Statements of financial position
as at 30 June 2020

		GROUP			COMPANY	
	Notes	As at 30 June 2020 RS'M	As at 30 June 2019 (Restated) RS'M	As at 01 July 2018 (Restated) RS'M	As at 30 June 2020 RS'M	As at 30 June 2019 RS'M
ASSETS						
Cash and cash equivalents	4	**71,573.3**	49,333.5	35,888.2	**141.0**	357.8
Derivative financial instruments	5	**1,449.3**	695.8	512.8	-	-
Loans to and placements with banks	6(a)	**18,115.9**	19,672.8	18,858.9	-	-
Loans and advances to customers	6(b)	**240,953.4**	227,040.4	198,073.2	-	-
Investment securities	7	**148,858.0**	126,204.0	88,763.8	**878.6**	395.2
Investments in associates	8	**10,834.1**	9,961.5	9,637.2	**142.9**	118.7
Investments in subsidiaries	9	-	-	-	**11,151.0**	11,113.5
Investment properties	10	**4,444.3**	3,991.7	2,861.1	-	-
Goodwill and other intangible assets	11	**1,678.2**	1,462.9	1,238.8	-	-
Property, plant and equipment	12	**6,874.9**	6,437.8	6,194.8	**227.1**	224.7
Deferred tax assets	13	**1,262.5**	548.6	591.0	-	-
Other assets	14	**26,070.3**	26,069.0	22,609.2	**11.3**	1,679.7
Total assets		**532,114.2**	471,418.0	385,229.0	**12,551.9**	13,889.6
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Deposits from banks	15(a)	**4,314.1**	3,850.9	3,157.7	-	-
Deposits from customers	15(b)	**386,344.5**	327,649.5	294,560.9	-	-
Derivative financial instruments	5	**1,412.8**	935.0	883.4	-	-
Other borrowed funds	16	**52,443.9**	56,886.3	14,372.5	-	-
Debt securities	17	**2,007.0**	2,012.7	2,012.7	**2,007.0**	2,012.7
Subordinated liabilities	18	**2,122.2**	5,571.8	5,591.8	**1,108.9**	4,531.7
Preference shares	19	**3,396.2**	-	-	**3,396.2**	-
Current tax liabilities		**1,444.3**	986.6	1,000.2	**0.5**	0.2
Deferred tax liabilities	13	**338.6**	287.9	236.4	**0.1**	0.2
Post employee benefit liability	20	**1,169.8**	360.1	203.0	-	-
Other liabilities	21	**12,026.8**	13,842.6	10,874.2	**61.6**	1,363.5
Total liabilities		**467,020.2**	412,383.4	332,892.8	**6,574.3**	7,908.3
Shareholders' equity						
Stated capital		**2,718.7**	2,608.3	2,547.9	**2,718.7**	2,608.3
Retained earnings		**50,460.2**	44,791.6	39,528.0	**3,217.0**	3,350.2
Other components of equity		**9,365.8**	9,109.5	7,813.7	**41.9**	22.8
Equity attributable to the equity holders of the parent		**62,544.7**	56,509.4	49,889.6	**5,977.6**	5,981.3
Non-controlling interests		**2,549.3**	2,525.2	2,446.6	-	-
Total equity		**65,094.0**	59,034.6	52,336.2	**5,977.6**	5,981.3
Total equity and liabilities		**532,114.2**	471,418.0	385,229.0	**12,551.9**	13,889.6
CONTINGENT LIABILITIES	24	**72,900.9**	75,595.3	67,182.6		

These financial statements were approved for issue by the Board of Directors on the 28 September 2020.

Pierre Guy NOEL
Director
Chief Executive

Didier HAREL
Director
Chairperson

Alain REY
Director
Chairperson Audit Committee

The notes on pages 222 to 313 form part of these financial statements.
Auditor's report on pages 202 to 208.

