**8,957**	**77,912**	**3,130**	**81,042**

The notes on pages 15 to 84 form part of these financial statements.
Auditor's report on pages 1 to 4.

Statements of changes in equity for the year ended 30 June 2022 (continued)

	Notes	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Total Equity RS'M
COMPANY					
At 1 July 2020		**2,719**	**3,217**	**42**	**5,978**
Profit for the year		-	2,365	-	2,365
Other comprehensive income for the year		-	-	21	21
Total comprehensive income for the year		-	2,365	21	2,386
Dividends to ordinary shareholders	33	-	(1,736)	-	(1,736)
Dividends to preference shareholders	33	-	(160)	-	(160)
Issue of shares following the exercise of Group Employee Share Options Scheme	22	57	-	-	57
Transactions with owners		57	(1,896)	-	(1,839)
At 30 June 2021		**2,776**	**3,686**	**63**	**6,525**
Profit for the year		**-**	**3,808**	**-**	**3,808**
Other comprehensive expense for the year		**-**	**-**	**(27)**	**(27)**
Total comprehensive income/(expense) for the year		**-**	**3,808**	**(27)**	**3,781**
Dividends to ordinary shareholders	33	**-**	**(3,462)**	**-**	**(3,462)**
Dividends to preference shareholders	33	**-**	**(160)**	**-**	**(160)**
Shares issued under the Scrip Dividend Scheme	22	**247**	**-**	**-**	**247**
Issue of shares following the exercise of Group Employee Share Options Scheme	22	**86**	**-**	**-**	**86**
Transactions with owners		**333**	**(3,622)**	**-**	**(3,289)**
At 30 June 2022		**3,109**	**3,872**	**36**	**7,017**

The notes on pages 15 to 84 form part of these financial statements.
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Statements of cash flows for the year ended 30 June 2022

		GROUP		COMPANY	
	Notes	**2022 RS'M**	2021 RS'M	**2022 RS'M**	2021 RS'M
Operating activities					
Net cash flows from trading activities	36	**31,772**	2,848	**4,413**	42
Net cash flows from other operating activities	37	**(63,231)**	35,533	**-**	-
Dividends received from associates		**457**	134	**-**	-
Dividends paid to ordinary shareholders		**(3,765)**	-	**(3,765)**	-
Dividends paid to preference shareholders		**(160)**	(160)	**(160)**	(160)
Dividends paid to non-controlling interests in subsidiaries		**(32)**	(22)	**-**	-
Income tax paid		**(2,247)**	(2,341)	**-**	(1)
Net cash flows from operating activities		**(37,206)**	35,992	**488**	(119)
Investing activities					
Net refund of subordinated loan by associate		**346**	-	**-**	-
Investment in associate		**-**	(4)	**-**	(4)
Additions to investment property		**-**	(1)	**-**	-
Purchase of property, plant and equipment		**(1,079)**	(1,013)	**-**	-
Purchase of intangible assets		**(999)**	(786)	**-**	-
Proceeds from sale of property, plant and equipment		**82**	123	**-**	-
Disposal of subsidiary, net of cash disposed		**-**	371	**-**	-
Consideration received on disposal of subsidiary		**-**	-	**-**	436
Investment in subsidiary	9(b)	**-**	-	**-**	(2,000)
Net subordinated loan granted to subsidiaries		**-**	-	**(176)**	(154)
Net investment in securities		**-**	-	**202**	231
Net cash flows from investing activities		**(1,650)**	(1,310)	**26**	(1,491)
Net cash flows before financing activities		**(38,856)**	34,682	**514**	(1,610)
Financing activities					
Employee share options exercised	22	**86**	57	**86**	57
Issue of floating rate notes	17	**-**	2,000	**-**	2,000
Repayment of lease liabilities		**(72)**	(69)	**-**	-
Refund of subordinated liability	18	**(225)**	(179)	**-**	-
Net cash flows from financing activities		**(211)**	1,809	**86**	2,057
(Decrease)/Increase in cash and cash equivalents		**(39,067)**	36,491	**600**	447
Net cash and cash equivalents at 1 July		**108,768**	71,141	**588**	141
Effect of foreign exchange rate changes		**1,073**	1,136	**-**	-
Net cash and cash equivalents at 30 June	4	**70,774**	108,768	**1,188**	588

The notes on pages 15 to 84 form part of these financial statements.
Auditor's report on pages 1 to 4.

General information

MCB Group Limited ("the Company") was incorporated as a public company limited by shares on 5 August 2013. Its registered office is situated at 9-15, Sir William Newton Street, Port-Louis, Mauritius.

The Company is listed on the Official Market of the Stock Exchange of Mauritius.

The main activities of the Company and those of its subsidiaries ("the Group") consist in providing a whole range of banking and financial services in the Indian Ocean region and beyond.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Financial Reporting Act 2004 and in compliance with the Mauritian Companies Act 2001.

The Board at the time of approving the financial statements is not aware of any uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis.

Where necessary, comparative figures have been amended to conform with changes in presentation, or in accounting policies in the current year.

The financial statements include the consolidated financial statements of the parent company MCB Group Limited and its subsidiary companies (The Group) and the separate financial statements of the parent company (The Company).

The financial statements have been prepared under the historical cost convention, except for certain specific classes of Property, Plant and Equipment, namely agricultural land and factory buildings, which are carried at revalued amounts/deemed costs.

New and amended standards adopted by the Group

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 July 2021, and have not been applied in preparing these financial statements. None of these is expected to have a significant and material effect on the financial statements of the Group in the current reporting period. For this financial year, the following has been adopted:

Interest Rate Benchmark Reform Phase 2

Following the decision to replace the IBOR with alternative risk free rates in 2018, the IASB has undertaken a two phased project. The phase 1 amendments provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by IBOR reform. This was not applicable to the Group.

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 that addresses issues that arise from the implementation of the reforms and the replacement of one benchmark with another nearly risk free rate. The amendments apply only to changes required by the reform to the financial instruments and hedging relationships. It addresses the effects of the reform on a company's financial statements that arise when for example an interest rate benchmark used to calculate interest on a financial instrument is replaced with an alternative benchmark rate.

The amendments affect the following key areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform
- Relief from specific hedge accounting requirements (Not applicable to the Group)
- Disclosure requirement

Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform

The Group will apply the practical expedient as prescribed in the amendment to IFRS 9. In other words, for instruments measured at amortised cost, the Group will account for a change in the basis for determining the contractual cash flows as a result of the IBOR reform by updating the effective interest rate. As a result no gain or loss is recognised. It applies only to change as a direct consequence of the IBOR reform and the new basis is economically equivalent to the previous basis.

Disclosure requirements

IFRS 7 was amended to require a company to make additional disclosures in its financial statements so that investors can better understand the reform's effect on the company. The Group is required to disclose:

- How it is managing the transition, its progress at the reporting date and the risks it is exposed to arising from the financial instruments as a result of the transition.
- Quantitative information about derivatives and non-derivatives that have yet to transition to an alternative benchmark rate as at the reporting date.
- A description of any changes to the risk management strategy as a result of IBOR reform

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Interest Rate Benchmark Reform Phase 2 (continued)

Impact of the reform on the Group

- A LIBOR Transition Steering Committee, made up of Directors and Senior Executives of the Group was set up to oversee the smooth transition to an alternative rate and to ensure all risks associated with the migration are properly identified and managed.
- Subcommittees of the LIBOR Transition Steering Committee were also set up to review and execute required changes to IT systems and operational processes.
- Training, communication and client engagement were conducted to facilitate appropriate selection of new rates and products.
- Dedicated teams have been put in place to support the transition.
- Legacy contracts referencing LIBOR settings that were demised by end-2021 were successfully transitioned.
- Issuance of Libor-based contracts were ceased as from January 2022.
- Risks arising from Ibor transition are continuously assessed, monitor and dynamically manage, and mitigating controls are implemented as and when required.

Transition of legacy contracts

All IBOR lending contracts in Pounds Sterling, Swiss Franc, Euro and Japanese Yen have successfully transited to a new Risk Free Rate via appropriate fallback mechanism. The transition of USD contracts will follow the same principle. The Group will continue to communicate with its customers and investors in a structured manner for the remaining contracts that are yet to be transited to the new rate.

Note 40 provides the required disclosures related to these amendments.

Amendment effective as at 1 January 2021 but which is not applicable to the Group

-IFRS 16 Leases - Covid 19 Related Rent Concessions amendments

New and revised standards in issue but not yet effective

Amendments to IAS 1- Classification of Liabilities as Current or Non-current

The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

Amendments to IFRS 3 - Business combinations regarding the definition of a business

The Amendments to IFRS 3 intends to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework). The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It further clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, whilst changes in accounting policies are generally applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 12 - Deferred Tax related to assets and liabilities arising from a single transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

Amendments resulting from annual improvements 2018 - 2020 Cycle for the following standards

The following changes are effective for annual reporting periods beginning on or after 1 January 2022:

IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

These amendments will be applied in the financial statements for the annual periods beginning on the respective dates.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation and equity accounting

(1)(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree’s net assets.

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over (b) the net of the acquisition-date amounts of identifiable assets acquired and the liabilities and contingent liabilities assumed measured in accordance with IFRS 3 is recorded as goodwill. In the case of a bargain purchase (excess of (b) over (a)), the resulting gain is recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Separate financial statements of the Company

In the separate financial statements of the Company, investments in subsidiaries companies are carried at cost. In subsequent years, the carrying amount is reduced to recognise any impairment in the value of individual investments.

(iii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests without loss of control are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(2) Associates

An associate is an entity over which the Group has significant influence but no control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method except when classified as held-for-sale. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

When the Group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Group. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

In the separate financial statements of the Company, the investments in associates are carried at cost (which includes transaction costs). In subsequent years, the carrying amount is reduced to recognise any impairment in the value of the individual companies.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation

The foreign subsidiaries' statement of financial position are translated to Mauritian Rupees at the closing rate at the end of the reporting period. Their statements of profit or loss, comprehensive income and cash flows are translated at the average rate for the period unless the average is not a reasonable approximation of the cumulative effects of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. Any resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign entity, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Functional and presentation currency

Items included in the financial statement of Group are measured using the currency of the primary economic environment in which the operates ("functional currency"). The consolidated and separate financial statements are presented in Mauritian Rupees ("Rs"), which is the Company's functional currency. All amounts are in million except as otherwise stated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when the items are remeasured.

Trading transactions denominated in foreign currencies are accounted for at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are reported at the rate of exchange ruling at the end of the reporting date. Differences arising from reporting monetary items are dealt with through profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(d) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates, commodities or other indices. Derivatives are recognised initially at fair value and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

(e) 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.

(f) Interest income

Interest income is calculated by applying the effective interest rate to gross carrying amount of financial assets, except for :

(i) Purchased or originated credit-impaired ('POCI') financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(ii) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

(g) Fees and commissions

Fees and commissions are generally recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with the related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Rental income from operating lease is recognised on a straight line basis over the term of the relevant lease, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

(h) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the statement of financial position as Government securities and Treasury bills and the counterparty liability is included in amount due to other banks or deposits, as appropriate.

Securities purchased under agreements to resell ("reverse repos") are recorded as amount due from other banks or loans and advances, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the repos agreements using the effective interest method.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investments, other financial assets and financial liabilities

Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVPL), transaction costs that are incremental and directly attributable to the acquisition of the financial asset or financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investment in debt instruments measured at fair value through other comprehensive income, as described in note 7, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the differences as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, treasury bills, government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments.

Classification

The Group classifies its financial assets in the following measurement categories:
- those to be measured at amortised cost, and
- those to be measured subsequently at fair value (either through OCI or through profit or loss).

Amortised cost and effective interest rate

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition- the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in net gain from other financial instruments carried at fair value. Impairment losses are presented as separate line item in the statement of profit or loss.

Loans originated by the Group by providing money directly to the borrower (at draw-down) are categorized as loans by the Group and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the fair value are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net gain from other financial instruments carried at fair value. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in profit arising from dealing in foreign currencies in the statement of profit or loss and impairment expenses are presented as separate line item in the statement of profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investments, other financial assets and financial liabilities (continued)

FVPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented in net gain from other financial instruments carried at fair value in the statement of profit or loss in the year in which it arises.

Debt instruments

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows, that is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

For assets measured at fair value, all gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through comprehensive income. The Group's policy is to designate equity instruments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as dividend income when the Group's right to receive payments is established.

Gains or losses on equity investments at FVPL are included in the 'Net (loss)/gain from equity financial instruments carried at fair value through profit or loss' line in the statement of profit or loss.

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different from the original terms. The Group does this by considering, among others, the following factors:

(i) If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

(ii) Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

(iii) Significant extension of the loan term when the borrower is not in financial difficulty.

(iv) Significant change in the interest rate.

(v) Change in the currency the loan is denominated in.

(vi) Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investments, other financial assets and financial liabilities (continued)

Modification of loans (continued)

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the assets. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss in net impairment of financial assets.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The impact of modifications of financial assets on the expected credit loss calculation is discussed in note 3.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership nor the Group has retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

Financial Liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives financial instruments, financial liabilities held-for-trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit and loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in statement of profit or loss (the remaining amount of change in the fair value of the liability.) This is applicable unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in statement of profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms 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 interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investments, other financial assets and financial liabilities (continued)

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:
- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance (as described in note 23). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instruments

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(j) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Write off Policy

Financial Assets are written off either partially or in its entirety when the Group has no reasonable expectations of recovering them. This occurs when the Group determines that the customer does not have the capacity to repay the amount due or the collateral given by the customer is not sufficient to cover the exposure. The write off does not mean that the Group has forfeited its legal right to claim the sums due. The Group retains the right to proceed with enforcement actions under the Group's recovery procedure and any recovery will be recognised in the statement of profit or loss under 'Net impairment of financial assets' as recoveries of advances written off.

Definition of Default

The definition of default is critical to the determination of the ECL. It is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.
The Group considers the following as constituting an event of default:
- The borrower is past due more than 90 days on any material credit obligation to the Group; or
- The borrower is unlikely to pay its credit obligations in full to the Group

The definition of default is appropriately tailored to reflect different characteristics of different type of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or accounts are overdrawn for more than 90 days. When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators such as breach of covenants and financial performance. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources such as BOM guidelines on impairment.

(k) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Investment property comprise of hotel property that is occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income. The building is substantially rented to a tenant and is not intended to be sold in the ordinary course of business. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

For the purpose of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is:
- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- In the case of investment property held under a lease, increased by the carrying amount of any liability to the head lessor that has been recognised in the statement of financial position as a finance lease obligation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity over the fair value of the net identifiable assets is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Goodwill on acquisition of associates is included in investments in associates. According to IAS 36, goodwill is tested for impairment on an annual basis, or more frequently when there are indications that an impairment may have occurred. Impairment is tested by comparing the carrying amount of the cash-generating unit (CGU), including the goodwill, with the recoverable amount of the CGU. If the recoverable amount of the CGU exceeds its carrying amount, the CGU and the goodwill allocated to that CGU is not impaired. If the carrying amount of the CGU exceeds the recoverable amount of the CGU, the Group recognises an impairment loss. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gains and losses on disposal.

(m) Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated to write down the cost of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Computer and other equipment	5-10 years
Furniture, fittings and vehicles	5-15 years

Land and work in progress are not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.
Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their disposal proceeds and their carrying amounts and are recognised as income or expense in profit or loss. Repairs and renewals are charged to profit or loss when the expenditure is incurred.

(n) Computer software costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable with the design of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- The directors intend to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of ten years.

(o) Leases

Assets acquired under finance leases are accounted for at inception, at fair value, or if lower at the present value of the minimum lease payments and depreciated over their estimated useful lives. A corresponding liability is recorded as outstanding lease obligations.

Lease payments are apportioned between the liability and the finance charge so as to achieve a constant periodic rate of interest on the outstanding lease obligations.

Leased assets are depreciated over the shorter of the useful life of the asset and the lease terms.

In applying IFRS 16 , the Group has used the following practical expedients permitted by the standard:
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Accounting for leases - where the subsidiary is the lessor

Finance leases

The Group's subsidiary is engaged in the provision of leases to both individuals and corporates. The portfolio is made up of principally motor vehicles and equipment. As part of the wider risk management principles of the Group, the risks associated with the lease portfolio was monitored through rigorous credit assessment, determining the financed amount as part of the cost of the asset based on the customers' credit risk profile, setting up buy back agreements with suppliers for assets with high residual values, amongst others.

(i) Recognition and initial measurement

When assets are leased out under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the Group, and thus the lease payment receivable is treated by the Group as repayment of principal and interest income to reimburse and reward the lessor for its investment and services.
Initial direct costs such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, but excluding general overheads, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable; there is no need to add them separately.

(ii) Subsequent measurement

The recognition of interest income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. The Group aims to allocate interest income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Group's finance lease receivable.
Lease repayments relating to the period, excluding cost for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income. Estimated unguaranteed residual values used in computing the Group's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease is revised and any reduction in respect of amounts accrued is recognised immediately.

(q) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise unrestricted cash and balances with Central Bank, treasury bills and amounts due to and from other banks which are short term, highly liquid with original maturities of 90 days or less, and borrowings of original maturities of 90 days or less that can fluctuate in value changing from an asset to a liability and vice versa across periods. A further breakdown of cash and cash equivalents is given in note 4 to the financial statements.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(s) Deposits from banks and customers

Deposits from banks and customers are classified as financial liabilities at amortised cost. They are initially measured at fair value and subsequently carried at amortised cost.

(t) Employee benefits

The Group operates a number of defined benefit and defined contribution plans and provides for the requirements under the Workers' Rights Act (WRA) 2019. The defined benefit plan is fully funded. The assets of the funded plan are held independently and administered by The Mauritius Commercial Bank Limited Superannuation Fund.

(i) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the notes.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

As from 1 July 2015, the Group has introduced a Defined Contribution Cash Balanced scheme (DCCB) for its employees.
With the introduction of DCCB, new employees automatically join the DCCB scheme, whilst existing employees had a one-time opportunity to choose from one of the options listed below:

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(i) Defined contribution plans (continued)

Option A: To stay in the Defined Benefit (DB) scheme for all service.