Statements of profit or loss
for the year ended 30 June 2020

	Notes	GROUP Year ended 30 June 2020 RS'M	GROUP Year ended 30 June 2019 (Restated) RS'M	COMPANY Year ended 30 June 2020 RS'M	COMPANY Year ended 30 June 2019 RS'M
Interest income	25	**19,994.7**	18,841.4	**17.1**	5.5
Interest expense	26	**(5,586.1)**	(5,884.6)	**(217.6)**	(288.3)
Net interest income		**14,408.6**	12,956.8	**(200.5)**	(282.8)
Fee and commission income	27	**5,339.8**	5,480.8	**-**	-
Fee and commission expense	28	**(1,403.1)**	(1,348.9)	**-**	-
Net fee and commission income		**3,936.7**	4,131.9	**-**	-
Other income					
Profit arising from dealing in foreign currencies		**1,616.3**	1,470.6	**2.8**	0.3
Net gain/(loss) from financial instruments	29	**1,039.4**	702.9	**(0.7)**	-
		2,655.7	2,173.5	**2.1**	0.3
Dividend income	30	**83.4**	95.7	**2,100.4**	3,370.2
Net gain on sale of financial instruments		**216.2**	33.7	**-**	-
Other operating income		**653.7**	834.8	**-**	-
		3,609.0	3,137.7	**2,102.5**	3,370.5
Operating income		**21,954.3**	20,226.4	**1,902.0**	3,087.7
Non-interest expense					
Salaries and human resource costs	31(a)	**(4,431.6)**	(4,315.0)	**(83.9)**	(108.0)
Depreciation of property, plant and equipment		**(810.1)**	(655.9)	**(2.6)**	(2.4)
Amortisation of intangible assets		**(328.6)**	(264.7)	**-**	-
Other	31(b)	**(2,221.3)**	(2,275.1)	**(77.9)**	(53.9)
		(7,791.6)	(7,510.7)	**(164.4)**	(164.3)
Operating profit before impairment		**14,162.7**	12,715.7	**1,737.6**	2,923.4
Net impairment of financial assets	32	**(5,075.7)**	(1,596.9)	**-**	-
Operating profit		**9,087.0**	11,118.8	**1,737.6**	2,923.4
Share of profit of associates		**400.6**	403.9	**-**	-
Profit before tax		**9,487.6**	11,522.7	**1,737.6**	2,923.4
Income tax expense	33	**(1,494.0)**	(1,978.2)	**(0.9)**	(0.6)
Profit for the year		**7,993.6**	9,544.5	**1,736.7**	2,922.8
Profit for the year attributable to:					
Ordinary equity holders of the parent		**7,912.2**	9,434.2	**1,682.9**	2,922.8
Preference shareholders		**53.8**	-	**53.8**	-
Non-controlling interests		**27.6**	110.3	**-**	-
		7,993.6	9,544.5	**1,736.7**	2,922.8
Earnings per share:					
Basic (Rs)	35(a)	**33.10**	39.51		
Diluted (Rs)	35(b)	**33.10**	39.50		

The notes on pages 222 to 313 form part of these financial statements.
Auditor's report on pages 202 to 208.

Statements of comprehensive income
for the year ended 30 June 2020

	Note	GROUP Year ended 30 June 2020 RS'M	GROUP Year ended 30 June 2019 (Restated) RS'M	COMPANY Year ended 30 June 2020 RS'M	COMPANY Year ended 30 June 2019 RS'M
Profit for the year		**7,993.6**	9,544.5	**1,736.7**	2,922.8
Other comprehensive (expense)/income:					
Items that will not be reclassified to profit or loss:					
Net fair value (loss)/gain on equity instruments		**(3.1)**	(57.1)	**19.1**	22.8
Remeasurement of defined benefit pension plan, net of deferred tax	33(b)	**(671.4)**	(404.5)	**-**	-
Share of other comprehensive (expense)/income of associates		**(19.3)**	69.1	**-**	-
		(693.8)	(392.5)	**19.1**	22.8
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**543.3**	55.8	**-**	-
Reclassification adjustments on disposal of investments at fair value		**-**	(25.3)	**-**	-
Net fair value gain on debt instruments		**5.0**	81.7	**-**	-
Share of other comprehensive income of associates		**1.2**	10.6	**-**	-
		549.5	122.8	**-**	-
Other comprehensive (expense)/income for the year		**(144.3)**	(269.7)	**19.1**	22.8
Total comprehensive income for the year		**7,849.3**	9,274.8	**1,755.8**	2,945.6
Total comprehensive income attributable to:					
Ordinary equity holders of the parent		**7,740.7**	9,163.9	**1,702.0**	2,945.6
Preference shareholders		**53.8**	-	**53.8**	-
Non-controlling interests		**54.8**	110.9	**-**	-
		7,849.3	9,274.8	**1,755.8**	2,945.6

The notes on pages 222 to 313 form part of these financial statements.
Auditor's report on pages 202 to 208.

Statements of changes in equity
for the year ended 30 June 2020

	Notes	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Translation Reserve RS'M	Statutory Reserve RS'M	General Banking Reserve RS'M	Total RS'M	Non-Controlling Interests RS'M	Total Equity RS'M
		Attributable to equity holders of the parent								
GROUP										
At 01 July 2018, before restatement		**2,547.9**	**39,224.4**	**2,227.4**	**(395.0)**	**5,980.8**	**0.5**	**49,586.0**	**2,445.0**	**52,031.0**
Deferred tax adjustment	41	-	303.6	-	-	-	-	303.6	1.6	305.2
At 01 July 2018, as restated		**2,547.9**	**39,528.0**	**2,227.4**	**(395.0)**	**5,980.8**	**0.5**	**49,889.6**	**2,446.6**	**52,336.2**
Profit for the year		-	9,434.2	-	-	-	-	9,434.2	110.3	9,544.5
Other comprehensive (expense)/income for the year		-	(400.7)	71.9	58.5	-	-	(270.3)	0.6	(269.7)
Total comprehensive income for the year		-	9,033.5	71.9	58.5	-	-	9,163.9	110.9	9,274.8
Dividends to ordinary shareholders	34	-	(2,602.9)	-	-	-	-	(2,602.9)	(48.4)	(2,651.3)
Investment in subsidiary		-	-	-	-	-	-	-	4.0	4.0
Impact of rights issue exercised by minority shareholders in subsidiary		-	-	-	-	-	-	-	13.3	13.3
Issue of shares following the exercise of Group Employee Share Options Scheme		60.4	-	-	-	-	-	60.4	-	60.4
Transactions with owners		60.4	(2,602.9)	-	-	-	-	(2,542.5)	(31.1)	(2,573.6)
Share of transfer by associate		-	37.3	(37.3)	-	-	-	-	-	-
Share of other movements in reserves of associate		-	(1.6)	-	-	-	-	(1.6)	(1.2)	(2.8)
Transfer to general banking reserve		-	(248.7)	-	-	-	248.7	-	-	-
Transfer to statutory reserve		-	(954.0)	-	-	954.0	-	-	-	-
At 30 June 2019		**2,608.3**	**44,791.6**	**2,262.0**	**(336.5)**	**6,934.8**	**249.2**	**56,509.4**	**2,525.2**	**59,034.6**
Profit for the year		**-**	**7,966.0**	**-**	**-**	**-**	**-**	**7,966.0**	**27.6**	**7,993.6**
Other comprehensive (expense)/income for the year		**-**	**(673.6)**	**(27.5)**	**529.6**	**-**	**-**	**(171.5)**	**27.2**	**(144.3)**
Total comprehensive income/(expense) for the year		**-**	**7,292.4**	**(27.5)**	**529.6**	**-**	**-**	**7,794.5**	**54.8**	**7,849.3**
Dividends to ordinary shareholders	34	**-**	**(1,816.1)**	**-**	**-**	**-**	**-**	**(1,816.1)**	**(31.4)**	**(1,847.5)**
Dividends to preference shareholders	34	**-**	**(53.8)**	**-**	**-**	**-**	**-**	**(53.8)**	**-**	**(53.8)**
Impact of change in effective holding in subsidiary		**-**	**(0.2)**	**-**	**-**	**-**	**-**	**(0.2)**	**0.2**	**-**
Issue of shares following the exercise of Group Employee Share Options Scheme		**110.4**	**-**	**-**	**-**	**-**	**-**	**110.4**	**-**	**110.4**
Transactions with owners		**110.4**	**(1,870.1)**	**-**	**-**	**-**	**-**	**(1,759.7)**	**(31.2)**	**(1,790.9)**
Share of transfer by associate		**-**	**4.7**	**(4.7)**	**-**	**-**	**-**	**-**	**-**	**-**
Share of other movements in reserves of associate		**-**	**4.8**	**(4.3)**	**-**	**-**	**-**	**0.5**	**0.5**	**1.0**
Transfer from general banking reserve		**-**	**249.2**	**-**	**-**	**-**	**(249.2)**	**-**	**-**	**-**
Transfer to statutory reserve		**-**	**(12.4)**	**-**	**-**	**12.4**	**-**	**-**	**-**	**-**
At 30 June 2020		**2,718.7**	**50,460.2**	**2,225.5**	**193.1**	**6,947.2**	**-**	**62,544.7**	**2,549.3**	**65,094.0**