Option B: To keep the accrued past pension benefits until 30 June 2015 in the DB scheme and join the DCCB scheme as from 1 July 2015.

Option C: To join the DCCB scheme as from 1 July 2015 and transfer the total accrued benefits as at 30 June 2015 from the DB scheme into the DCCB scheme.

(ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The main assumptions made in the actuarial valuation of the pension fund are listed in note 20 to the financial statements.

The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

(iii) Gratuity on retirement

For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of gratuity on retirement payable under the Workers' Rights Act (WRA) 2019 is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

(iv) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(u) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period and includes the Corporate Social Responsibility charge and Bank levy.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary difference can be utilised.

(v) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(w) Dividend declared and unpaid

Dividend declared and unpaid to the Company's shareholders at reporting date is recognised as a liability in the period in which dividend is declared.

(x) Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Supervisory and Monitoring Committee to make decisions about resources to be allocated to segments and assess their performance, and for which discrete financial information are available.

Detailed analysis of segment reporting is shown in note 38 to the financial statements.

(z) Stated capital

(i) Ordinary shares are classified as equity.

(ii) Share issue costs are incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(aa) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are expensed.

(ab) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(ac) Share-based payments

Share-based compensation benefits are provided to all employees via the Group Employee Share Option Scheme (GESOS). Information relating to this scheme is set out in note 30 (c).

The fair value of options granted under the GESOS is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:
- including any market performance conditions,
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

(ad) Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the reporting year.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements

The Group makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Pension benefits

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, the directors consider the interest rates of high quality corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

Additional disclosure on pension benefits are shown in Note 20.

(b) Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the Group using valuation techniques including third party transaction values, earnings, net asset value or discounted cash flows, whichever is considered to be appropriate. The Group would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Asset lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets. The directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

(d) Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g the likelihood of customers defaulting and the resulting losses). Explanations of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in the Risk and Capital Management report, which also sets out the key sensitivities of the ECL to changes in those elements. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward looking scenarios for each type of market and associated ECL
- Establishing groups of similar financial assets for the purposes of measuring ECL

Detailed information about the judgements and estimates made by the Group in above areas is set out in the Risk and Capital Management report.

Impact of COVID-19

The ECL models set up by the Group are driven by internal and external data and this required significant judgements and estimates in relation to the determination of forward-looking information, defining elements of a significant increase in credit risk and staging of financial instruments.

The economic outlook of the markets in which the Group is present has been impacted by the ongoing COVID-19 pandemic. The consequent impact on the Group is uncertain, thereby increasing the degree of judgement required to be exercised in calculating ECL:

- Models used to calculate ECL are inherently complex and judgement is applied in determining the appropriateness of the ECL model.

- A number of inputs assumptions are made by the Group concerning the values of inputs to the models and how the inputs correlate with one another; including the incorporation of the current macro-economic scenario through the forward-looking information.

- Evidence of significant increase in credit risk and hence the relevant staging and credit ratings of the Group's clients. These were analysed either by industry sector and nature of business activities at the level of each individual client to reflect the more pervasive impact of COVID-19, data and model limitations.

The Group also applied judgement and estimates in determining the impairment provision on its stage 3 financial assets to estimate the loss event, the amount and timing of their expected future cashflows as well as the determination of the value of collaterals, when taking into account the impact of COVID-19.

(e) Significant influence in Banque Française Commerciale Ocean Indien

The Group holds 49.99% of Banque Française Commerciale Ocean Indien (BFCOI) and it is considered as an associate. The directors consider that the Group only has significant influence over BFCOI since it does not have the practical ability to control the relevant activities of BFCOI.

(f) Property valuation

In arriving at the fair value of the properties, which was determined on an income approach basis, the directors in consultation with the independent valuers had to make assumptions and estimates that were mainly based on market conditions existing at 30 June 2022. Should these assumptions and estimates change, or not be met, the valuation as adopted in the financial statements will be affected.

(g) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in used of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value of the recoverable amount.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk management

The Group is actively engaged in delivery of financial services, which includes retail and commercial banking, treasury services, custody, credit card. Managing financial risk is a fundamental part of its business activity. The main sources of financial risk that the Group faces arise from financial instruments, which are fundamental to the Group's business and constitute the core of its operations.

The Group has exposure to the following risks from financial instruments:
(i) Credit Risk
(iI) Liquidity Risk
(iii) Market risk (including interest rate and foreign currency risk)

The Group devotes considerable resources to measure, manage, mitigate and control each of these risks and ensures that its risk management systems and procedures are fitted to meet the needs of the business. The Group's risk management policies and processes are designed to identify and analyse these risks, set appropriate risk appetites, limits and controls and to constantly monitor the risks and adherence to limits.

Given that The Mauritius Commercial Bank Limited (the Bank) comprises a significant portion of the Group, the details provided below relate mainly to the Bank, unless otherwise stated.

(b) Credit risk

Credit risk arises when customers or counterparties are not able to fulfil their contractual obligations. Credit Risk Management at the Bank is under the responsibility of the Credit Risk Business Unit (CRBU). The CRBU has the task of reviewing the Bank's credit policies and guidelines to ensure that best lending practices are upheld at all times. Risk assessments are carried out to assist in portfolio management decisions including exposure levels and the constitution of required provisions.

Credit related commitments

The main purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank to pay a third party, on behalf of its customers up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Credit quality

The following tables set out the credit quality of exposures measured at amortised cost by different segments.

At 30 June 2022

	Performing			Under performing			Non-performing			
	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net exposure
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Portfolio										
Retail	51,316	319	50,997	843	395	448	1,211	358	143	853
Wholesale	684,284	4,283	680,001	16,384	2,644	13,740	11,173	3,964	1,120	7,209
Total	**735,600**	**4,602**	**730,998**	**17,227**	**3,039**	**14,188**	**12,384**	**4,322**	**1,263**	**8,062**
Retail										
Housing loans	33,522	96	33,426	582	248	334	643	179	35	464
Small and medium enterprise	8,668	80	8,588	78	38	40	296	75	33	221
Unsecured and revolving	4,477	91	4,386	86	62	24	124	79	14	45
Other secured loans	4,649	52	4,597	97	47	50	148	25	61	123
Total retail	**51,316**	**319**	**50,997**	**843**	**395**	**448**	**1,211**	**358**	**143**	**853**
Wholesale										
Sovereign	262,503	102	262,401	-	-	-	71	7	3	64
Financial institutions	48,985	515	48,470	-	-	-	-	-	-	-
Project finance	8,537	172	8,365	421	85	336	-	-	-	-
Energy & Commodities	193,208	358	192,850	3,974	357	3,617	1,647	754	67	893
Corporate	171,051	3,136	167,915	11,989	2,202	9,787	9,455	3,203	1,050	6,252
Total wholesale	**684,284**	**4,283**	**680,001**	**16,384**	**2,644**	**13,740**	**11,173**	**3,964**	**1,120**	**7,209**

The Bank allocates each exposure to credit risk grade based on a variety of data that is determined to be predictive of risk of default and applying experienced credit judgement. For the wholesale portfolio, credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of the borrower. It involves assigning a rating to each counterparty according to an internal scale of 1 to 20.

The following table presents the Bank's internal rating scale and the corresponding scale of Moody's Investors Service.

Internal Rating	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Moody's Equivalent Rating	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	D

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Credit quality (continued)

An analysis of credit exposures using the Bank's grading system is given below:

At 30 June 2022

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Total Wholesale									
2	48,490	-	-	1	-	-	48,489	-	-
3	13,684	-	-	-	-	-	13,684	-	-
4	9,140	-	-	-	-	-	9,140	-	-
5	9,680	-	-	4	-	-	9,676	-	-
6	2,492	-	-	2	-	-	2,490	-	-
7	4,731	-	-	8	-	-	4,723	-	-
8	206,315	-	-	45	-	-	206,270	-	-
9	309	-	-	1	-	-	308	-	-
10	11,626	-	-	2	-	-	11,624	-	-
11	10,182	66	-	84	1	-	10,098	65	-
12	77,477	81	-	379	2	-	77,098	79	-
13	62,705	35	-	358	1	-	62,347	34	-
14	145,611	3,188	-	1,371	224	-	144,240	2,964	-
15	63,219	3,567	-	1,299	315	-	61,920	3,252	-
16	14,649	3,610	-	622	922	-	14,027	2,688	-
17	2,320	3,989	-	73	680	-	2,247	3,309	-
18	1,649	907	-	34	197	-	1,615	710	-
19	5	941	-	-	302	-	5	639	-
20	-	-	11,173	-	-	3,964	-	-	7,209
Total	**684,284**	**16,384**	**11,173**	**4,283**	**2,644**	**3,964**	**680,001**	**13,740**	**7,209**
Sovereign									
2	48,490	-	-	1	-	-	48,489	-	-
3	8,377	-	-	-	-	-	8,377	-	-
4	1,355	-	-	-	-	-	1,355	-	-
8	202,632	-	-	43	-	-	202,589	-	-
14	223	-	-	1			222	-	-
17	1,426	-	-	57	-	-	1,369	-	-
20	-	-	71	-	-	7	-	-	64
Total	**262,503**	**-**	**71**	**102**	**-**	**7**	**262,401**	**-**	**64**
Financial Institutions									
3	388	-	-	-	-	-	388	-	-
4	23	-	-	-	-	-	23	-	-
5	3,405	-	-	3	-	-	3,402	-	-
6	2,492	-	-	2	-	-	2,490	-	-
7	4,731	-	-	8	-	-	4,723	-	-
8	3,683	-	-	2	-	-	3,681	-	-
9	309	-	-	1	-	-	308	-	-
10	11,486	-	-	1	-	-	11,485	-	-
11	1,402	-	-	3	-	-	1,399	-	-
12	478	-	-	3	-	-	475	-	-
13	2,822	-	-	31	-	-	2,791	-	-
14	3	-	-	-	-	-	3	-	-
15	8,882	-	-	189	-	-	8,693	-	-
16	7,406	-	-	261	-	-	7,145	-	-
18	1,470	-	-	11	-	-	1,459	-	-
19	5	-	-	-	-	-	5	-	-
20	-	-	-	-	-	-	-	-	-
Total	**48,985**	**-**	**-**	**515**	**-**	**-**	**48,470**	**-**	**-**

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Credit quality (continued)

At 30 June 2022

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Project Finance									
12	2,746	-	-	29	-	-	2,717	-	-
13	2,731	-	-	15	-	-	2,716	-	-
14	2,212	-	-	60	-	-	2,152	-	-
15	149	-	-	3	-	-	146	-	-
16	523	-	-	43	-	-	480	-	-
17	-	421	-	-	85	-	-	336	-
18	176	-	-	22	-	-	154	-	-
Total	**8,537**	**421**	**-**	**172**	**85**	**-**	**8,365**	**336**	**-**
Energy & Commodities									
3	4,919	-	-	-	-	-	4,919	-	-
4	7,762	-	-	-	-	-	7,762	-	-
5	6,275	-	-	1	-	-	6,274	-	-
12	29,790	-	-	54	-	-	29,736	-	-
13	31,630	-	-	24	-	-	31,606	-	-
14	80,781	1,756	-	165	88	-	80,616	1,668	-
15	28,731	-	-	49	-	-	28,682	-	-
16	2,426	-	-	49	-	-	2,377	-	-
17	894	2,218	-	16	269	-	878	1,949	-
20	-	-	1,647	-	-	754	-	-	893
Total	**193,208**	**3,974**	**1,647**	**358**	**357**	**754**	**192,850**	**3,617**	**893**
Corporate									
10	140	-	-	1	-	-	139	-	-
11	8,780	66	-	81	1	-	8,699	65	-
12	44,463	81	-	293	2	-	44,170	79	-
13	25,522	35	-	288	1	-	25,234	34	-
14	62,392	1,432	-	1,145	136	-	61,247	1,296	-
15	25,457	3,567	-	1,058	315	-	24,399	3,252	-
16	4,294	3,610	-	269	922	-	4,025	2,688	-
17	-	1,350	-	-	326	-	-	1,024	-
18	3	907	-	1	197	-	2	710	-
19	-	941	-	-	302	-	-	639	-
20	-	-	9,455	-	-	3,203	-	-	6,252
Total	**171,051**	**11,989**	**9,455**	**3,136**	**2,202**	**3,203**	**167,915**	**9,787**	**6,252**

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Credit quality (continued)

The following tables set out the credit quality of exposures measured at amortised costs by different segments.

At 30 June 2021

	Performing			Under performing			Non-performing			
	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net exposure
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Portfolio										
Retail	49,870	220	49,650	874	475	399	1,912	575	224	1,337
Wholesale	585,873	3,410	582,463	34,835	4,344	30,491	7,857	3,209	1,624	4,648
Total	**635,743**	**3,630**	**632,113**	**35,709**	**4,819**	**30,890**	**9,769**	**3,784**	**1,848**	**5,985**
Retail										
Housing loans	31,377	54	31,323	427	223	204	797	208	52	589
Small and medium enterprise	8,983	48	8,935	189	102	87	642	210	84	432
Unsecured and revolving	4,734	100	4,634	99	68	31	187	104	21	83
Other secured loans	4,776	18	4,758	159	82	77	286	53	67	233
Total retail	**49,870**	**220**	**49,650**	**874**	**475**	**399**	**1,912**	**575**	**224**	**1,337**
Wholesale										
Sovereign	170,653	38	170,615	-	-	-	128	3	1	125
Financial institutions	131,252	319	130,933	-	-	-	3	1	-	2
Project finance	8,380	299	8,081	-	-	-	295	253	1	42
Energy & Commodities	130,152	312	129,840	6,946	473	6,473	1,014	626	251	388
Corporate	145,436	2,442	142,994	27,889	3,871	24,018	6,417	2,326	1,371	4,091
Total wholesale	**585,873**	**3,410**	**582,463**	**34,835**	**4,344**	**30,491**	**7,857**	**3,209**	**1,624**	**4,648**

3. **FINANCIAL RISK MANAGEMENT (continued)**

(b) **Credit risk (continued)**

Credit quality (continued)

An analysis of credit exposures using the Bank's grading system is given below:

At 30 June 2021

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Total Wholesale									
2	21,690	-	-	1	-	-	21,689	-	-
3	16,422	-	-	2	-	-	16,420	-	-
4	5	-	-	-	-	-	5	-	-
5	59,267	-	-	33	-	-	59,234	-	-
6	4,968	-	-	1	-	-	4,967	-	-
7	142,813	-	-	27	-	-	142,786	-	-
8	6,536	-	-	2	-	-	6,534	-	-
9	10,820	-	-	6	-	-	10,814	-	-
10	6,583	-	-	1	-	-	6,582	-	-
11	1,195	1	-	4	-	-	1,191	1	-
12	23,134	8	-	89	-	-	23,045	8	-
13	97,928	819	-	423	41	-	97,505	778	-
14	63,512	2,027	-	468	99	-	63,044	1,928	-
15	100,147	11,684	-	1,334	684	-	98,813	11,000	-
16	19,931	6,806	-	610	1,001	-	19,321	5,805	-
17	6,385	9,706	-	309	1,742	-	6,076	7,964	-
18	4,343	2,205	-	75	415	-	4,268	1,790	-
19	194	1,579	-	25	362	-	169	1,217	-
20	-	-	7,857	-	-	3,209	-	-	4,648
Total	**585,873**	**34,835**	**7,857**	**3,410**	**4,344**	**3,209**	**582,463**	**30,491**	**4,648**
Sovereign									
2	21,690	-	-	1	-	-	21,689	-	-
3	7,559	-	-	-	-	-	7,559	-	-
7	140,500	-	-	24	-	-	140,476	-	-
15	472	-	-	4	-	-	468	-	-
16	432	-	-	9	-	-	423	-	-
20	-	-	128	-	-	3	-	-	125
Total	**170,653**	**-**	**128**	**38**	**-**	**3**	**170,615**	**-**	**125**
Financial Institutions									
3	8,863	-	-	2	-	-	8,861	-	-
4	5	-	-	-	-	-	5	-	-
5	59,267	-	-	33	-	-	59,234	-	-
6	4,968	-	-	1	-	-	4,967	-	-
7	2,313	-	-	3	-	-	2,310	-	-
8	6,536	-	-	2	-	-	6,534	-	-
9	10,820	-	-	6	-	-	10,814	-	-
10	5,879	-	-	-	-	-	5,879	-	-
11	766	-	-	2	-	-	764	-	-
12	1,271	-	-	2	-	-	1,269	-	-
13	13,551	-	-	28	-	-	13,523	-	-
14	145	-	-	2	-	-	143	-	-
15	9,028	-	-	142	-	-	8,886	-	-
16	3,830	-	-	50	-	-	3,780	-	-
18	4,010	-	-	46	-	-	3,964	-	-
20	-	-	3	-	-	1	-	-	2
Total	**131,252**	**-**	**3**	**319**	**-**	**1**	**130,933**	**-**	**2**

3. **FINANCIAL RISK MANAGEMENT (continued)**

(b) **Credit risk (continued)**

Credit quality (continued)

At 30 June 2021

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Project Finance									
13	3,348	-	-	18	-	-	3,330	-	-
14	182	-	-	2	-	-	180	-	-
15	1,332	-	-	27	-	-	1,305	-	-
16	2,910	-	-	194	-	-	2,716	-	-
17	394	-	-	39	-	-	355	-	-
18	214	-	-	19	-	-	195	-	-
20	-	-	295	-	-	253	-	-	42
Total	**8,380**	**-**	**295**	**299**	**-**	**253**	**8,081**	**-**	**42**
Energy & Commodities									
12	4,474	-	-	-	-	-	4,474	-	-
13	36,687	439	-	50	22	-	36,637	417	-
14	29,434	1,323	-	20	66	-	29,414	1,257	-
15	55,615	2,854	-	165	52	-	55,450	2,802	-
16	780	-	-	14	-	-	766	-	-
17	3,162	2,330	-	63	333	-	3,099	1,997	-
20	-	-	1,014	-	-	626	-	-	388
Total	**130,152**	**6,946**	**1,014**	**312**	**473**	**626**	**129,840**	**6,473**	**388**
Corporate									
10	704	-	-	1	-	-	703	-	-
11	429	1	-	2	-	-	427	1	-
12	17,389	8	-	87	-	-	17,302	8	-
13	44,342	380	-	327	19	-	44,015	361	-
14	33,751	704	-	444	33	-	33,307	671	-
15	33,700	8,830	-	996	632	-	32,704	8,198	-
16	11,979	6,806	-	343	1,001	-	11,636	5,805	-
17	2,829	7,376	-	207	1,409	-	2,622	5,967	-
18	119	2,205	-	10	415	-	109	1,790	-
19	194	1,579	-	25	362	-	169	1,217	-
20	-	-	6,417	-	-	2,326	-	-	4,091
Total	**145,436**	**27,889**	**6,417**	**2,442**	**3,871**	**2,326**	**142,994**	**24,018**	**4,091**

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Credit quality (continued)

Restructured financial assets

The Bank defines "rescheduling" as any amendment to restructuring or rescheduling of any exposure and includes concession, relaxation, forgiveness or postponement of any material term or condition of the original sanction. The underlying allowance for credit loss is realised wherever there is a material economic loss.

The following table provides information on financial assets which were restructured while they had a loss allowance measured at an amount equal to lifetime ECL.

	2022 RS'M	2021 RS'M
Amortised cost before restructure	**24**	741
Net modification gain or loss	**3**	44
Gross carrying amount at the end of the reporting year when the loss allowance was measured at an amount equal to lifetime ECL and for which the loss allowance has changed during the year to an amount of 12 months ECL	**7**	2

Assets obtained by taking possession of collateral

Details of assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances and held at 30 June are shown below:

	2022 RS'M	2021 RS'M
Property	**101**	79

Maximum exposure to credit risk - Financial instruments measured at fair value through profit or loss:

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. fair value through profit or loss).

	GROUP	
	2022 RS'M	2021 RS'M
Derivative financial instruments	**477**	1,083
Investment securities	**2,077**	19,571

Collateral held and other credit enhancements

The Group`s potential credit losses are mitigated through a range of instruments including collaterals and credit protection such as cash, real estate, marketable securities, inventories, standby letters of credit and other physical and/or financial collateral.

Credit risk policies are in place to determine the eligibility of collateral to mitigate the credit risk assumed and appropriate haircuts are applied to the market value of collateral, reflecting the underlying nature, quality and liquidity of the collateral.

In the event of default, the Group has the ability to call on the different types of collaterals which in turn are driven by portfolio, product or counterparty type.

Fixed and floating charges on properties and other assets constitute the bulk of our collateral while cash and marketable securities are immaterial.

Long-term finance and lending to corporate entities are generally secured whilst revolving individual credit facilities are generally unsecured. When the borrower's credit worthiness is not sufficient to justify an extension of credit, corporate guarantees are required.

In extending credit facilities to small and medium sized enterprises, the Group often takes continuing guarantees as a form of moral support from the principal directors. Debt securities, treasury and other eligible bills are generally unsecured with the exception of asset-backed securities.

For derivatives, repurchase agreements with financial market counterparties, collateral arrangements are covered under market-standard documentation such as International Swaps and Derivatives Association Agreements (ISDA) and Master Repurchase Agreements.

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Credit quality (continued)

Sensitivity analysis

As part of IFRS 9, the Group needs to convert the Through The Circle (TTC) PDs to Point In Time (PIT) PDs.
This conversion of TTC PDs to PIT PDs entailed the inclusion of forward-looking scenarios for both wholesale and retail portfolios.

Macroeconomic variables used for the Forward-Looking PDs (Probability of Default)

Wholesale Portfolio

The variables used for the inclusion of forward-looking aspects to our PDs i.e. for the conversion of TTC PDs to PIT PDs are as follows:

- Credit index (-2)*
- Credit index (-1)*
- GDP growth
- ln (lending rate)

Retail Portfolio

The retail portfolio is broken into SME, housing, secured and unsecured.
The following macroeconomic variables have been used for the respective portfolio:

(a) *SME* — Ln (GDP at basic prices)
Average Lending rate

(b) *Housing* — Ln (GDP at basic prices)
Unemployment rate for the year

(c) *Secured* — Ln (GDP at market prices)
Average lending rate

(d) *Unsecured* — Ln (GDP at basic prices)
Average CPI
Average lending rate

Credit concentration of risk by industry sectors

Corporate notes and credit facilities extended by the Group to any closely-related customers for amounts aggregating more than 10% of its Tier 1 capital, classified by industry sectors.

	GROUP	
	2022	2021
	RS'M	RS'M
Agriculture and fishing	**342**	275
Manufacturing	**9,787**	916
of which EPZ	***80***	*74*
Tourism	**13,413**	12,924
Transport	**242**	9,080
Construction	**6,431**	10,589
Financial and business services	**8,784**	31,188
Traders	**220,054**	53,168
Global Business Licence holders	**8,193**	8,788
Others	**8,808**	8,444
	276,054	135,372

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and market credit spreads will affect the Bank's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The market risk management policies at the Bank are set by the Board Risk Monitoring Committee and executive management of this class of risk is delegated to the Risk BU and Asset and Liability Committee (ALCO). The Market Risk Business Unit (MRBU) plays a central role in monitoring and controlling market risk activities. It is the aim of MRBU to ensure that market risk policies and guidelines are being effectively complied with and that limits are being observed.

(i) Price risk

The Group is exposed to equity securities price risk because of investments held and classified as FVOCI and FVPL financial assets. The table below summarises the impact of increases/decreases in fair value of the investments on the Group's equity. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	GROUP	
	2022	2021
	RS'M	RS'M
Financial assets at fair value through other comprehensive income	**243**	463
Financial assets at fair value through profit or loss	**379**	1,276
	622	1,739

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Group's foreign currency positions. Exposure resulting from trading activities is monitored through the use of limits. Limits are given to the individual trader and monitored by the Head of Financial Markets. Such limits include daily stop-loss and position limits. Overall exposure to foreign exchange including those resulting from non-trading activities is monitored against both the regulatory guideline and an internal target validated by ALCO.

The Group uses the Value-at-Risk (VaR) to measure its market price risk. VaR is the statistical representation of financial risk, expressed as a number, based on consistent modelling of past data and/or simulation of possible future movements, applied to a particular risk position, asset, or portfolio.

The VaR model used by the Group is based upon a 99 percent one-tailed confidence level and assumes a ten-day holding period, with market data taken from the previous one year.

VaR Analysis - Foreign Exchange Risk

	GROUP			
	As at 30 June	**Average**	**Maximum**	**Minimum**
2022 (RS'M)	**(29)**	**(35)**	**(53)**	**(18)**
2021 (RS'M)	(37)	(37)	(92)	(13)

Concentration of assets, liabilities and off-balance sheet items

GROUP **At 30 June 2022**	**EURO** **RS'M**	**USD** **RS'M**	**GBP** **RS'M**	**MUR** **RS'M**	**OTHER** **RS'M**	**TOTAL** **RS'M**
Financial assets						
Cash and cash equivalents	11,785	13,432	4,805	32,072	2,540	64,634
Derivative financial instruments	71	-	-	367	-	438
Loans to and placements with banks	1,723	21,941	-	(29)	772	24,407
Loans and advances to customers	26,512	174,088	436	117,231	253	318,520
Investment securities	9,150	52,751	1,355	159,924	-	223,180
Other financial assets	1,374	2,586	228	20,800	314	25,302
	50,615	264,798	6,824	330,365	3,879	656,481
Less allowances for credit impairment						(12,742)
						643,739
Subsidiaries, net of eliminations						48,359
Total						**692,098**
Financial liabilities						
Deposits from banks	1,246	9,064	256	707	45	11,318
Deposits from customers	44,522	162,839	6,578	262,134	5,030	481,103
Derivative financial instruments	-	87	-	410	-	497
Other borrowed funds	1,853	90,718	-	-	184	92,755
Debt securities	-	-	-	3,848	-	3,848
Subordinated liabilities	-	684	-	1,109	-	1,793
Preference shares	-	-	-	3,396	-	3,396
Other financial liabilities	160	328	51	1,966	32	2,537
	47,781	263,720	6,885	273,570	5,291	597,247
Subsidiaries, net of eliminations						38,817
Total						**636,064**
Net on-balance sheet position	2,834	1,078	(61)	56,795	(1,412)	59,234
Less allowances for credit impairment						(12,742)
Subsidiaries, net of eliminations						9,542
						56,034
Off balance sheet net notional position	6,835	11,512	603	-	1,081	20,031
Credit commitments	4,075	95,811	67	19,047	1,441	120,441
Subsidiaries						12,382

3. **FINANCIAL RISK MANAGEMENT (continued)**

(c) **Market risk (continued)**

(ii) **Currency risk (continued)**

Concentration of assets, liabilities and off-balance sheet items

GROUP

At 30 June 2021	EURO RS'M	USD RS'M	GBP RS'M	MUR RS'M	OTHER RS'M	TOTAL RS'M
Financial assets						
Cash and cash equivalents	19,678	44,865	4,825	22,901	8,942	101,211
Derivative financial instruments	513	242	-	280	-	1,035
Loans to and placements with banks	2,117	39,009	-	-	-	41,126
Loans and advances to customers	30,402	120,149	481	118,615	123	269,770
Investment securities	8,877	28,421	1	146,619	-	183,918
Other financial assets	1,121	2,283	196	20,269	113	23,982
	62,708	234,969	5,503	308,684	9,178	621,042
Less allowances for credit impairment						(13,692)
						607,350
Subsidiaries, net of eliminations						43,028
Total						**650,378**
Financial liabilities						
Deposits from banks	1,364	19,400	182	617	93	21,656
Deposits from customers	44,048	144,928	6,164	242,070	16,618	453,828
Derivative financial instruments	6	888	-	512	-	1,406
Other borrowed funds	1,728	72,896	-	-	2	74,626
Debt securities	-	-	-	4,007	-	4,007
Subordinated liabilities	-	875	-	1,109	-	1,984
Preference shares	-	-	-	3,396	-	3,396
Other financial liabilities	205	337	50	1,243	30	1,865
	47,351	239,324	6,396	252,954	16,743	562,768
Subsidiaries, net of eliminations						34,344
Total						**597,112**
Net on-balance sheet position	15,357	(4,355)	(893)	55,730	(7,565)	58,274
Less allowances for credit impairment						(13,692)
Subsidiaries, net of eliminations						8,684
						53,266
Off balance sheet net notional position	21,332	50,198	302	-	557	72,389
Credit commitments	4,134	94,150	161	17,320	1,947	117,712
Subsidiaries						6,997

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iii) Interest rate risk

Interest rate risk in the banking book is the risk of an adverse impact to earnings due to changes in market interest rates. It arises on non-traded assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent. The Asset and Liability Management BU, within Finance SBU, uses a number of levers to manage interest risk in the banking book whilst Market Risk & Product Control BU independently measures and monitors the latter.

Net interest income (NII) sensitivity measures the sensitivity of expected net interest income under various interest rate scenarios, where all other economic variables are held constant. The net interest income sensitivity is closely monitored by ALCO.

The NII sensitivity calculations assume that interest rates for all maturities move by the same amount in the 'up-shock' scenario. The sensitivity calculations in the 'down-shock' scenarios assumes rate are floored at zero, except if market rates is already negative, as in the case of Euro.

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amount by the earlier of contractual re-pricing or maturity dates.

Interest Rate Risk Earnings Impact Analysis

The Group incurs interest rate risk (IRR) mainly in the form of repricing risk and uses an interest rate risk gap analysis as shown below to measure and monitor this source of risk. Amongst other methodologies, it applies BOM framework of a 200 basis point parallel shift in interest rates to estimate the one-year earnings impact on a static balance sheet basis as shown below.

	GROUP	
	2022	2021
	RS'M	RS'M
Impact on Earnings	**328**	391

Interest sensitivity of assets and liabilities - repricing analysis

GROUP At 30 June 2022	**Up to 1 month RS'M**	**1-3 months RS'M**	**3-6 months RS'M**	**6-12 months RS'M**	**1-3 years RS'M**	**Over 3 years RS'M**	**Non-interest bearing RS'M**	**Total RS'M**
Financial assets								
Cash and cash equivalents	6,315	16	-	-	-	-	58,303	64,634
Derivative financial instruments	-	-	-	-	-	-	438	438
Loans to and placements with banks	5,302	11,302	2,950	4,677	74	46	56	24,407
Loans and advances to customers	200,775	31,870	26,169	17,193	15,863	13,934	12,716	318,520
Investment securities	4,071	11,408	16,131	18,598	83,688	83,882	5,402	223,180
Other financial assets	-	-	-	-	-	-	25,302	25,302
	216,463	54,596	45,250	40,468	99,625	97,862	102,217	656,481
Less allowances for credit impairment								(12,742)
								643,739
Subsidiaries, net of eliminations								48,359
Total								**692,098**
Financial liabilities								
Deposits from banks	4,169	3,455	-	1,796	-	-	1,898	11,318
Deposits from customers	256,189	6,125	3,064	4,143	2,230	250	209,102	481,103
Derivative financial instruments	-	1	1	2	8	(3)	488	497
Other borrowed funds	9,473	25,143	34,943	5,075	11,312	4,512	2,297	92,755
Debt securities	-	-	-	2,008	-	1,840	-	3,848
Subordinated liabilities	-	674	-	-	1,109	-	10	1,793
Preference shares	-	-	-	-	-	-	3,396	3,396
Other financial liabilities	-	-	-	-	-	-	2,537	2,537
	269,831	35,398	38,008	13,024	14,659	6,599	219,728	597,247
Subsidiaries, net of eliminations								38,817
Total								**636,064**
On balance sheet interest sensitivity gap	(53,368)	19,198	7,242	27,444	84,966	91,263	(117,511)	59,234
Less allowances for credit impairment								(12,742)
Subsidiaries, net of eliminations								9,542
								56,034

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

Interest sensitivity of assets and liabilities - repricing analysis

GROUP At 30 June 2021	**Up to 1 month RS'M**	**1-3 months RS'M**	**3-6 months RS'M**	**6-12 months RS'M**	**1-3 years RS'M**	**Over 3 years RS'M**	**Non-interest bearing RS'M**	**Total RS'M**
Financial assets								
Cash and cash equivalents	12,667	457	-	-	-	-	88,087	101,211
Derivative financial instruments	-	-	1	1	4	14	1,015	1,035
Inflow	*2*	*2*	*7*	*14*	*50*	*173*	*1,015*	*1,263*
(Outflow)	*(2)*	*(2)*	*(6)*	*(13)*	*(46)*	*(159)*	*-*	*(228)*
Loans to and placements with banks	18,870	16,314	4,053	189	1,635	-	65	41,126
Loans and advances to customers	179,926	24,175	28,726	14,852	4,676	6,266	11,149	269,770
Investment securities	419	13,341	10,409	14,514	59,247	80,614	5,374	183,918
Other financial assets	-	-	-	-	-	-	23,982	23,982
	211,882	54,287	43,189	29,556	65,562	86,894	129,672	621,042
Less allowances for credit impairment								(13,692)
								607,350
Subsidiaries, net of eliminations								43,028
Total								**650,378**
Financial liabilities								
Deposits from banks	7,764	893	1,663	426	-	-	10,910	21,656
Deposits from customers	263,365	5,157	2,335	3,661	147	31,700	147,463	453,828
Derivative financial instruments	-	-	-	-	-	-	1,406	1,406
Other borrowed funds	4,904	26,077	12,092	14,008	9,982	7,320	243	74,626
Debt securities	-	-	-	-	2,007	2,000	-	4,007
Subordinated liabilities	-	864	-	-	1,109	-	11	1,984
Preference shares	-	-	-	-	-	-	3,396	3,396
Other financial liabilities	-	-	-	-	-	-	1,865	1,865
	276,033	32,991	16,090	18,095	13,245	41,020	165,294	562,768
Subsidiaries, net of eliminations								34,344
Total								**597,112**
On balance sheet interest sensitivity gap	(64,151)	21,296	27,099	11,461	52,317	45,874	(35,622)	58,274
Less allowances for credit impairment								(13,692)
Subsidiaries, net of eliminations								8,684
								53,266

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iv) Liquidity risk

Liquidity risk is the risk of being unable to raise liquid funds to meet immediate or short term obligations in a cost-effective way. The efficient management of liquidity is essential to the Group for maintaining market confidence and ensuring that business is sustainable.

Liquidity and funding risk are dynamically managed through a robust internal ecosystem comprising of Risk, Finance and Treasury Management, under the oversight of ALCO. The Group has implemented the following key strategies for management of liquidity risk:

- Project future cash flows and make plans to address normal operating requirements and some variable scenarios and contingencies
- Manage day to day liquidity, by monitoring intra-day liquidity and forecasting future cash flows to ensure that all outflows of funds can be met
- Maintenance of stock of liquid assets that can be used in case of unexpected outflows of cash
- Maintaining a diverse and stable funding base
- Monitoring of a set of liquidity early warning indicators
- Contingency Funding plan.

The table below presents the breakdown of financial assets and liabilities by remaining contractual maturities at end of reporting period.

The amounts disclosed in the following table are undiscounted.