The notes on pages 222 to 313 form part of these financial statements.
Auditor's report on pages 202 to 208.

Statements of changes in equity

for the year ended 30 June 2020 (Cont'd)

COMPANY	Note	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserves RS'M	Total Equity RS'M
At 01 July 2018		**2,547.9**	**3,030.3**	**-**	**5,578.2**
Profit for the year		-	2,922.8	-	2,922.8
Other comprehensive income for the year		-	-	22.8	22.8
Total comprehensive income for the year		-	2,922.8	22.8	2,945.6
Dividends to ordinary shareholders	34	-	(2,602.9)	-	(2,602.9)
Issue of shares following the exercise of Group Employee Share Options Scheme		60.4	-	-	60.4
Transactions with owners		60.4	(2,602.9)	-	(2,542.5)
At 30 June 2019		**2,608.3**	**3,350.2**	**22.8**	**5,981.3**
Profit for the year		**-**	**1,736.7**	**-**	**1,736.7**
Other comprehensive income for the year		**-**	**-**	**19.1**	**19.1**
Total comprehensive income for the year		**-**	**1,736.7**	**19.1**	**1,755.8**
Dividends to ordinary shareholders	34	**-**	**(1,816.1)**	**-**	**(1,816.1)**
Dividends to preference shareholders	34	**-**	**(53.8)**	**-**	**(53.8)**
Issue of shares following the exercise of Group Employee Share Options Scheme		**110.4**	**-**	**-**	**110.4**
Transactions with owners		**110.4**	**(1,869.9)**	**-**	**(1,759.5)**
At 30 June 2020		**2,718.7**	**3,217.0**	**41.9**	**5,977.6**

The notes on pages 222 to 313 form part of these financial statements.
Auditor's report on pages 202 to 208.