Maturities of assets and liabilities

GROUP At 30 June 2022	**Up to 1 month RS'M**	**1-3 months RS'M**	**3-6 months RS'M**	**6-12 months RS'M**	**1-3 years RS'M**	**Over 3 years RS'M**	**Non-maturity items RS'M**	**Total RS'M**
Financial assets								
Cash and cash equivalents	14,505	12	-	-	-	-	50,117	64,634
Derivative financial instruments	-	-	-	-	-	-	438	438
Loans to and placements with banks	4,429	6,092	3,443	8,642	2,069	264	(34)	24,905
Loans and advances to customers	105,865	23,319	22,492	21,230	65,706	111,169	11,875	361,656
Investment securities	4,762	12,047	22,123	15,689	89,745	93,423	4,123	241,912
Other financial assets	-	-	-	-	-	-	25,302	25,302
	129,561	41,470	48,058	45,561	157,520	204,856	91,821	718,847
Less allowances for credit impairment								(12,742)
								706,105
Subsidiaries, net of eliminations								48,359
Total								**754,464**
Financial liabilities								
Deposits from banks	6,060	3,426	-	1,826	45	-	-	11,357
Deposits from customers	507,072	7,367	4,451	6,939	8,594	3,523	520	538,466
Derivative financial instruments	-	1	1	2	8	8	487	507
Other borrowed funds	11,613	3,166	11,766	1,376	62,866	8,190	145	99,122
Debt securities	-	-	-	2,008	-	1,840	-	3,848
Subordinated liabilities	-	349	-	-	1,467	-	-	1,816
Preference shares	-	-	-	-	-	-	3,396	3,396
Other financial liabilities	-	-	-	-	-	-	2,537	2,537
Lease liabilities	-	-	-	-	-	-	*163*	*163*
	524,745	14,309	16,218	12,151	72,980	13,561	7,248	661,212
Subsidiaries, net of eliminations								38,817
Total								**700,029**
Net liquidity gap	(395,184)	27,161	31,840	33,410	84,540	191,295	84,573	57,635
Less allowances for credit impairment								(12,742)
Subsidiaries, net of eliminations								9,542
								54,435
Off balance sheet net notional position	155	6,033	301	361	1,527	330,475	-	338,852
Credit commitments	10,428	17,844	29,273	40,677	7,337	14,882	-	120,441

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iv) Liquidity risk(continued)

Maturities of assets and liabilities

GROUP At 30 June 2021	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-maturity items RS'M	Total RS'M
Financial assets								
Cash and cash equivalents	85,675	1,417	-	-	-	-	14,117	101,209
Derivative financial instruments	-	-	-	(1)	(2)	11	956	964
Loans to and placements with banks	17,555	12,631	5,639	2,200	2,984	342	-	41,351
Loans and advances to customers	62,626	20,198	21,436	20,704	62,230	105,469	9,591	302,254
Investment securities	1,435	12,400	10,412	14,503	59,283	80,406	4,535	182,974
Other financial assets	-	-	-	-	-	-	23,982	23,982
	167,291	46,646	37,487	37,406	124,495	186,228	53,181	652,734
Less allowances for credit impairment								(13,692)
								639,042
Subsidiaries, net of eliminations								43,028
Total								**682,070**
Financial liabilities								
Deposits from banks	18,672	853	1,665	428	1	41	-	21,660
Deposits from customers	425,192	6,623	4,024	7,408	7,363	3,680	173	454,463
Derivative financial instruments	-	-	-	-	-	-	1,355	1,355
Other borrowed funds	688	6,663	1,297	38,271	17,902	10,673	-	75,494
Debt securities	-	-	-	-	2,007	2,000	-	4,007
Subordinated liabilities	-	230	-	227	1,527	-	-	1,984
Preference shares	-	-	-	-	-	-	3,396	3,396
Other financial liabilities	-	-	-	-	-	-	1,865	1,865
	444,552	14,369	6,986	46,334	28,800	16,394	6,789	564,224
Subsidiaries, net of eliminations								34,344
Total								**598,568**
Net liquidity gap	(277,261)	32,277	30,501	(8,928)	95,695	169,834	46,392	88,510
Less allowances for credit impairment								(13,692)
Subsidiaries, net of eliminations								8,684
								83,502

3. **FINANCIAL RISK MANAGEMENT (continued)**

(d) **Fair value estimation**

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments and instruments for which a market, which is considered to be the most representative price, is readily available. These financial assets have been classified as fair value through profit or loss and fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the instrument is included in level 3.

Specific techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using foreign exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying value of the assets kept at amortised cost approximates their fair values.

(e) **Capital risk management**

Disclosures relating to capital and management are available in the Risk and Capital Management Report.

(f) **Financial instruments by category:**

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
		Designated	Mandatory	Debt instrument	Equity instrument	
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP						
At 30 June 2022						
Financial assets						
Cash and cash equivalents	73,294	-	-	-	-	73,294
Derivative financial instruments	-	-	477	-	-	477
Loans to and placements with banks	23,375	-	-	-	-	23,375
Loans and advances to customers	325,613	-	-	-	-	325,613
Investment securities	227,241	7,587	-	2,377	2,479	239,684
Other financial assets	29,655	-	-	-	-	29,655
Total	**679,178**	**7,587**	**477**	**2,377**	**2,479**	**692,098**
Financial liabilities						
Deposits from banks	6,979	-	-	-	-	6,979
Deposits from customers	518,677	-	-	-	-	518,677
Derivative financial instruments	-	-	536	-	-	536
Other borrowed funds	94,995	-	-	-	-	94,995
Debt securities	3,848	-	-	-	-	3,848
Subordinated liabilities	1,793	-	-	-	-	1,793
Preference shares	3,396	-	-	-	-	3,396
Other financial liabilities	5,840	-	-	-	-	5,840
Total	**635,528**	**-**	**536**	**-**	**-**	**636,064**
Net on-balance sheet position	**43,650**	**7,587**	**(59)**	**2,377**	**2,479**	**56,034**

3. FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category (continued):

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
		Designated	Mandatory	Debt instrument	Equity instrument	
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP						
At 30 June 2021						
Financial assets						
Cash and cash equivalents	108,706	-	-	-	-	108,706
Derivative financial instruments	-	-	1,083	-	-	1,083
Loans to and placements with banks	39,579	-	-	-	-	39,579
Loans and advances to customers	273,399	-	-	-	-	273,399
Investment securities	163,758	25,519	-	6,868	2,385	198,530
Other financial assets	29,081	-	-	-	-	29,081
Total	**614,523**	**25,519**	**1,083**	**6,868**	**2,385**	**650,378**
Financial liabilities						
Deposits from banks	18,069	-	-	-	-	18,069
Deposits from customers	485,903	-	-	-	-	485,903
Derivative financial instruments	-	-	1,454	-	-	1,454
Other borrowed funds	77,136	-	-	-	-	77,136
Debt securities	4,007	-	-	-	-	4,007
Subordinated liabilities	1,984	-	-	-	-	1,984
Preference shares	3,396	-	-	-	-	3,396
Other financial liabilities	5,163	-	-	-	-	5,163
Total	**595,658**	**-**	**1,454**	**-**	**-**	**597,112**
Net on-balance sheet position	**18,865**	**25,519**	**(371)**	**6,868**	**2,385**	**53,266**

4. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	**2022 RS'M**	2021 RS'M
Cash in hand	**3,447**	3,047	**1,188**	588
Foreign currency notes and coins	**285**	668	**-**	-
Unrestricted balances with Central Banks*	**56,212**	18,258	**-**	-
Balances due in clearing	**364**	381	**-**	-
Treasury bills	**200**	5,091	**-**	-
Money market placements	**3,306**	5,608	**-**	-
Balances with banks abroad	**8,721**	74,387	**-**	-
Interbank loans	**815**	1,330	**-**	-
	73,350	108,770	**1,188**	588
Allowances for credit impairment (12 months expected credit loss)	**(56)**	(64)	**-**	-
	73,294	108,706	**1,188**	588

* Unrestricted balances with Central Banks represent amounts above the minimum cash reserve requirements.

Money market placements, balances with banks abroad and interbank loans represent loans to and placements with banks with original maturity less than three months.

The elements within cash and cash equivalents are classified as current assets.

(i) Allowances for credit impairment

	GROUP 12 months expected credit loss RS'M
At 1 July 2021	**64**
Provision for credit impairment for the year	**31**
Provision released during the year	**(73)**
Changes in models/risk parameters	**34**
At 30 June 2022	**56**
At 1 July 2020	18
Provision for credit impairment for the year	19
Provision released during the year	(3)
Changes in models/risk parameters	30
At 30 June 2021	64

(ii) Cash and cash equivalents as shown in the statements of cash flows:

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	**2022 RS'M**	2021 RS'M
Cash and cash equivalents as per above	**73,350**	108,770	**1,188**	588
Other borrowed funds (note 16)	**(2,577)**	(2)	**-**	-
Net cash and cash equivalents	**70,773**	108,768	**1,188**	588
Change in year	**(37,995)**	37,627	**600**	447
Effect of foreign exchange rate changes	**(1,073)**	(1,136)	**-**	-
(Decrease)/Increase in cash and cash equivalents as per the statements of cash flows	**(39,068)**	36,491	**600**	447

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises the following derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk:
- Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.
- Currency swaps and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, or interest rates, or a combination of all these.

Except for certain currency swaps, no exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Warrant is a derivative financial instrument which gives the right, but not the obligation to buy or to sell a specific amount of a given stock, currency, index or debt, at a specified price (the strike price) during a specified period or on a specified date.

Commodity options provide the buyer, for a premium, the right, but not the obligation, either to purchase or sell a fixed quantity of a certain commodity at a specified price on or before a future date. All commodity contracts are fully back-to-back transactions such that the Group is not exposed to market risks.

The fair values of derivative financial instruments held are set out below:

	GROUP		
	Contractual/ Nominal Amount RS'M	**Fair value assets RS'M**	**Fair value liabilities RS'M**
Fair value through profit or loss - Level 2*			
Derivative Instruments			
At 30 June 2022			
Currency forwards	**10,499**	**244**	**255**
Interest rate swaps	**2,069**	**44**	**64**
Currency swaps	**11,476**	**123**	**164**
Warrants	**488**	**39**	**39**
Commodities	**2,209**	**14**	**14**
Others	**13**	**13**	**-**
	26,754	**477**	**536**
At 30 June 2021			
Currency forwards	9,378	143	98
Interest rate swaps	31,830	733	895
Currency swaps	32,672	158	413
Warrants	-	48	48
Others	235	1	-
	74,115	1,083	1,454

*Refer to definition of Level 2 in note 7
The derivative financial instruments are classified as non-current assets/liabilities.

6. LOANS

(a) Loans to and placements with banks

	GROUP 2022 RS'M	2021 RS'M
(i) Loans to and placements with banks		
in Mauritius	**952**	178
outside Mauritius	**35,738**	120,983
	36,690	121,161
Less:		
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(12,842)**	(81,325)
	23,848	39,836
Less:		
Allowances for credit impairment	**(473)**	(257)
	23,375	39,579

	GROUP 2022 RS'M	2021 RS'M
(ii) Remaining term to maturity		
Up to 3 months	**8,856**	28,599
Over 3 months and up to 6 months	**2,753**	5,248
Over 6 months and up to 1 year	**8,651**	1,014
Over 1 year and up to 5 years	**3,588**	4,965
Over 5 years	**-**	10
	23,848	39,836

(iii) Reconciliation of gross carrying amount

	GROUP 12 months expected credit loss RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2021	**39,835**	**1**	**39,836**
New loans and placements with banks, originated or purchase	**21,008**	**-**	**21,008**
Loans and placements with banks derecognised or repaid (excluding write off)	**(36,995)**	**(1)**	**(36,996)**
At 30 June 2022	**23,848**	**-**	**23,848**
At 1 July 2020	18,126	12	18,138
New loans and placements with banks, originated or purchase	40,824	1	40,825
Loans and placements with banks derecognised or repaid (excluding write off)	(19,115)	(12)	(19,127)
At 30 June 2021	39,835	1	39,836

(iv) Allowances for credit impairment

	GROUP 12 months expected credit loss RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2021	**255**	**1**	**256**
Provision for credit impairment for the year	**239**	**-**	**239**
Provision released during the year	**(45)**	**(1)**	**(46)**
Financial assets that have been derecognised	**(113)**	**-**	**(113)**
Changes in models/risk parameters	**137**	**-**	**137**
Provision at 30 June 2022	**473**	**-**	**473**
At 1 July 2020	10	-	10
Provision for credit impairment for the year	146	1	147
Financial assets that have been derecognised	(11)	-	(11)
Changes in models/risk parameters	110	-	110
At 30 June 2021	255	1	256
Interest in suspense	-	1	1
Provision and interest in suspense at 30 June 2021	255	2	257

There were no non performing loans (NPL) under Loans to and placements with banks in 2022. (2021: NPL Rs 1M/Provision Rs 1M)

6. LOANS (continued)

(b) Loans and advances to customers

	GROUP 2022 RS'M	GROUP 2021 RS'M
(i) Loans and advances to customers		
Retail customers:		
Credit cards	**972**	872
Mortgages	**35,683**	33,441
Other retail loans	**11,969**	12,426
Corporate customers	**135,743**	136,650
Governments	**1,314**	1,454
Entities outside Mauritius	**153,883**	103,395
	339,564	288,238
Less:		
Allowances for credit impairment	**(13,951)**	(14,839)
	325,613	273,399

Finance lease receivable included in Group loans amounts to Rs 3,076M (2021:Rs 3,162M) net of unearned future finance income on finance leases of Rs 413M (2021:Rs 462M).

(ii) Remaining term to maturity

	GROUP 2022 RS'M	GROUP 2021 RS'M
Up to 3 months	**133,874**	87,283
Over 3 months and up to 6 months	**14,322**	5,615
Over 6 months and up to 1 year	**8,631**	16,419
Over 1 year and up to 5 years	**89,695**	83,277
Over 5 years	**93,042**	95,644
	339,564	288,238

(iii) Reconciliation of gross carrying amount

	GROUP			
	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2021	**238,778**	**35,095**	**14,365**	**288,238**
Exchange adjustment	**1,493**	**110**	**167**	**1,770**
Transfer to 12 months ECL	**10,245**	**(9,504)**	**(741)**	**-**
Transfer to lifetime ECL not credit impaired	**(3,059)**	**3,662**	**(603)**	**-**
Transfer to lifetime ECL credit impaired	**(514)**	**(8,726)**	**9,240**	**-**
New loans and advances to customers, originated or purchase	**163,803**	**4,087**	**3,841**	**171,731**
Loans and advances to customers derecognised or repaid (excluding write off)	**(105,454)**	**(6,931)**	**(4,318)**	**(116,703)**
Write offs	**-**	**-**	**(5,472)**	**(5,472)**
At 30 June 2022	**305,292**	**17,793**	**16,479**	**339,564**
At 1 July 2020	206,170	32,632	13,331	252,133
Exchange adjustment	2,194	237	254	2,685
Transfer to 12 months ECL	2,990	(2,332)	(658)	-
Transfer to lifetime ECL not credit impaired	(7,443)	7,911	(468)	-
Transfer to lifetime ECL credit impaired	(1,492)	(2,515)	4,007	-
New loans and advances to customers, originated or purchase	112,366	10,130	2,564	125,060
Loans and advances to customers derecognised or repaid (excluding write off)	(76,007)	(10,968)	(2,648)	(89,623)
Write offs	-	-	(2,017)	(2,017)
At 30 June 2021	238,778	35,095	14,365	288,238

(iv) Allowances for credit impairment

	GROUP			
	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2021	**2,873**	**4,851**	**4,501**	**12,225**
Exchange adjustment	**2**	**16**	**162**	**180**
Transfer to 12 months ECL	**1,124**	**(938)**	**(186)**	**-**
Transfer to lifetime ECL not credit impaired	**(150)**	**240**	**(90)**	**-**
Transfer to lifetime ECL credit impaired	**(12)**	**(1,178)**	**1,190**	**-**
Provision for credit impairment for the year	**1,891**	**571**	**5,064**	**7,526**
Provision released during the year	**(1,594)**	**(959)**	**(408)**	**(2,961)**
Financial assets that have been derecognised	**(361)**	**(300)**	**(879)**	**(1,540)**
Write offs	**-**	**-**	**(4,137)**	**(4,137)**
Changes in models/risk parameters	**(312)**	**788**	**-**	**476**
At 30 June 2022	**3,461**	**3,091**	**5,217**	**11,769**
Interest in suspense	**-**	**-**	**2,182**	**2,182**
Provision and interest in suspense at 30 June 2022	**3,461**	**3,091**	**7,399**	**13,951**
At 1 July 2020	1,874	3,528	3,571	8,973
Exchange adjustment	19	21	144	184
Transfer to 12 months ECL	385	(261)	(124)	-
Transfer to lifetime ECL not credit impaired	(236)	282	(46)	-
Transfer to lifetime ECL credit impaired	(46)	(177)	223	-
Provision for credit impairment for the year	1,133	1,849	2,772	5,754
Provision released during the year	(778)	(844)	(363)	(1,985)
Financial assets that have been derecognised	(145)	(439)	(197)	(781)
Write offs	-	-	(1,479)	(1,479)
Changes in models/risk parameters	667	892	-	1,559
At 30 June 2021	2,873	4,851	4,501	12,225
Interest in suspense	-	-	2,614	2,614
Provision and interest in suspense at 30 June 2021	2,873	4,851	7,115	14,839

6. **LOANS (continued)**

(b) **Loans and advances to customers (continued)**

(v) **Allowances for credit impairment by industry sectors**

	GROUP					
	2022					
	Gross amount of loans	*Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	**8,904**	**903**	**134**	**131**	**590**	**855**
Manufacturing	**22,923**	**514**	**210**	**211**	**279**	**700**
of which EPZ	***2,867***	***3***	***42***	***133***	***3***	***178***
Tourism	**34,696**	**452**	**905**	**1,437**	**285**	**2,627**
Transport	**6,770**	**287**	**190**	**4**	**357**	**551**
Construction	**16,319**	**759**	**255**	**34**	**402**	**691**
Financial and business services	**29,594**	**277**	**337**	**169**	**143**	**649**
Traders	**128,384**	**2,232**	**634**	**391**	**1,513**	**2,538**
Personal	**46,414**	**1,049**	**232**	**70**	**491**	**793**
of which credit cards	***926***	***27***	***11***	***1***	***23***	***35***
of which housing	***35,683***	***678***	***99***	***28***	***216***	***343***
Professional	**1,335**	**105**	**14**	**2**	**73**	**89**
Foreign governments	**1,314**	**-**	**3**	**-**	**-**	**3**
Global Business Licence holders	**16,175**	**7,414**	**142**	**25**	**3,080**	**3,247**
Others	**26,736**	**339**	**405**	**617**	**186**	**1,208**
	339,564	**14,331**	**3,461**	**3,091**	**7,399**	**13,951**

	GROUP					
	2021					
	Gross amount of loans	*Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	8,409	1,403	138	18	1,252	1,408
Manufacturing	16,680	682	203	281	385	869
of which EPZ	*2,830*	*159*	*27*	*152*	*139*	318
Tourism	32,638	1,053	472	1,670	358	2,500
Transport	9,652	362	62	198	346	606
Construction	19,777	1,446	304	33	909	1,246
Financial and business services	50,808	1,171	654	250	729	1,633
Traders	67,663	2,062	445	528	1,806	2,779
Personal	44,617	1,357	164	48	537	749
of which credit cards	*830*	*25*	*13*	*1*	*22*	36
of which housing	*33,441*	*859*	*57*	*20*	*261*	338
Professional	1,433	133	12	6	78	96
Foreign governments	1,454	-	1	-	-	1
Global Business Licence holders	19,770	1,809	208	1,216	569	1,993
Others	15,337	297	210	603	146	959
	288,238	11,775	2,873	4,851	7,115	14,839

*Non performing loans excludes interest in suspense.

7. INVESTMENT SECURITIES

(a) Investment securities	GROUP 2022 RS'M	GROUP 2021 RS'M
Securities at amortised cost	**227,630**	164,129
Less:		
Allowances for credit impairment	**(389)**	(371)
	227,241	163,758
Fair value through other comprehensive income	**4,856**	9,253
Fair value through profit or loss	**7,587**	25,519
	239,684	198,530

As at 30 June 2022, there were no credit impaired investments fair valued through other comprehensive income.
(**Credit Impaired** - 2021: Rs 101M/Provision Rs 11M)
(12 months expected credit loss - 2021: Rs 8M)

Investment securities can be classified as:	2022	2021
Current	**53,177**	44,490
Non-current	**186,896**	154,411

	COMPANY 2022 RS'M	COMPANY 2021 RS'M
Fair value through other comprehensive income		
Non-voting non-cumulative preference shares issued by MCB Leasing Limited	**200**	200
Shares - Quoted level 1	**240**	248
	440	448
Fair value through profit or loss		
Credit linked note	**-**	221
	440	669

(b) Securities at amortised cost	GROUP 2022 RS'M	GROUP 2021 RS'M
Government of Mauritius and Bank of Mauritius bonds	**112,800**	103,844
Treasury bills	**24,869**	12,823
Foreign bonds	**55,855**	21,602
Notes	**33,722**	25,479
Index linked note	**384**	381
	227,630	164,129

(i) Remaining term to maturity

2022	Up to 3 months RS'M	3 - 6 months RS'M	6 - 12 months RS'M	1 - 5 years RS'M	Over 5 years RS'M	Total RS'M
Government of Mauritius and Bank of Mauritius bonds	**8,688**	**4,923**	**7,253**	**73,034**	**18,902**	**112,800**
Treasury bills	**10,135**	**7,781**	**6,953**	**-**	**-**	**24,869**
Foreign bonds	**-**	**2,245**	**1,372**	**36,101**	**16,137**	**55,855**
Notes	**304**	**1,453**	**1,372**	**17,679**	**12,914**	**33,722**
Index linked note	**-**	**-**	**-**	**207**	**177**	**384**
	19,127	**16,402**	**16,950**	**127,021**	**48,130**	**227,630**

2021	Up to 3 months RS'M	3 - 6 months RS'M	6 - 12 months RS'M	1 - 5 years RS'M	Over 5 years RS'M	Total RS'M
Government of Mauritius and Bank of Mauritius bonds	327	3,688	9,457	71,357	19,015	103,844
Treasury bills	10,355	1,149	1,075	244	-	12,823
Foreign bonds	-	-	14	8,533	13,055	21,602
Notes	-	407	-	15,643	9,429	25,479
Index linked note	-	-	-	204	177	381
	10,682	5,244	10,546	95,981	41,676	164,129

7. INVESTMENT SECURITIES (continued)

(b) Securities at amortised cost (continued)

(ii) Reconciliation of gross carrying amount

	GROUP		
	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Total RS'M
At 1 July 2021	**162,217**	**1,912**	**164,129**
Transfer to 12 months ECL	**1,505**	**(1,505)**	**-**
Investments originated or purchase	**89,273**	**-**	**89,273**
Investments derecognised or repaid (excluding write off)	**(25,947)**	**(407)**	**(26,354)**
Exchange adjustment	**582**	**-**	**582**
At 30 June 2022	**227,630**	**-**	**227,630**
At 1 July 2020	105,126	3,150	108,276
Transfer to lifetime ECL not credit impaired	1,080	(1,080)	-
Investments originated or purchase	81,140	46	81,186
Investments derecognised or repaid (excluding write off)	(26,280)	(204)	(26,484)
Exchange adjustment	1,151	-	1,151
At 30 June 2021	162,217	1,912	164,129

(iii) Allowances for credit impairment

	GROUP		
	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Total RS'M
At 1 July 2021	**265**	**106**	**371**
Transfer to 12 months ECL	**102**	**(102)**	**-**
Exchange adjustment	**1**	**-**	**1**
Provision for credit impairment for the year	**158**	**-**	**158**
Provision released during the year	**(107)**	**-**	**(107)**
Financial assets that have been derecognised	**(62)**	**(3)**	**(65)**
Changes in models/risk parameters	**31**	**-**	**31**
At 30 June 2022	**388**	**1**	**389**
At 1 July 2020	101	267	368
Transfer to 12 months ECL	133	(133)	-
Exchange adjustment	1	-	1
Provision for credit impairment for the year	40	-	40
Provision released during the year	(87)	(43)	(130)
Financial assets that have been derecognised	(8)	(5)	(13)
Changes in models/risk parameters	85	20	105
At 30 June 2021	265	106	371

(c) Fair value through other comprehensive income by levels

	GROUP	
	2022 RS'M	2021 RS'M
Quoted - Level 1		
Official list: shares (equity instrument)	**1,245**	1,045
Bonds (debt instrument)	**1,662**	6,182
Foreign shares	**524**	623
	3,431	7,850
Unquoted - Level 2		
Investment fund (debt instrument)	**715**	686
Shares (equity instrument)	**121**	138
	836	824
Unquoted - Level 3		
Shares (equity instrument)	**589**	579
	589	579
	4,856	9,253

7. INVESTMENT SECURITIES (continued)

(c) Fair value through other comprehensive income by levels (continued)

Reconciliation of level 3 fair value measurements

	GROUP	
	2022	2021
	RS'M	RS'M
At 1 July	**579**	548
Additions	**17**	99
Disposals	**-**	(101)
Movement in fair value	**(7)**	16
Exchange adjustments	**-**	17
At 30 June	**589**	579

(d) Fair value through profit or loss by levels

Quoted - Level 1		
Local bonds	**110**	371
Local shares	**1,221**	1,106
Foreign bonds	**-**	1
Foreign shares	**2,412**	2,703
	3,743	4,181
Unquoted - Level 2		
Government of Mauritius & Bank of Mauritius bonds	**196**	1,251
Treasury bills	**502**	16,767
Investment funds	**756**	682
	1,454	18,700
Unquoted - Level 3		
Local shares	**1,618**	1,931
Foreign shares	**259**	208
Debt	**513**	499
	2,390	2,638
	7,587	25,519

Reconciliation of level 3 fair value measurement

At 1 July	**2,638**	2,444
Additions	**170**	490
Disposals	**(36)**	(23)
Transfers	**(66)**	-
Movement in fair value	**(316)**	(273)
At 30 June	**2,390**	2,638

Fair value hierarchy

The Group uses a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable.

Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions.

These two types of inputs have created the following fair value hierarchy:

Level 1 : Quoted prices (unadjusted) for identical assets. This level includes listed equity securities.
Level 2 : Inputs other than quoted prices that are observable for the assets.
Level 3 : Inputs for the assets that are not based on observable market data.

Valuation techniques used to estimate the fair values of unquoted equity securities include models based on earnings/dividend growth, discounted cash flows and net asset values, whichever is considered to be appropriate. The Group has made certain assumptions for inputs in the models, including earnings before interest, depreciation, tax and amortisation (EBIDTA), risk free rate, risk premium, dividend growth rate, weighted average cost of capital, appropriate discounts for lack of liquidity and expected cash flows which may be different from actual. As such, fair value estimates may differ given the subjectivity of underlying assumptions used as model inputs. Inputs were based on information available at the reporting date.

Unquoted shares

The Group holds shares in several investments where the fair value is determined as a percentage of the net asset value using latest available audited accounts and in some cases latest available management accounts. There are also some investments which are fair valued using the latest share prices which were available upon recent events, e.g. rights issue.

8. INVESTMENTS IN ASSOCIATES

(a) The Group's interests in its associates are as follows:

	Nature of business	Principal place of business	Country of incorporation	Holding % Direct	Holding % Indirect
2022					
Banque Française Commerciale Ocean Indien	**Banking & financial services**	**Réunion**	**Réunion**	**-**	**49.99**
Société Générale Moçambique	**Banking & financial services**	**Mozambique**	**Mozambique**	**-**	**35.00**
Promotion and Development Ltd	**Investment and property development**	**Mauritius**	**Republic of Mauritius**	**0.13**	**46.34**
Caudan Development Ltd	**Property development, investment and provision of security services**	**Mauritius**	**Republic of Mauritius**	**6.29**	**38.06**
Credit Guarantee Insurance Co Ltd	**Insurance services**	**Mauritius**	**Republic of Mauritius**	**40.00**	**-**
2021					
Banque Française Commerciale Ocean Indien	Banking & financial services	Réunion	Réunion	-	49.99
Société Générale Moçambique	Banking & financial services	Mozambique	Mozambique	-	35.00
Promotion and Development Ltd	Investment and property development	Mauritius	Republic of Mauritius	0.13	46.36
Caudan Development Ltd	Property development, investment and provision of security services	Mauritius	Republic of Mauritius	6.29	38.08
Credit Guarantee Insurance Co Ltd	Insurance services	Mauritius	Republic of Mauritius	40.00	-

(i) The above associates are accounted for using the equity method.

(ii) Except for Credit Guarantee Insurance Co Ltd, the other above associates are held through subsidiaries.

(iii) Banque Française Commerciale Ocean Indien, Société Générale Moçambique and Credit Guarantee Co Ltd are unquoted.
The other associates are quoted and the Group's interest in the quoted associates based on SEM bid price at 30 June are as follows:
Promotion and Development Ltd : Rs 1,810M (2021: Rs 1,474M)
Caudan Development Ltd : Rs 754M (2021: Rs 874M)

	GROUP 2022 RS'M	GROUP 2021 RS'M
Group's share of net assets	**11,786**	11,565
Goodwill	**57**	57
Subordinated loans to associate	**513**	903
	12,356	12,525

The directors are satisfied that there are no indications requiring an impairment of the Group's investments in associates.

(b) Summarised financial information in respect of material entities, included for Group reporting

Banque Française Commerciale Ocean Indien

	GROUP 2022 RS'M	GROUP 2021 RS'M
(i) Summarised statement of financial position:		
Current assets	**11,607**	17,753
Non current assets	**88,224**	97,111
Current liabilities	**21,276**	25,362
Non current liabilities	**69,681**	79,955
(ii) Summarised statement of profit or loss and other comprehensive income:		
Revenue	**4,853**	4,547
Profit	**801**	662
Other comprehensive income	**47**	-
Total comprehensive income	**848**	662
(iii) Dividend received during the year	**383**	134

8. INVESTMENTS IN ASSOCIATES (continued)

(b) Summarised financial information in respect of material entities, included for Group reporting (continued)

Promotion and Development Ltd

	GROUP 2022 RS'M	GROUP 2021 RS'M
(i) Summarised statement of financial position:		
Current assets	**254**	185
Non current assets	**16,788**	15,678
Current liabilities	**932**	833
Non current liabilities	**1,386**	1,324
Non-controlling interest	**1,268**	1,222
(ii) Summarised statement of profit or loss and other comprehensive income:		
Revenue	**603**	544
Profit	**630**	67
Other comprehensive income	**469**	1,683
Total comprehensive income	**1,099**	1,750
(iii) Dividend received during the year	**73**	-

(c) Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount recognised in the financial statements:

	Opening net assets RS'M	Profit RS'M	Other comprehensive income RS'M	Other movements in reserves RS'M	Dividend RS'M	Closing net assets RS'M	Ownership interest %	Interest in associates RS'M	Goodwill RS'M	Subordinated loans RS'M	Carrying value RS'M
2022											
Banque Française Commerciale Ocean Indien	**9,547**	**801**	**47**	**(775)**	**(746)**	**8,874**	**49.99%**	**4,436**	**57**	**513**	**5,006**
Promotion and Development Ltd	**12,484**	**630**	**469**	**31**	**(158)**	**13,456**	**46.47%**	**6,253**	**-**	**-**	**6,253**
2021											
Banque Française Commerciale Ocean Indien	8,115	662	-	1,038	(268)	9,547	49.99%	4,773	57	903	5,733
Promotion and Development Ltd	10,825	67	1,683	(52)	(39)	12,484	46.49%	5,804	-	-	5,804

(d) Aggregate information of associates that are not individually material

	GROUP 2022 RS'M	GROUP 2021 RS'M
Carrying amount of interests	**1,097**	988
Share of profit	**106**	10
Share of other comprehensive income	**3**	-

AT COST

	COMPANY 2022 RS'M	COMPANY 2021 RS'M
At 1 July	**147**	143
Additions	**-**	4
At 30 June	**147**	147

Investments in associates are classified as non-current asset.

9. INVESTMENTS IN SUBSIDIARIES

(a) The Group has the following subsidiaries:

	Country of incorporation/ operation	Principal activities	Stated capital		Effective Holding 2022 %	Proportion of ownership interests held by non-controlling interests 2022 %	Effective Holding 2021 %	Proportion of ownership interests held by non-controlling interests 2021 %	Cost of Investment COMPANY 2022 RS'M	Cost of Investment COMPANY 2021 RS'M
BANKING										
Direct										
MCB Investment Holding Ltd	Republic of Mauritius	Activities of holding companies, without managing	RS'M	8,880	100.00	-	100.00	-	8,880	8,880
Indirect										
The Mauritius Commercial Bank Limited	Republic of Mauritius	Banking & Financial services	RS'M	8,880	100.00	-	100.00	-	-	-
MCB Seychelles Ltd	Seychelles	Banking & Financial services	SRS'M	20	100.00	-	100.00	-	-	-
MCB Madagascar SA	Madagascar	Banking & Financial services	MGA'BN	14	90.00	10.00	90.00	10.00	-	-
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	MVR'M	150	100.00	-	100.00	-	-	-
NON-BANKING FINANCIAL										
Direct										
MCB Equity Fund Ltd	Republic of Mauritius	Private Equity Fund	RS'M	2,084	100.00	-	100.00	-	2,084	2,084
MCB Capital Markets Ltd	Republic of Mauritius	Investment Holding Company	RS'M	73	100.00	-	100.00	-	73	73
MCB Factors Ltd	Republic of Mauritius	Factoring	RS'M	50	100.00	-	100.00	-	50	50
MCB Microfinance Ltd	Republic of Mauritius	Credit Finance	RS'M	125	100.00	-	100.00	-	125	125
MCB Real Assets Ltd*	Republic of Mauritius	Investment Holding Company	RS'M	-	100.00	-	100.00	-	-	-
Indirect										
MCB Financial Advisers	Republic of Mauritius	Investment Advisory	Rs'M	2	100.00	-	100.00	-	-	-
MCB Registry and Securities Ltd	Republic of Mauritius	Share and Unit Registrar services	Rs'M	12	100.00	-	100.00	-	-	-
MCB Investment Management Co. Ltd	Republic of Mauritius	Investment Advisory and CIS Manager	Rs'M	5	100.00	-	100.00	-	-	-
MCB Capital Partners Ltd	Republic of Mauritius	Asset Management	Rs'M	1	100.00	-	100.00	-	-	-
MCB Stockbrokers Ltd	Republic of Mauritius	Investment Dealer	Rs'M	1	100.00	-	100.00	-	-	-
MCB Investment Services Ltd	Republic of Mauritius	Shared Services	Rs'M	20	100.00	-	100.00	-	-	-
MCB Investment Services (Rwanda) Ltd	Rwanda	Investment Advisory	RWF	5	100.00	-	100.00	-	-	-
MCB Structured Solutions Ltd*	Republic of Mauritius	Investment Product Structuring	Rs'M	-	100.00	-	100.00	-	-	-
CM Structured Products (1) Ltd*	Republic of Mauritius	Investment Product Structuring	Rs'M	-	100.00	-	100.00	-	-	-
CM Structured Products (2) Ltd	Republic of Mauritius	Investment Product Structuring	Rs'M	15	100.00	-	100.00	-	-	-
CM Structured Finance (1) Ltd	Republic of Mauritius	Investment Product Structuring	Rs'M	69	100.00	-	100.00	-	-	-
CM Structured Finance (2) Ltd	Republic of Mauritius	Investment Product Structuring	Rs'M	14	100.00	-	100.00	-	-	-
CM Diversified Credit Ltd	Republic of Mauritius	Investment Product Structuring	Rs'M	118	100.00	-	100.00	-	-	-
MCB Leasing Ltd*	Republic of Mauritius	Leasing	Rs'M	-	57.73	42.27	57.73	42.27	-	-

9. INVESTMENTS IN SUBSIDIARIES (continued)

(a) The Group has the following subsidiaries (continued):

	Country of incorporation/ operation	Principal activities	Stated capital		Effective Holding 2022 %	Proportion of ownership interests held by non-controlling interests 2022 %	Effective Holding 2021 %	Proportion of ownership interests held by non-controlling interests 2021 %	Cost of Investment COMPANY 2022 RS'M	Cost of Investment COMPANY 2021 RS'M
OTHER INVESTMENTS										
Direct										
Fincorp Investment Ltd	Republic of Mauritius	Investment Company	**RS'M**	**103**	**57.73**	**42.27**	57.73	42.27	**29**	29
MCB Properties Ltd	Republic of Mauritius	Property ownership & development	**RS'M**	**15**	**100.00**	**-**	100.00	-	**15**	15
Blue Penny Museum	Republic of Mauritius	Philatelic museum	**RS'M**	**14**	**99.63**	**0.37**	99.63	0.37	**13**	13
MCB Group Corporate Services Ltd	Republic of Mauritius	Company secretarial services	**RS'M**	**2**	**100.00**	**-**	100.00	-	**2**	2
MCB Consulting Services Ltd	Republic of Mauritius	Consulting, advisory, support and maintenance services	**USD'M**	**2**	**100.00**	**-**	100.00	-	**50**	50
MCB Institute of Finance	Republic of Mauritius	To develop the financial know-how of professionals and students	**RS'M**	**20**	**80.00**	**20.00**	80.00	20.00	**16**	16
Mascareignes Properties Ltd*	Seychelles	Property rental	**SRS'M**	**-**	**100.00**	**-**	100.00	-	**-**	-
MCB International Services Ltd*	Seychelles	Financial services	**SRS'M**	**-**	**100.00**	**-**	100.00	-	**-**	-
Indirect										
Compagnie des Villages de Vacances de l'Isle de France	Republic of Mauritius	Real Estate Activities	**Rs'M**	**825**	**93.39**	**6.61**	93.39	6.61	**-**	-
EF Property Ltd*	Republic of Mauritius	Real Estate Activities	**Rs'M**	**-**	**100.00**	**-**	100.00	-	**-**	-
									11,337	11,337
Subordinated loans to subsidiaries									**2,064**	1,888
									13,401	13,225

Except for Fincorp Investment Ltd which is quoted, the other above companies are unquoted.