Statements of cash flows

for the year ended 30 June 2020

	Notes	GROUP Year ended 30 June 2020 RS'M	GROUP Year ended 30 June 2019 (Restated) RS'M	COMPANY Year ended 30 June 2020 RS'M	COMPANY Year ended 30 June 2019 RS'M
Operating activities					
Net cash flows from trading activities	37	**13,954.2**	18,125.1	**3,364.5**	2,652.1
Net cash flows from other operating activities	38	**14,742.0**	182.7	**-**	-
Dividends received from associates		**79.6**	249.4	**-**	-
Dividends paid to ordinary shareholders		**(3,106.2)**	(2,386.9)	**(3,106.2)**	(2,386.9)
Dividends paid to preference shareholders		**(53.8)**	-	**(53.8)**	-
Dividends paid to non-controlling interests in subsidiaries		**(31.4)**	(48.4)	**-**	-
Income tax paid		**(1,606.5)**	(1,803.8)	**(0.7)**	(0.6)
Net cash flows from operating activities		**23,977.9**	14,318.1	**203.8**	264.6
Investing activities					
Investment in associates		**(74.1)**	(99.9)	**(24.2)**	(1.5)
Purchase of investment property		**(71.5)**	(925.0)	**-**	-
Purchase of property, plant and equipment		**(903.3)**	(838.1)	**(5.0)**	(2.2)
Purchase of intangible assets		**(611.5)**	(393.0)	**-**	-
Proceeds from sale of property, plant and equipment		**89.8**	69.0	**-**	-
Investment in subsidiaries		**-**	-	**(37.5)**	(41.0)
Net subordinated loan granted to subsidiaries		**-**	-	**-**	(272.9)
Net investment in securities		**-**	-	**(464.3)**	(172.4)
Net cash flows from investing activities		**(1,570.6)**	(2,187.0)	**(531.0)**	(490.0)
Net cash flows before financing activities		**22,407.3**	12,131.1	**(327.2)**	(225.4)
Financing activities					
Shares issued/employee share options exercised		**110.4**	60.4	**110.4**	60.4
Impact of right issue exercised by minority shareholders in subsidiary		**-**	13.3	**-**	-
Loan from associate		**-**	1,168.6	**-**	-
Lease payments		**(116.0)**	-	**-**	-
Refund of subordinated liability		**(137.2)**	(51.4)	**-**	-
Net cash flows from financing activities		**(142.8)**	1,190.9	**110.4**	60.4
Increase/(Decrease) in cash and cash equivalents		**22,264.5**	13,322.0	**(216.8)**	(165.0)
Net cash and cash equivalents at 01 July		**49,328.9**	35,896.1	**357.8**	522.8
Effect of foreign exchange rate changes		**(452.0)**	110.8	**-**	-
Net cash and cash equivalents at 30 June	4	**71,141.4**	49,328.9	**141.0**	357.8

The notes on pages 222 to 313 form part of these financial statements.
Auditor's report on pages 202 to 208.

General information

The MCB Group Limited ("the Company") was incorporated as a public company limited by shares on 05 August 2013. Its registered office is situated at 9-15, Sir William Newton Street, Port-Louis, Mauritius.

The Company is listed on The Stock Exchange of Mauritius Ltd.

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.

Index to notes to the financial statements

Index to notes to the financial statements
(Cont'd)

Index to notes to the financial statements
(Cont'd)

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) and in compliance with the Mauritian Companies Act 2001.

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 new standards and amendments to standards and interpretations are effective for annual periods beginning on 01 July 2019, 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:

IFRS 16 Leases

Until 30 June 2019, the leases of property, plant and equipment of the Group did not have a significant portion of risks and rewards of ownership being transferred, hence these were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

IFRS 16, 'Leases' resulted in all leases being recognised in the financial statements as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-of-use leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases which are treated in the same way as it was before the adoption. The standard is mandatory for financial years commencing on 01 July 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the entity should assume a tax authority, will examine the uncertain tax treatments and have full knowledge of all related information, i.e. detection risk should be ignored;
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The application of this IFRIC does not have any significant impact on the Group

New standards, amendments and interpretations issued but not effective for the financial year and not adopted early

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning 01 July 2020, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out below.

Amendments to IAS 1 and IAS 8 effective 1 January 2020: Definition of material

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

For the current reporting year, the Group has assessed that the standard does not have a material impact on the financial statements. There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1. Significant accounting policies (Cont'd)

(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.

1. Significant accounting policies (Cont'd)

(b) Basis of consolidation and equity accounting (Cont'd)

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 (see below). 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 are 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 (Cont'd)

(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 entity 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, rounded to one decimal place 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.