The fair value of the Company's interest in Fincorp Investment Ltd was Rs 1,253M at 30 June 2022 (2021: Rs 1,223M).

The cost of investment in MCB Real Assets Ltd, Mascareignes Properties Ltd and MCB International Services Ltd are less than Rs 1M.

*The stated capital is less than Rs 1M.

The directors are satisfied that there are no indications requiring an impairment of the Group's investments in subsidiaries.

(b) Movement in investment in subsidiaries

	COMPANY 2022 RS'M	COMPANY 2021 RS'M
At 1 July	**11,337**	9,417
Additions	**-**	2,000
Disposal	**-**	(80)
	11,337	11,337
Subordinated loans to subsidiaries	**2,064**	1,888
At 30 June	**13,401**	13,225

9. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of Fincorp Investment Ltd which has non-controlling interests that are material to the Company

	Profit attributable to non-controlling interests RS'M	Net assets attributable to non-controlling interests RS'M
GROUP		
2022	**138**	**2,997**
2021	69	2,784

(d) Summarised financial information of Fincorp Investment Ltd

	GROUP	
	2022	2021
(i) Summarised statement of financial position:	**RS'M**	RS'M
Total assets	**11,431**	11,246
Total liabilities	**4,340**	4,660
Total equity	**7,091**	6,586
(ii) Summarised statement of profit or loss and statement of comprehensive income:		
Profit	**327**	164
Other comprehensive income	**253**	783
Total comprehensive income	**580**	947
(iii) Summarised statement of cash flows:		
Net cash flows from operating activities	**516**	(432)
Investing activities	**81**	15
Financing activities	**(568)**	62
Taxation	**(26)**	-
Net increase/(decrease) in cash and cash equivalents	**3**	(355)

The summarised financial information above is the amount before intra-group eliminations.

Investments in subsidiaries are classified as non-current asset.

10. INVESTMENT PROPERTIES

	GROUP	
	2022	2021
	RS'M	RS'M
At 1 July	**5,032**	4,444
Additions	**-**	1
Revaluation	**204**	-
Exchange adjustment	**(437)**	565
Modification of lease	**-**	22
Fair value of land and buildings at 30 June	**4,799**	5,032
Rental income	**294**	-

The investment properties are held through the Compagnie des Villages de Vacances de l'Isle de France Limitée (COVIFRA), a subsidiary of MCB Real Assets Ltd.

The right-of-use of the land and the buildings have been treated as investment property under IAS 40 and are stated at fair value.

The fair value of the investment property has been arrived at on the basis of valuations performed by Jones Lang LaSalle (Pty) Ltd ("JLL"), a professional service company specialising in real estate and offering a range of services such as hotel advisory, valuation services, property and project management. Based on the income approach using the profits method and a number of assumptions including a discount rate of 9.40%, JLL determined that the fair value of the investment property at 30 June 2022 was EUR 104M.

The Company's policy is to revalue its investment property by a qualified independent valuer every three years unless there is evidence that the fair value of the assets differ materially from the carrying amount.

Based on the above considerations, the Directors are of the opinion that the fair value of the investment property is reasonably stated.

The land is leased from the Government of the Republic of Mauritius for a term expiring on 30 September 2069.
Direct operating expenses arising from the investment property are borne by Holiday Villages Management Services (Mauritius) Ltd (HVMS).
The investment property has been classified within level 3 of the fair value hierarchy based on the following information:

	Valuation Technique	Significant Input(s)	Sensitivity
Hotel located in Pointe aux Canonniers	Income Approach	Observable input: Rent Unobservable input: Discount Rate	An increase in discount rate used would result in a decrease in fair value and vice versa.

An increase/decrease of 10 basis point in the discount rate would affect the fair value of investment property by about EUR 688,000 (2021: EUR 632,000).

11. GOODWILL AND OTHER INTANGIBLE ASSETS

(a) Goodwill

	GROUP	
	2022	2021
	RS'M	RS'M
At 30 June	**392**	392

The significant portion of goodwill pertains to MCB Real Assets Ltd, details of which are provided below. The remaining amount relates to other subsidiaries.

Goodwill is attributable to the following cash generating units:	**2022**	2021
	RS'M	RS'M
Investment properties		
At 30 June	**386**	386

Goodwill previously arose on the acquisition of the 93.4% stake in Compagnie des Villages de Vacances de L'isle de France Limitée ("COVIFRA") by the Group. The goodwill amount was the difference between the price paid and the net asset value of the corresponding stake in COVIFRA. Goodwill acquired through business combinations have indefinite lives and have been allocated to the main income generating asset of COVIFRA, i.e. its investment property (see Note 10). The Group assesses goodwill annually for impairment or more frequently if there are indication that goodwill might be impaired.

The management have reviewed the carrying values of goodwill at 30 June 2022 and are of the opinion that no impairment losses need to be recognised.

The recoverable amount of the above cash-generating unit (CGU) has been determined based on fair value less cost to sell, on the basis of an independent valuation performed by Jones LaSalle (Pty) Ltd as detailed in Note 10, and its value in use calculations.

The key assumptions for the value in use calculations are as follows:
(i) Cash flows are based on financial forecast approved by management covering a period of 5 years.
(ii) The discount rates used are based on the Group's weighted average cost of capital, adjusted to reflect a risk premium specific to each business. The pre-tax discount rates applied are 8.92% (2021: 8.54%); and
(iii) The nominal long-term growth rates, which are based on historical growth rates and the growth prospects for businesses, do not exceed 5%.

(b) Other intangible assets

	GROUP		
	Computer software RS'M	**Work in progress RS'M**	**Total RS'M**
Cost			
At 1 July 2020	**2,005**	**281**	**2,286**
Additions	191	595	786
Scrap/Impairment	(1)	-	(1)
Disposal of subsidiary	(127)	-	(127)
Transfer	366	(371)	(5)
Exchange adjustment	88	3	91
At 30 June 2021	**2,522**	**508**	**3,030**
Additions	**143**	**856**	**999**
Scrap/Impairment	**-**	**(10)**	**(10)**
Transfer	**830**	**(830)**	**-**
Exchange adjustment	**58**	**1**	**59**
At 30 June 2022	**3,553**	**525**	**4,078**
Accumulated amortisation			
At 1 July 2020	**1,000**	**-**	**1,000**
Scrap/Impairment	(1)	-	(1)
Charge for the year	421	-	421
Amortisation adjustment	(52)	-	(52)
Disposal of subsidiary	(106)	-	(106)
Exchange adjustment	71	-	71
At 30 June 2021	**1,333**	**-**	**1,333**
Charge for the year	**525**	**-**	**525**
Amortisation adjustment	**74**	**-**	**74**
Exchange adjustment	**50**	**-**	**50**
At 30 June 2022	**1,982**	**-**	**1,982**
Net book value			
At 30 June 2022	**1,571**	**525**	**2,096**
At 30 June 2021	1,189	508	1,697
Total			
At 30 June 2022			**2,488**
At 30 June 2021			2,089

The Group reviews the useful lives of fully depreciated assets, and if appropriate, makes a reinstatement of the useful lives.
Intangible assets are classified as non-current asset.

12. PROPERTY, PLANT AND EQUIPMENT

	GROUP					
	Land and buildings	Computer and other equipment	Furniture, fittings and vehicles	Work in progress	Right-of-Use assets (Land and Buildings)	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Cost						
At 1 July 2020	**5,180**	**3,618**	**2,297**	**232**	**474**	**11,801**
Additions	14	278	330	391	137	1,150
Scrap/Disposals	(1)	(142)	(306)	-	(1)	(450)
Disposal of subsidiary	-	(140)	(8)	-	(9)	(157)
Exchange adjustment	28	58	41	31	86	244
Cancellation	-	-	-	-	(3)	(3)
Adjustment on remeasurement*	-	-	-	-	2	2
Transfer	41	146	38	(220)	-	5
At 30 June 2021	**5,262**	**3,818**	**2,392**	**434**	**686**	**12,592**
Additions	**138**	**249**	**487**	**205**	**216**	**1,295**
Scrap/Disposals	**(9)**	**(204)**	**(222)**	**-**	**-**	**(435)**
Exchange adjustment	**26**	**43**	**34**	**10**	**63**	**176**
Cancellation	**-**	**-**	**-**	**-**	**(80)**	**(80)**
Transfer	**221**	**60**	**146**	**(427)**	**-**	**-**
At 30 June 2022	**5,638**	**3,966**	**2,837**	**222**	**885**	**13,548**
Accumulated depreciation						
At 1 July 2020	**1,091**	**2,573**	**1,161**	**-**	**101**	**4,926**
Charge for the year	85	408	228	-	118	839
Scrap/Disposal adjustment	-	(139)	(185)	-	-	(324)
Disposal of subsidiary	-	(114)	(6)	-	(6)	(126)
Exchange adjustment	7	45	26	-	26	104
Depreciation adjustment	-	(16)	(10)	-	-	(26)
At 30 June 2021	**1,183**	**2,757**	**1,214**	**-**	**239**	**5,393**
Charge for the year	**89**	**368**	**268**	**-**	**130**	**855**
Scrap/Disposal adjustment	**(7)**	**(160)**	**(133)**	**-**	**-**	**(300)**
Exchange adjustment	**6**	**32**	**16**	**-**	**22**	**76**
Depreciation adjustment	**-**	**182**	**13**	**-**	**-**	**195**
At 30 June 2022	**1,271**	**3,179**	**1,378**	**-**	**391**	**6,219**
Net book value						
At 30 June 2022	**4,367**	**787**	**1,459**	**222**	**494**	**7,329**
At 30 June 2021	4,079	1,061	1,178	434	447	7,199

	COMPANY					
Cost						
At 30 June 2021 and 30 June 2022	**222**	**-**	**17**	**-**	**-**	**239**
Accumulated depreciation						
At 1 July 2020	**-**	**-**	**12**	**-**	**-**	**12**
Charge for the year	-	-	1	-	-	1
At 30 June 2021	**-**	**-**	**13**	**-**	**-**	**13**
Charge for the year	**-**	**-**	**1**	**-**	**-**	**1**
At 30 June 2022	**-**	**-**	**14**	**-**	**-**	**14**
Net book value						
At 30 June 2022	**222**	**-**	**3**	**-**	**-**	**225**
At 30 June 2021	222	-	4	-	-	226

Property, plant and equipment are classified as non-current asset.
Following the adoption of IFRS 16, the Group has presented right-of-use assets within 'property, plant and equipment'.
The leases under Right-of-use Assets consist mainly of rental of space for ATMs and the lease terms are in the range of 1 to 10 years.
Moreover, the Group does not have the possibility of acquiring the asset at the end of the lease.
* The Group reviewed the discounting rate used upon adoption of IFRS 16 to measure the present value of the remaining lease payments from 5.6% to 4.5%. (2021: from 5.6% to 4.1%)

13. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP					
	Balance as at 1 July RS'M	Exchange adjustments RS'M	Recognised in Statements of profit or loss RS'M	Recognised in Statements of comprehensive income RS'M	Disposal of subsidiary RS'M	Balance as at 30 June RS'M
At 30 June 2022						
Deferred tax assets:						
Provisions and post retirement benefits	**(7)**	**-**	**(27)**	**229**	**-**	**195**
Provisions for credit impairment	**1,748**	**14**	**435**	**-**	**-**	**2,197**
Tax losses carried forward	**3**	**-**	**4**	**-**	**-**	**7**
Leases	**1**	**1**	**(1)**	**-**	**-**	**1**
Accelerated tax depreciation	**(226)**	**21**	**(14)**	**-**	**-**	**(219)**
	1,519	**36**	**397**	**229**	**-**	**2,181**
Deferred tax liabilities:						
Accelerated tax depreciation	**(548)**	**9**	**(97)**	**-**	**-**	**(636)**
Fair value of investment property	**(36)**	**-**	**36**	**-**	**-**	**-**
Provisions for credit impairment	**-**	**-**	**20**	**-**	**-**	**20**
Tax losses carried forward	**207**	**1**	**(9)**	**-**	**-**	**199**
Leases	**30**	**3**	**(2)**	**-**	**-**	**31**
	(347)	**13**	**(52)**	**-**	**-**	**(386)**
At 30 June 2021						
Deferred tax assets:						
Provisions and post retirement benefits	320	-	(12)	(315)	-	(7)
Provisions for credit impairment	1,146	34	568	-	-	1,748
Tax losses carried forward	3	-	-	-	-	3
Leases	1	-	-	-	-	1
Accelerated tax depreciation	(207)	8	(27)	-	-	(226)
	1,263	42	529	(315)	-	1,519
Deferred tax liabilities:						
Accelerated tax depreciation	(479)	(6)	(71)	-	8	(548)
Fair value of investment property	-	-	(36)	-	-	(36)
Tax losses carried forward	118	-	89	-	-	207
Leases	22	-	8	-	-	30
	(339)	(6)	(10)	-	8	(347)

Deferred tax assets are classified as non-current asset.

14. OTHER ASSETS

	GROUP 2022 RS'M	GROUP 2021 RS'M	COMPANY 2022 RS'M	COMPANY 2021 RS'M
Mandatory balances with Central Banks	**27,896**	25,301	**-**	-
Prepayments and other receivables	**2,069**	1,765	**1,750**	2,000
Credit Card Clearing	**522**	152	**-**	-
Non-banking assets acquired in satisfaction of debts*	**101**	164	**-**	-
Impersonal and other accounts	**5,968**	4,887	**14**	-
	36,556	32,269	**1,764**	2,000
Less allowances for credit impairment	**(24)**	(15)	**-**	-
	36,532	32,254	**1,764**	2,000

* The Group's policy is to dispose of such assets as soon as the market permits.

All elements under other assets are classified as current assets except 'Non-banking assets acquired in satisfaction of debts' and 'Impersonal and other accounts'.

Allowances for credit impairment

	GROUP			
	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2021	**10**	**6**	**(1)**	**15**
Exchange adjustment	**-**	**1**	**-**	**1**
Transfer to lifetime ECL credit impaired	**-**	**(6)**	**6**	**-**
Provision for credit impairment for the year	**-**	**5**	**8**	**13**
Write off	**-**	**-**	**(5)**	**(5)**
At 30 June 2022	**10**	**6**	**8**	**24**
At 1 July 2020	9	8	(1)	16
Provision for credit impairment for the year	4	4	-	8
Write off	-	(6)	-	(6)
Disposal of subsidiary	(3)	-	-	(3)
At 30 June 2021	10	6	(1)	15

15. DEPOSITS

	GROUP 2022 RS'M	GROUP 2021 RS'M
(a) Deposits from banks		
Demand deposits	**2,173**	14,675
Money market deposits with remaining term to maturity:		
Up to 3 months	**3,006**	1,304
Over 3 months and up to 6 months	**-**	1,663
Over 6 months and up to 1 year	**1,800**	427
	4,806	3,394
	6,979	18,069

Deposits from banks have been classified as current liabilities.

15. DEPOSITS (continued)

	GROUP	
	2022 RS'M	2021 RS'M
(b) Deposits from customers		
(i) Retail customers		
Demand deposits	**56,214**	49,569
Savings deposits	**195,567**	177,873
Time deposits with remaining term to maturity:		
Up to 3 months	**3,240**	4,175
Over 3 months and up to 6 months	**1,989**	1,990
Over 6 months and up to 1 year	**4,019**	4,014
Over 1 year and up to 5 years	**12,043**	11,313
Over 5 years	**6**	8
	21,297	21,500
	273,078	248,942
(ii) Corporate customers		
Demand deposits	**218,105**	209,751
Savings deposits	**6,497**	6,735
Time deposits with remaining term to maturity:		
Up to 3 months	**13,787**	13,558
Over 3 months and up to 6 months	**2,389**	2,002
Over 6 months and up to 1 year	**3,070**	3,712
Over 1 year and up to 5 years	**841**	515
Over 5 years	**1**	-
	20,088	19,787
	244,690	236,273
(iii) Government		
Demand deposits	**804**	535
Savings deposits	**59**	69
Time deposits with remaining term to maturity:		
Up to 3 months	**8**	50
Over 3 months and up to 6 months	**4**	3
Over 1 year and up to 5 years	**34**	31
	46	84
	909	688
	518,677	485,903

Deposits from customers can be classified as:

Current	**505,752**	474,036
Non-current	**12,925**	11,867

The carrying amounts of deposits are not materially different from their fair values.

16. OTHER BORROWED FUNDS

Other borrowed funds comprise the following:

	GROUP	
	2022	2021
	RS'M	RS'M
Borrowings from banks:		
in Mauritius	**9,982**	24,869
abroad	**85,013**	52,267
	94,995	77,136
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**2,577**	2

The carrying amounts of other borrowed funds are not materially different from their fair values.

	GROUP	
	2022	2021
	RS'M	RS'M
Remaining term to maturity:		
On demand or within a period not exceeding 1 year	**25,232**	44,278
Within a period of more than 1 year but not exceeding 2 years	**57,627**	17,154
Within a period of more than 2 years but not exceeding 3 years	**4**	711
Within a period of more than 3 years	**12,132**	14,993
	94,995	77,136
Other borrowed funds can be classified as:		
Current	**25,232**	44,278
Non-current	**69,763**	32,858

17. DEBT SECURITIES

Floating rate senior unsecured notes (Level 1)	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RS'M	RS'M	**RS'M**	RS'M
Rs 2.0 billion notes maturing in January 2023 at an average interest rate of 1.92% (2021: 1.85%)				
Market Price at 30 June 2022:Rs 990.13 (2021:Rs 986.43)	**2,008**	2,007	**2,008**	2,007
Rs 2.0 billion notes maturing in June 2028 at an average interest rate of 2.77% (2021: 2.70%)*				
Market Price at 30 June 2022:Rs 1,000.00 (2021:Rs 1,000.79)	**1,840**	2,000	**2,000**	2,000
	3,848	4,007	**4,008**	4,007

These notes are quoted on the Official Market of the Stock Exchange of Mauritius and their carrying amounts are not materially different from their fair values.

*During the year, one of the subsidiaries purchased notes amounting to Rs 160M in an open market transaction. This has been adjusted at Group`s level.

18. SUBORDINATED LIABILITIES

		GROUP		COMPANY	
		2022	2021	**2022**	2021
		RS'M	RS'M	**RS'M**	RS'M
Floating rate subordinated notes maturing in August 2023 at an average interest rate of 3.27 % (2021:3.20%) (Level 1)	(i)	**1,109**	1,109	**1,109**	1,109
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 3.50 % (2021:3.50%) (Level 3)	(ii)	**875**	1,013	**-**	-
Repayment of USD 5.3M during the year (2021:USD 4.5M)		**(225)**	(179)	**-**	-
Exchange adjustments and others		**34**	41	**-**	-
		1,793	1,984	**1,109**	1,109

The carrying amounts of the subordinated liabilities are not materially different from their fair values.

(i) These notes are quoted on the Official Market of the Stock Exchange of Mauritius and are presently available to individual and institutional investors for secondary trading.

(ii) The Mauritius Commercial Bank Limited obtained a USD 30M 10-year subordinated debt from the African Development Bank. This facility forms part of a wider package of USD 150M granted by the latter to allow The Mauritius Commercial Bank Limited to increase its foreign currency lending to clients operating in the region and in mainland Africa.

Subordinated liability is classified as non-current liability.

19. PREFERENCE SHARES

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RS'M	RS'M	**RS'M**	RS'M
339,622,500 convertible redeemable non-voting preference shares (Level 1)	**3,396**	3,396	**3,396**	3,396

During the year ended 30 June 2020, 339,622,500 convertible redeemable non-voting preference shares of no par value were issued at an issue price of Rs 10. each. Subject to a non-conversion period of two years, starting on the issue date and upon receipt of a conversion notice, the eligible preference shareholders shall have the option of converting some or all of their preference shares into ordinary shares of the company based on the conversion price at the specified conversion date. The preference shares shall rank junior to all secured and unsecured creditors of the Group but ahead of the ordinary shares. Redemption is at the option of the Company after the tenth anniversary of the Issue Date. Subject to the number of preference shares in issue being less than fifty million, and all applicable laws, the Company may, by serving a Redemption Notice, redeem on a Redemption Date, all (but not part of) the preference shares.

Classification

As a compound financial instrument, the preference shares have both equity and liability components upon issuance. During the non-conversion period, the equity component has been assessed as being immaterial and therefore the entire instrument has been classified as a liability at 30 June 2022 and 30 June 2021.

Preference dividend

Subject to dividends being declared by the Board and to the applicable laws, the preference shareholders, at the close of the preference dividend record date, shall be entitled to a fixed annual non-cumulative dividend of MUR 0.47 per share. During the non-conversion period, dividends to preference shareholders are recognised in the statement of changes in equity.

Conversion of preference shares into ordinary shares

In July 2022, MCB Group Limited has received requests from holders of Preference Shares to convert an aggregate of 70,734,772 Preference Shares into Ordinary Shares. In this context, the Board has approved the issue of 2,297,945 Ordinary Shares of the Company for a total consideration of Rs 707M.

20. POST EMPLOYEE BENEFIT LIABILITY/(ASSET)

	GROUP	
	2022 RS'M	2021 RS'M
Post employee benefits liability/(asset):		
(a) Staff superannuation fund (defined benefit section)	**278**	(1,344)
(b) Residual retirement gratuities	**182**	126
	460	(1,218)

(a) Staff superannuation fund (defined benefit section)

	GROUP 2022 RS'M	GROUP 2021 RS'M
Reconciliation of net defined benefit liability/(asset)		
Opening balance	**(1,344)**	1,041
Amount recognised in statements of profit or loss (Note 30(a))	**131**	255
Amount recognised in statements of comprehensive income	**1,716**	(2,407)
Less employer contributions	**(225)**	(233)
Closing balance	**278**	(1,344)
Reconciliation of fair value of plan assets		
Opening balance	**8,952**	7,555
Interest income	**443**	241
Employer contributions	**225**	233
Transfer of assets	**-**	(45)
Benefits paid	**(401)**	(322)
Return on plan assets (below)/above interest income	**(454)**	1,290
Closing balance	**8,765**	8,952
Reconciliation of present value of defined benefit obligation		
Opening balance	**7,608**	8,596
Current service cost	**203**	229
Interest expense	**371**	270
Past service cost	**-**	(3)
Transfer of assets	**-**	(45)
Benefits paid	**(401)**	(322)
Liability experience loss	**96**	-
Liability loss/(gain) due to change in financial assumptions	**1,166**	(1,117)
Closing balance	**9,043**	7,608
Components of amount recognised in statements of profit or loss		
Current service cost	**203**	229
Past service cost	**-**	(3)
Net interest on net defined benefit (asset)/liability	**(72)**	29
Total	**131**	255
Components of amount recognised in statements of comprehensive income		
Return on plan assets below/(above) interest income	**454**	(1,290)
Liability experience loss	**96**	-
Liability loss/(gain) due to change in financial assumptions	**1,166**	(1,117)
Total	**1,716**	(2,407)

20. POST EMPLOYEE BENEFIT (ASSET)/LIABILITY (continued)

(a) Staff superannuation fund (continued)

	GROUP	
	2022	2021
Allocation of plan assets at end of year	**%**	%
Equity - Local quoted	**38**	32
Equity - Local unquoted	**1**	1
Debt - Overseas quoted	**-**	1
Debt - Local quoted	**11**	12
Debt - Local unquoted	**5**	5
Property - Local	**6**	5
Investment funds	**31**	37
Cash and other	**8**	7
Total	**100**	100
Allocation of plan assets at end of year	**%**	%
Reporting entity's own transferable financial instruments	**11**	10
Property occupied by reporting entity	**6**	6
Other assets used by reporting entity	**3**	3
Principal assumptions used at end of year		
Discount rate	**5.3%**	5.0%
Rate of salary increases	**3.7%**	2.5%
Rate of pension increases	**2.2%**	1.0%
Average retirement age (ARA)	**63**	63
Average life expectancy for:		
Male at ARA	**17.3 years**	17.3 years
Female at ARA	**21.7 years**	21.7 years

	2022 RS'M	2021 RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	**1,628**	1,301
Decrease due to 1% increase in discount rate	**1,275**	1,027
Increase due to 1% increase in salary increase rate	**697**	-
Decrease due to 1 % decrease in salary increase rate	**597**	-
Increase due to 1% increase in pension increase rate	**850**	-
Decrease due to 1 % decrease in pension increase rate	**732**	-

20. POST EMPLOYEE BENEFIT (ASSET)/LIABILITY (continued)

(a) Staff superannuation fund (continued)

The above sensitivity analysis has been carried out by recalculating the present value of obligation at the end of the year after increasing or decreasing the discount rate, salary increase rate and pension increase rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

It has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year.

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

The Group sponsors a defined benefit pension plan for some of its employees which is self-administered and funded separately from the Group. The Group has recognised a total net defined benefit liability of Rs 278 M as at 30 June 2022 for the defined benefit pension plan (2021: net defined asset of Rs 1,344 M).

The liability experience loss of Rs 96 M is mainly due to a mortality experience (pensioners and employees living longer than expected), the actual average pension increases being higher than expected and the pensioner liability for new retirees being higher than their past service reserve. This loss has been partially offset by a gain due to actual average salary increases being lower than expected.

The liability loss of Rs 1,166 M is mainly due to the decrease in the net pre-retirement discount rate (the difference between the nominal discount rate and the salary increase rate) from 2.5% p.a. in 2021 to 1.6% p.a. in 2022 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 4.0% p.a. in 2021 to 3.1% p.a. in 2022.

The Group operates a final salary defined benefit pension or retirement plan for some of its employees which is self-administered and funded separately from the Group.

The plan exposes the Group to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary 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 for the mortality of plan participants both during and after their employment. An increase in 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.

The Group had a residual obligation imposed by Workers' Rights Act (WRA) 2019 on top of its Defined Contribution (DC) plan. It is therefore particularly exposed to investment under-performance of the DC plan.

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

Future cash flows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries:
Expected employer contribution for the next year: **Rs 369M**
Weighted average duration of the defined benefit obligation**: 17years**

Defined Contribution Cash Balance (DCCB)

As from 1 July 2015, The Group has introduced a Defined Contribution Cash Balanced Scheme "DCCB" for its employees.

Consequently, all employees joining the Bank as from that date are automatically enrolled in the new scheme. Existing employees had the choice of either remaining in the Defined Benefit Scheme or to join the new scheme.

20. POST EMPLOYEE BENEFIT (ASSET)/LIABILITY (continued)

(b) Residual retirement gratuities

Amounts recognised in the financial statements at end of year

	GROUP	
	2022	2021
	RS'M	RS'M
Reconciliation of net defined benefit liability		
Opening balance	**126**	129
Amount recognised in statements of profit or loss (Note 30(a))	**14**	13
Amount recognised in statements of comprehensive income	**42**	(16)
Closing balance	**182**	126
Reconciliation of present value of defined benefit obligation		
Opening balance	**126**	129
Current service cost	**8**	11
Interest expense	**6**	4
Past service cost	**-**	(2)
Liability experience (gain)/loss	**(6)**	1
Liability loss/(gain) due to change in financial assumptions	**48**	(17)
Closing balance	**182**	126
Components of amount recognised in statements of profit or loss		
Current service cost	**8**	11
Past service cost	**-**	(2)
Net interest on net defined benefit liability	**6**	4
Total	**14**	13
Components of amount recognised in statements of comprehensive income		
Liability expense (gain)/loss	**(6)**	1
Liability loss/(gain) due to change in financial assumptions	**48**	(17)
Total	**42**	(16)
Principal assumptions used at end of year		
Discount rate	**5.3%**	5.0%
Rate of salary increases	**3.7%**	2.5%
Rate of pension increases	**2.2%**	1.0%
Average retirement age(ARA)	**63**	63

	2022	2021
	RS'M	RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	**59**	42
Decrease due to 1% increase in discount rate	**45**	32
Increase due to 1% increase in salary increase rate	**50**	-
Decrease due to 1% decrease in salary increase rate	**38**	-
Increase due to 1% increase in pension increase rate	**8**	-
Decrease due to 1% decrease in pension increase rate	**9**	-

The Group has also recognised a net defined benefit liability of Rs 182 M as at 30 June 2022 (2021: Rs 126 M) for all employees whose pension benefits are not expected to fully offset the company's retirement gratuity obligations under the Workers' Rights Act (WRA) 2019 and who are therefore entitled to residual retirement gratuities under the Workers' Rights Act (WRA) 2019.

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of year 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 liability experience gain of Rs 6 M is mainly due to some employees who have left the Group, resulting in a release of liabilities. This gain has been partially offset by a loss due to actual average remuneration increases being higher than expected.

The liability loss of Rs 48M is mainly due to the decrease in the net pre-retirement discount rate (the difference between the nominal discount rate and the salary increase rate) from 2.5% p.a. in 2021 to 1.6% p.a. in 2022 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 4.0% p.a. in 2021 to 3.1% p.a. in 2022.

Future cash flows

The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.

Expected employer contribution for the next year: **Nil**

Weighted average duration of the defined benefit obligation: **23 years**

Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants dated 31 August 2022.

Post employee benefit asset/(liability) is classified as non-current asset/(liability).

21. OTHER LIABILITIES

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RS'M	RS'M	**RS'M**	RS'M
Impersonal, other accounts and deferred income	**9,048**	7,926	**450**	82
Structured products notes*	**3,303**	3,298	**-**	-
Proposed dividend	**1,185**	1,736	**1,185**	1,736
Lease liabilities	**626**	560	**-**	-
Allowances for credit impairment on off-balance sheet exposures	**523**	424	**-**	-
Others	**36**	-	**-**	-
	14,721	13,944	**1,635**	1,818

* These structured products notes were issued at the level of our subsidiaries.
All elements under other liabilities are classified as current liabilities except 'Impersonal, other accounts and deferred income' and 'lease liabilities' (amounts over 1 year).

(i) The Lease liabilities can be analysed as follows:

	GROUP	
	2022	2021
	RS'M	RS'M
Up to 3 months	**1**	3
Over 3 months and up to 6 months	**2**	3
Over 6 months and up to 1 year	**11**	14
Over 1 year and up to 5 years	**218**	327
Over 5 years	**394**	213
	626	560

(ii) Allowances for credit impairment on off-balance sheet exposures

	GROUP			
	12 months expected credit loss	**Lifetime expected credit loss(not credit impaired)**	**Lifetime expected credit loss(credit impaired)**	**Total**
	RS'M	**RS'M**	**RS'M**	**RS'M**
At 1 July 2021	**423**	**1**	**-**	**424**
Exchange adjustment	**4**	**-**	**-**	**4**
Provision for credit impairment for the year	**451**	**1**	**-**	**452**
Provision released during the year	**(286)**	**-**	**-**	**(286)**
Changes in models/risk parameters	**(71)**	**-**	**-**	**(71)**
At 30 June 2022	**521**	**2**	**-**	**523**
At 1 July 2020	271	1	3	275
Exchange adjustment	6	-	-	6
Provision for credit impairment for the year	188	-	-	188
Provision released during the year	(156)	-	(3)	(159)
Changes in models/risk parameters	114	-	-	114
At 30 June 2021	423	1	-	424

22. STATED CAPITAL AND RESERVES

(a) STATED CAPITAL

	Number of shares	RS'M
At 1 July 2020	239,252,238	2,719
Issue of shares following the exercise of Group Employee Share Options Scheme	240,294	57
At 30 June 2021	**239,492,532**	**2,776**
Issue of shares following the exercise of Group Employee Share Options Scheme	**276,325**	**86**
Issue of shares following the Scrip Dividend Scheme (Non-cash)	**799,456**	**247**
At 30 June 2022	**240,568,313**	**3,109**

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

The shares have no par value and rank 'pari passu' in all respects with the existing ordinary shares of the Company.

Scrip Dividend Scheme

During the year, the Board has approved a Scrip Dividend Scheme whereby Ordinary Shareholders will have the option of receiving dividends, or part thereof, by way of Ordinary Shares of the Company.

The Scrip Price of a Scrip Share is calculated as the five-day volume-weighted average of the traded price of the Company's ordinary share on the market, beginning with the first ex-dividend date, less a discount of 3%, as described in the terms governing the Scrip Dividend Scheme.

(b) RESERVES

(i) Capital reserve

The capital reserve represents the cumulative net change in:

(a) the fair value of investment securities until the securities are derecognised or impaired.

(b) revaluation surplus on land and factory buildings where applicable, until it is derecognised.

(ii) Translation reserve

The translation reserve represents all foreign currency differences arising from the translation of the results and financial position of foreign operations.

(iii) Statutory reserve

Statutory reserve represents accumulated transfers from retained earnings in accordance with relevant local banking legislations. These reserves are not distributable.

23. CONTINGENT LIABILITIES

	GROUP	
	2022	2021
	RS'M	RS'M
(a) Instruments		
Acceptances on account of customers	**516**	626
Guarantees on account of customers	**62,253**	72,749
Letters of credit and other obligations on account of customers (net)	**48,601**	40,244
Other contingent items (net)	**3,625**	2,653
	114,995	116,272
(b) Commitments		
Loans and other facilities, including undrawn credit facilities	**11,105**	6,711
(c) Tax assessments	**18**	18
	126,118	123,001

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RS'M	RS'M	**RS'M**	RS'M
24. INTEREST INCOME USING THE EFFECTIVE INTEREST METHOD				
Loans to and placements with banks	**607**	524	**-**	-
Loans and advances to customers	**12,930**	12,360	**-**	-
Investments at amortised cost	**4,881**	4,176	**-**	-
Investments at fair value through other comprehensive income	**37**	88	**-**	-
Other	**-**	-	**1**	3
	18,455	17,148	**1**	3
25. INTEREST EXPENSE				
Deposits from banks	**23**	17	**-**	-
Deposits from customers	**1,454**	1,322	**-**	-
Other borrowed funds	**1,609**	1,019	**-**	-
Debt securities	**32**	37	**93**	37
Subordinated liabilities	**94**	57	**36**	35
Lease liabilities	**52**	31	**-**	-
	3,264	2,483	**129**	72
26. FEE AND COMMISSION INCOME				
Cards and other related fees	**3,335**	1,885	**-**	-
Trade finance fees	**1,597**	1,123	**-**	-
Transaction fees	**1,185**	1,021	**-**	-
Guarantee fees	**969**	399	**-**	-
Loan related fees	**487**	387	**-**	-
Private banking and wealth management fees	**426**	497	**-**	-
Rental income	**220**	199	**-**	-
Investment management	**220**	184	**-**	-
Others	**145**	133	**-**	-
	8,584	5,828	**-**	-
27. FEE AND COMMISSION EXPENSE				
Cards and other related fees	**2,033**	1,023	**-**	-
Loan related and trade finance fees	**401**	280	**-**	-
Transaction fees	**61**	37	**-**	-
Others	**19**	28	**-**	-
	2,514	1,368	**-**	-
28. NET GAIN FROM OTHER FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE				
Net gain from derivative financial instruments fair valued through profit or loss	**272**	274	**-**	-
Net gain from investment securities fair valued through profit or loss	**222**	62	**-**	5
Net loss from investment securities fair valued through other comprehensive income	**(337)**	(113)	**-**	-
Net gain from other investment securities	**3**	-	**-**	-
	160	223	**-**	5
29. DIVIDEND INCOME				
Quoted investments FVOCI	**44**	55	**19**	22
Quoted investments FVPL	**34**	29	**-**	-
Unquoted investments FVOCI	**4**	13	**-**	-
Unquoted investments FVPL	**31**	7	**-**	-
Subsidiaries	**-**	-	**4,081**	2,169
	113	104	**4,100**	2,191

30. NON-INTEREST EXPENSE

(a) Salaries and human resource costs

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	**2022 RS'M**	2021 RS'M
Wages and salaries	**3,410**	3,191	**91**	85
Defined benefit plan	**131**	255	**-**	-
Residual retirement gratuities	**14**	13	**-**	-
Defined contribution plan	**132**	120	**-**	-
Compulsory social security obligations	**152**	128	**-**	-
Equity settled share-based payments	**16**	7	**-**	-
Other personnel expenses	**1,117**	902	**2**	-
	4,972	4,616	**93**	85

(b) Other non-interest expense

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	**2022 RS'M**	2021 RS'M
Legal and professional fees	**482**	508	**26**	22
Rent, repairs, maintenance and security costs	**377**	389	**1**	1
Software licensing and other information technology costs	**762**	706	**-**	-
Electricity, water and telephone charges	**383**	337	**-**	-
Advertising, marketing costs and sponsoring	**146**	92	**-**	-
Postage, courier and stationery costs	**212**	169	**-**	-
Insurance costs	**169**	139	**-**	-
Others	**249**	55	**44**	39
of which short term leases	***8***	*3*	**-**	-
of which low value leases	**-**	*6*	**-**	-
of which variable leases	***14***	*10*	**-**	-
	2,780	2,395	**71**	62

(c) Share-based payments

During FY 2014, the Group proposed a Group Employee Share Option Scheme (GESOS) to all employees.