1. Significant accounting policies (Cont'd)

(d) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates 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.

Where the derivatives are managed with debt securities issued by the Group that are designated at fair value, the contractual interest is shown in 'Interest expense' together with the interest payable on the issued debt.

(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.

(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 (Cont'd)

(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 is 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:

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 on sale of financial instruments in the statement of profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss.

1. Significant accounting policies (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

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 on sale of financial instruments. 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.

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 on sale of financial instruments in the statement of profit or loss in the year in which it arises.

Classification

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

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.

1. Significant accounting policies (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

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 gain on sale of financial instruments' 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 to 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 (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

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 and the Group has not 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.

1. Significant accounting policies (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

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.

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.

1. Significant accounting policies (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as describe in note 24). 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.

1. Significant accounting policies (Cont'd)

(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. 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.

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.

(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. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gains and losses on disposal. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(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 is 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.

1. Significant accounting policies (Cont'd)

(n) Computer software development 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 eight years.

(o) Finance 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.

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

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable, the amount being equal to the net investment in the leases after specific provision for impairment loss in respect of all identified impaired leases in the light of periodical reviews. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(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 Banks, treasury bills and amounts due to and from other banks which are short-term, highly-liquid with original maturities of three months or less. A further breakdown of cash and cash equivalents is given in note 4 to the financial statements.

1. Significant accounting policies (Cont'd)

(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

Short term obligations

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.

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.

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

(ii) Defined benefit plans

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.

1. Significant accounting policies (Cont'd)

(t) Employee benefits (Cont'd)

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 Bank 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.

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.

As from 01 July 2015, the Bank 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:

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 01 July 2015.

Option C: To join the DCCB scheme as from 01 July 2015 and transfer the total accrued benefits as at 30 June 2015 from the DB scheme into the DCCB scheme.

1. Significant accounting policies (Cont'd)

(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.

(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 39 to the financial statements.

1. Significant accounting policies (Cont'd)

(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 31 (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 participating 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.

2. Critical accounting estimates and judgements (Cont'd)

(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.

3. Financial risk management

(a) Strategy in using financial instruments

The use of financial instruments is a major feature of the Group's operations. It has been the policy of the subsidiaries to take deposits from customers at variable rates mostly by investing these funds in a wide range of assets and granting loans to customers and banks.

The Group also seeks to raise its interest margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. The Group's exposures are not restricted to just on-balance sheet loans and advances but, also, to guarantees and other commitments such as letters of credit, performance and other bonds.

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.

(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 these instruments 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.

Credit quality

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.

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

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

Credit quality

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

At 30 June 2020

	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
Portfolio:	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Retail	48,527.3	427.0	48,100.3	1,733.1	356.4	1,376.7	2,339.7	554.9	290.8	1,784.8
Wholesale	410,743.2	1,603.4	409,139.8	33,353.2	3,361.8	29,991.4	7,371.9	2,441.8	1,362.7	4,930.1
Total	459,270.5	2,030.4	457,240.1	35,086.3	3,718.2	31,368.1	9,711.6	2,996.7	1,653.5	6,714.9
Retail										
Housing loans	29,520.0	64.8	29,455.2	626.3	59.8	566.5	1,053.2	220.4	80.4	832.8
Small and medium enterprise	9,197.8	78.5	9,119.3	732.8	177.9	554.9	643.3	139.2	92.6	504.1
Unsecured and revolving	5,044.2	219.5	4,824.7	114.5	51.2	63.3	278.6	129.6	43.9	149.0
Other secured loans	4,765.3	64.2	4,701.1	259.5	67.5	192.0	364.6	65.7	73.9	298.9
Total retail	48,527.3	427.0	48,100.3	1,733.1	356.4	1,376.7	2,339.7	554.9	290.8	1,784.8

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2020

	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										
Wholesale										
Sovereign	135,728.4	28.3	135,700.1	-	-	-	-	-	-	-
Financial institutions	53,270.7	45.7	53,225.0	-	-	-	0.2	0.1	11.7	0.1
Project finance	8,905.5	198.5	8,707.0	240.7	45.2	195.5	57.0	4.9	0.1	52.1
Energy & commodities	76,857.8	111.2	76,746.6	6,647.0	223.5	6,423.5	1,488.9	281.2	95.4	1,207.7
Corporate	135,980.8	1,219.7	134,761.1	26,465.5	3,093.1	23,372.4	5,825.8	2,155.6	1,255.5	3,670.2
Total wholesale	410,743.2	1,603.4	409,139.8	33,353.2	3,361.8	29,991.4	7,371.9	2,441.8	1,362.7	4,930.1

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

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

At 30 June 2020

	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									
3	4,990.6	-	-	0.2	-	-	4,990.4	-	-
4	6.1	-	-	-	-	-	6.1	-	-
5	15,228.1	-	-	2.9	-	-	15,225.2	-	-
6	140,847.4	-	-	10.3	-	-	140,837.1	-	-
7	6,446.2	-	-	2.0	-	-	6,444.2	-	-
8	700.2	-	-	0.4	-	-	699.8	-	-
9	13,571.2	-	-	3.0	-	-	13,568.2	-	-
10	2,418.8	-	-	1.5	-	-	2,417.3	-	-
11	13,190.4	-	-	7.0	-	-	13,183.4	-	-
12	42,709.4	9.8	-	117.9	0.1	-	42,591.5	9.7	-
13	54,530.1	701.1	-	175.0	11.1	-	54,355.1	690.0	-
14	37,486.9	1,934.4	-	218.0	29.8	-	37,268.9	1,904.6	-
15	55,428.1	13,910.4	-	496.9	1,421.0	-	54,931.2	12,489.4	-
16	18,371.8	9,087.1	-	320.0	1,001.4	-	18,051.8	8,085.7	-
17	2,005.4	2,986.1	-	112.3	158.9	-	1,893.1	2,827.2	-
18	1,930.1	3,455.3	-	65.9	451.0	-	1,864.2	3,004.3	-
19	882.4	1,269.0	-	70.1	288.5	-	812.3	980.5	-
20	-	-	7,371.9	-	-	2,441.8	-	-	4,930.1
Total	410,743.2	33,353.2	7,371.9	1,603.4	3,361.8	2,441.8	409,139.8	29,991.4	4,930.1
Sovereign									
6	134,736.2	-	-	9.7	-	-	134,726.5	-	-
14	690.6	-	-	2.0	-	-	688.6	-	-
18	301.6	-	-	16.6	-	-	285.0	-	-
Total	135,728.4	-	-	28.3	-	-	135,700.1	-	-

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2020

	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									
Financial Institutions									
3	4,577.1	-	-	0.2	-	-	4,576.9	-	-
4	6.1	-	-	-	-	-	6.1	-	-
5	15,228.1	-	-	2.9	-	-	15,225.2	-	-
6	6,111.2	-	-	0.6	-	-	6,110.6	-	-
7	6,446.2	-	-	2.0	-	-	6,444.2	-	-
8	203.8	-	-	0.1	-	-	203.7	-	-
9	13,571.2	-	-	3.0	-	-	13,568.2	-	-
10	1,251.8	-	-	0.4	-	-	1,251.4	-	-
11	9.8	-	-	-	-	-	9.8	-	-
12	518.9	-	-	2.0	-	-	516.9	-	-
13	482.9	-	-	2.8	-	-	480.1	-	-
14	241.0	-	-	1.3	-	-	239.7	-	-
15	634.5	-	-	1.3	-	-	633.2	-	-
16	2,625.4	-	-	7.9	-	-	2,617.5	-	-
17	119.2	-	-	0.1	-	-	119.1	-	-
18	1,243.5	-	-	21.1	-	-	1,222.4	-	-
20	-	-	0.2	-	-	0.1	-	-	0.1
Total	53,270.7	-	0.2	45.7	-	0.1	53,225.0	-	0.1