The Board of Directors has the authority to issue up to 5 million shares to the employees. In November 2021, a further offer of 642,518 options was made on similar terms.

	GROUP			
	2022		2021	
	Weighted avg exercise price RS	**Number of options**	Weighted avg exercise price RS	Number of options
Outstanding and exercisable at 1 July	**193.63**	**645,906**	266.68	500,527
Expired during the year	**192.42**	**(502,061)**	266.68	(500,527)
Granted during the year	**274.94**	**642,518**	194.61	886,200
Exercised during the year	**278.76**	**(276,325)**	197.27	(240,294)
Outstanding and exercisable at 30 June		**510,038**		645,906

The options outstanding at 30 June 2022 under GESOS have an exercise price in the range of Rs 269.50 to Rs 299.75 and a weighted average contractual life of 3½ months.
The weighted average share price at the date the share options were exercised under GESOS during FY 21/22 was Rs 312.62 (2021:Rs 236.70).

The fair value of services in return for share options granted is based on the fair value of the share options granted measur ed by the average market price of the share of the last three months, as may be adjusted by the Board of Directors of MCB Group Limited. The fair value at measurement date is Rs 299 (2021:Rs 211.25).

31. NET IMPAIRMENT OF FINANCIAL ASSETS

	GROUP	
	2022 RS'M	2021 RS'M
Net allowance for credit impairment:		
Cash and cash equivalents	**(8)**	46
Loan and advances		
Loans to and placements with banks	**217**	246
Loans and advances to customers	**3,501**	4,547
Investment securities:		
Amortised cost	**17**	2
Fair value through other comprehensive income	**76**	(1)
Other assets - receivables	**13**	8
Off-balance sheet exposures	**95**	143
	3,911	4,991
Bad debts written off for which no provisions were made	**-**	46
Recoveries of advances written off	**(430)**	(271)
	3,481	4,766

32. INCOME TAX EXPENSE

(a) The tax charge related to statements of profit or loss is as follows:

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	**2022 RS'M**	2021 RS'M
Income tax based on the adjusted profit	**1,730**	1,340	**-**	-
Deferred tax	**(345)**	(519)	**-**	-
Special levy on banks	**624**	556	**-**	-
Corporate Social Responsibility contribution	**124**	116	**-**	-
Tax credit	**(62)**	(3)	**-**	-
(Over)/Under provision in previous years	**(1)**	10	**-**	-
Charge for the year	**2,070**	1,500	**-**	-

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	**2022 RS'M**	2021 RS'M
Profit before tax	**12,031**	9,739	**3,808**	2,365
Less share of profit of associates	**(799)**	(372)	**-**	-
	11,232	9,367	**3,808**	2,365
Tax calculated at applicable rates	**1,685**	1,405	**571**	355
Effect of different tax rates	**(281)**	(202)	**-**	-
Impact of:				
Income not subject to tax	**(555)**	(785)	**(619)**	(388)
Expenses not deductible for tax purposes	**536**	403	**48**	33
Tax credits	**(62)**	(3)	**-**	-
Special levy on banks	**624**	556	**-**	-
Corporate Social Responsibility contribution	**124**	116	**-**	-
(Over)/Under provision in previous years	**(1)**	10	**-**	-
Tax charge	**2,070**	1,500	**-**	-

Corporate Social Responsibility (CSR) tax

Corporate Social Responsibility (CSR) tax was legislated by the Government of Mauritius in July 2009. The Group is required, via its local subsidiaries, to allocate a percentage of its chargeable income of the preceding year to a CSR programme approved by the National Social Inclusion Foundation (formerly known as National CSR Foundation) and the remaining to the Mauritius Revenue Authority.

Bank Levy

The Group, via The Mauritius Commercial Bank Limited, is liable to pay a special levy as a percentage of its leviable income from residents, excluding Global Business License holders.

Applicable Tax Rates

As from 1 July 2019, the Segment A and Segment B regime has been abolished for income tax purposes and a new tax regime is applicable for the banking sector. The Mauritius Commercial Bank Limited is now being taxed at 5% on the first Rs1.5 billion of its chargeable income, at 15% of its chargeable income between Rs1.5 billion and the base year chargeable income, and at 5% on the remainder, subject to prescribed conditions.

(b) The tax (credit)/charge related to statements of comprehensive income is as follows:

	GROUP	
	2022 RS'M	2021 RS'M
Remeasurement of defined benefit pension plan and retirement residual gratuities	**1,758**	(2,423)
Deferred tax (credit)/charge	**(229)**	315
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	**1,529**	(2,108)

33. DIVIDENDS

	COMPANY	
	2022 RS'M	2021 RS'M
Ordinary shares		
Paid on 21 December 2021 and 8 July 2022 at Rs 9.50 and Rs 5.90 respectively per share (FY 2021: Rs 7.25 per share)	**3,462**	1,736
of which scrip dividends	***247***	-
Preference shares		
Paid on 31 December 2021 and 30 June 2022 at Re 0.47 per preference share	**160**	160
	3,622	1,896

34. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	GROUP	
	2022	2021
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	**9,637,000**	8,019,000
Weighted average number of ordinary shares (thousands)	**240,064**	239,330
Basic earnings per share (Rs)	**40.14**	33.51

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

The Company has only one category of dilutive potential ordinary shares which is share options.

For share options, the proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period is treated as an issue of ordinary shares for no consideration.

During the year ended 30 June 2020, the company issued convertible redeemable non-voting preference shares which are subject to a non-conversion period of two years from the issue date. These shares have not been used in the calculation of diluted EPS.

	GROUP	
	2022	2021
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	**9,637,000**	8,019,000
Weighted average number of ordinary shares - basic (thousands)	**240,064**	239,330
Effect of share options in issue (thousands)	**55**	188
Weighted average number of ordinary shares - diluted (thousands) at year end	**240,119**	239,518
Diluted earnings per share (Rs)	**40.13**	33.48

35. COMMITMENTS

(a) Capital commitments

	GROUP	
	2022 RS'M	2021 RS'M
Expenditure contracted for but not incurred	**192**	152
Expenditure approved by the Board but not contracted for	**121**	135

(b) Securities pledged

The Group has pledged Government of Mauritius bonds as collateral for the purpose of overnight facility from the Bank of Mauritius and for repurchase agreement with other financial institutions.

	GROUP	
	2022 RS'M	2021 RS'M
Government of Mauritius & Bank of Mauritius bonds with Bank of Mauritius	**7,113**	6,413
Government of Mauritius & Bank of Mauritius bonds with other financial institutions	**32,620**	46,961
	39,733	53,374

(c) The Company has pledged to invest EUR 5M in a carbon-impact fund.

36. NET CASH FLOWS FROM TRADING ACTIVITIES

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	**2022 RS'M**	2021 RS'M
Operating profit	**11,232**	9,367	**3,808**	2,365
(Increase)/Decrease in other assets	**(2,625)**	(6,806)	**236**	(1,989)
Increase in other liabilities	**160**	980	**368**	21
Net (Increase)/Decrease in derivative financial instruments	**(312)**	407	**-**	-
Net Decrease/(Increase) in investment securities at fair value through profit or loss	**17,932**	(6,387)	**-**	-
(Release)/Additional provision for employee benefits	**(94)**	22	**-**	-
Provision for residual retirement gratuities	**14**	13	**-**	-
Net allowance for credit impairment on:				
Cash and cash equivalents	**(8)**	46	**-**	-
Loans and advances	**3,718**	4,793	**-**	-
Investment securities at amortised cost	**17**	2	**-**	-
Investment securities at fair value through other comprehensive income	**76**	(1)	**-**	-
Other assets - receivables	**13**	8	**-**	-
Off-balance sheet exposures	**95**	143	**-**	-
Exchange profit	**(22)**	(754)	**-**	-
Depreciation of property, plant and equipment	**855**	839	**1**	1
Amortisation of intangible assets	**525**	421	**-**	-
Loss on disposal of property, plant and equipment	**53**	3	**-**	-
Loss on scrapped intangible assets	**10**	-	**-**	-
Profit on disposal of investment securities	**337**	113	**-**	-
Profit on disposal of subsidiary	**-**	(356)	**-**	(356)
Revaluation gain on investment property	**(204)**	-	**-**	-
Bargain purchase on business combinations	**-**	(5)	**-**	-
	31,772	2,848	**4,413**	42

37. NET CASH FLOWS FROM OTHER OPERATING ACTIVITIES

	GROUP	
	2022 RS'M	2021 RS'M
Net increase in deposits	**18,481**	109,232
Net increase in loans and advances	**(38,157)**	(56,423)
Purchase of investments at fair value through other comprehensive income	**(5,560)**	(36,572)
Proceeds from sale of investments at fair value through other comprehensive income	**9,732**	49,861
Net increase in investment securities at amortised cost	**(63,095)**	(55,594)
Net increase in other borrowed funds	**15,368**	25,029
	(63,231)	35,533

38. OPERATING SEGMENTS

Operating segments are reported in accordance with the internal reporting provided to the Supervisory and Monitoring Committee, whose responsibility is to allocate capital and resources to the reportable segments and assessing their performance.

All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group's income, expenses, assets and liabilities are derived mainly through its Mauritian operations.

Year ended 30 June 2022

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	29,623	28,948	1,331	190	(846)
Expenses	(14,910)	(14,224)	(883)	(238)	435
Operating profit before impairment	14,713	14,724	448	(48)	(411)
Net impairment of financial assets	(3,481)	(3,464)	(12)	(5)	-
Operating profit	11,232	11,260	436	(53)	(411)
Share of profit of associates	799	475	11	313	-
Profit before tax	12,031	11,735	447	260	(411)
Income tax expense	(2,070)				
Profit for the year	9,961				
Other segment items:					
Segment assets	711,103	709,976	19,974	1,082	(19,929)
Investments in associates	12,356	5,569	34	6,766	(13)
Goodwill and other intangible assets	2,488				
Deferred tax assets	2,181				
Total assets	728,128				
Segment liabilities	635,183	634,637	11,775	621	(11,850)
Unallocated liabilities	11,903				
Total liabilities	647,086				

38. OPERATING SEGMENTS (continued)

Year ended 30 June 2021

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	**26,255**	25,292	1,355	506	(898)
Expenses	**(12,122)**	(11,472)	(834)	(404)	588
Operating profit before impairment	**14,133**	13,820	521	102	(310)
Net impairment of financial assets	**(4,766)**	(4,740)	(22)	(4)	-
Operating profit	**9,367**	9,080	499	98	(310)
Share of profit of associates	**372**	337	1	34	-
Profit before tax	**9,739**	9,417	500	132	(310)
Income tax expense	**(1,500)**				
Profit for the year	**8,239**				
Other segment items:					
Segment assets	**667,000**	666,014	19,961	988	(19,963)
Investments in associates	**12,525**	6,207	22	6,309	(13)
Goodwill and other intangible assets	**2,089**				
Deferred tax assets	**1,519**				
Total assets	**683,133**				
Segment liabilities	**594,770**	593,400	11,659	891	(11,180)
Unallocated liabilities	**12,567**				
Total liabilities	**607,337**				

38. OPERATING SEGMENTS (continued)

Year ended 30 June 2022

	GROUP RS'M	Net interest income RS'M	Net fee and commission income RS'M	Dividend income RS'M	Forex profit and others RS'M
Operating income:					
Banking	**23,266**	15,043	5,615	458	2,150
Non-Banking Financial	**1,093**	143	659	53	238
Other Investments	**191**	5	16	4	166
Eliminations	**(705)**	-	(220)	(402)	(83)
	23,845	15,191	6,070	113	2,471
Segment assets	**601,935**	593,946	-	7,989	-
Investments in associates	**12,356**				
Goodwill and other intangible assets	**2,488**				
Deferred tax assets	**2,181**				
Unallocated assets	**109,168**				
Total assets	**728,128**				

Year ended 30 June 2021

	GROUP RS'M	Net interest income/(expense) RS'M	Net fee and commission income RS'M	Dividend income RS'M	Forex profit and others RS'M
Operating income:					
Banking	**21,522**	14,552	4,092	248	2,630
Non-Banking Financial	**1,093**	114	599	36	344
Other Investments	**495**	(1)	13	10	473
Eliminations	**(706)**	-	(244)	(190)	(272)
	22,404	14,665	4,460	104	3,175
Segment assets	**593,852**	585,519	-	8,333	-
Investments in associates	**12,525**				
Goodwill and other intangible assets	**2,089**				
Deferred tax assets	**1,519**				
Unallocated assets	**73,148**				
Total assets	**683,133**				

39. RELATED PARTY TRANSACTIONS

(a) The Group

	Associated companies	Directors and Key Management Personnel	Enterprises in which Directors and Key Management Personnel have significant interest	Defined benefit plan
	RS'M	RS'M	RS'M	RS'M
Cash equivalents, Loans and Advances				
Balance at year end:				
30 June 22	**2,397**	**343**	**409**	**-**
30 June 21	2,277	263	421	-
Deposits				
Balance at year end:				
30 June 22	**75**	**528**	**557**	**798**
30 June 21	119	392	405	583
Amounts due from/(to)				
Balance at year end:				
30 June 22	**(1,013)**	**-**	**-**	**-**
30 June 21	(1,216)	-	-	-
Off Balance sheet items				
Balance at year end:				
30 June 22	**74**	**-**	**195**	**-**
30 June 21	714	-	192	-
Interest income				
For the year ended:				
30 June 22	**77**	**3**	**14**	**-**
30 June 21	84	2	14	-
Interest expense				
For the year ended:				
30 June 22	**32**	**2**	**-**	**-**
30 June 21	34	2	-	-
Fees and commissions and Other income				
For the year ended:				
30 June 22	**4**	**3**	**4**	**5**
30 June 21	146	3	2	5

The related party transactions were carried out under market terms and conditions with the exception of loans to Key Management Personnel who benefited from preferential rates as applicable to staff.

Credit facilities granted to related parties are secured except for credit cards, money market lines and facilities provided to related financial institution counterparties in accordance with our policy and are settled from the underlying obligor's operating cash flows.

39. RELATED PARTY TRANSACTIONS (continued)

(a) The Group (continued)

The FY 2020/2021 figure for "Fee and commission income" from Associated Companies includes an annual amount in respect of management fees charged to Banque Francaise Commerciale Ocean Indien ('BFCOI').

During the year, 88,343 share options were exercised under the Group Employee Share Option scheme by key management personnel, including Executive Directors amounting to Rs 22M (FY 2020/2021: 80,345 share options for Rs 17M).

(b) The Company

In addition to the amounts disclosed in (a) above, the following information relate to subsidiaries and associates of the Company:

(i) Balances as at 30 June :

Subsidiaries	Amount owed by RS'M	Amount owed to RS'M
2022	**2,761**	**6**
2021	2,768	24

(ii) Income and expenses for the year ended 30 June:

Subsidiaries	Dividend income RS'M	Interest Income RS'M	Other expense RS'M
2022	**4,081**	**2**	**19**
2021	2,169	3	40

(c) Key Management Personnel compensation

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	**2022 RS'M**	2021 RS'M
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :				
Salaries and short term employee benefits	**240**	240	**81**	82
Post employment benefits	**18**	22	**3**	6
	258	262	**84**	88

40 IBOR

The Group is exposed to the effects of IBOR reform on its financial assets and liabilities, as set out within the table below.

	Carrying value/nominal amount at 30 June 2022		Of which the carrying value/nominal amount at 30 June 2022 have yet to transition to an alternative benchmark interest rate	
	Assets RS'M	**Liabilities RS'M**	**Assets RS'M**	**Liabilities RS'M**
Non-derivative assets and liabilities exposed				
Measured at amortised cost				
Cash and cash equivalents	1,947	-	411	-
Loans to and placements with banks	8,651	-	8,608	-
Loans and advances to customers	79,352	-	62,218	-
Investment securities	1,267	-	410	-
Deposits from banks	-	43	-	-
Deposits from customers	-	28,339	-	18
Other borrowed funds	-	66,281	-	65,097
Subordinated liability	-	864	-	864
	91,217	95,527	71,647	65,979
Derivative assets and liabilities exposed				
Measured at fair value through profit or loss				
Derivative financial instruments	56	51	-	-