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2020

	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	1,033.1	-	-	3.8	-	-	1,029.3	-	-
13	1,352.8	-	-	2.8	-	-	1,350.0	-	-
14	623.5	-	-	6.2	-	-	617.3	-	-
15	3,232.8	-	-	61.3	-	-	3,171.5	-	-
16	2,056.6	-	-	75.4	-	-	1,981.2	-	-
17	378.4	-	-	25.2	-	-	353.2	-	-
18	135.0	240.7	-	9.2	45.2	-	125.8	195.5	-
19	93.3	-	-	14.6	-	-	78.7	-	-
20	-	-	57.0	-	-	4.9	-	-	52.1
Total	8,905.5	240.7	57.0	198.5	45.2	4.9	8,707.0	195.5	52.1

Energy & Commodities									
3	413.5	-	-	-	-	-	413.5	-	-
8	496.4	-	-	0.3	-	-	496.1	-	-
11	6,222.4	-	-	0.5	-	-	6,221.9	-	-
12	8,476.4	-	-	5.0	-	-	8,471.4	-	-
13	16,212.5	436.9	-	16.1	2.4	-	16,196.4	434.5	-
14	10,325.0	769.0	-	12.7	6.4	-	10,312.3	762.6	-
15	28,165.4	2,288.3	-	41.4	22.9	-	28,124.0	2,265.4	-
16	6,546.2	1,213.7	-	35.2	59.5	-	6,511.0	1,154.2	-
17	-	950.9	-	-	28.5	-	-	922.4	-
18	-	988.2	-	-	103.8	-	-	884.4	-
20	-	-	1,488.9	-	-	281.2	-	-	1,207.7
Total	76,857.8	6,647.0	1,488.9	111.2	223.5	281.2	76,746.6	6,423.5	1,207.7

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2020

	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									
Corporate									
10	1,167.0	-	-	1.1	-	-	1,165.9	-	-
11	6,958.2	-	-	6.5	-	-	6,951.7	-	-
12	32,681.0	9.8	-	107.1	0.1	-	32,573.9	9.7	-
13	36,481.9	264.2	-	153.3	8.7	-	36,328.6	255.5	-
14	25,606.8	1,165.4	-	195.8	23.4	-	25,411.0	1,142.0	-
15	23,395.4	11,622.1	-	392.9	1,398.1	-	23,002.5	10,224.0	-
16	7,143.6	7,873.4	-	201.5	941.9	-	6,942.1	6,931.5	-
17	1,507.8	2,035.2	-	87.0	130.4	-	1,420.8	1,904.8	-
18	250.0	2,226.4	-	19.0	302.0	-	231.0	1,924.4	-
19	789.1	1,269.0	-	55.5	288.5	-	733.6	980.5	-
20	-	-	5,825.8	-	-	2,155.6	-	-	3,670.2
Total	135,980.8	26,465.5	5,825.8	1,219.7	3,093.1	2,155.6	134,761.1	23,372.4	3,670.2

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2019

	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	50,430.8	106.2	50,324.6	439.9	17.1	422.8	1,835.6	483.0	293.1	1,352.6
Wholesale	363,778.2	1,710.2	362,068.0	16,336.4	625.3	15,711.1	7,507.9	2,012.7	1,666.7	5,495.2
Total	**414,209.0**	**1,816.4**	**412,392.6**	**16,776.3**	**642.4**	**16,133.9**	**9,343.5**	**2,495.7**	**1,959.8**	**6,847.8**
Retail										
Housing loans	29,175.9	19.5	29,156.4	180.5	4.6	175.9	759.1	182.9	93.2	576.2
Small and medium enterprise	8,688.4	44.0	8,644.4	118.1	6.8	111.3	500.5	103.2	82.6	397.3
Unsecured and revolving	7,223.5	34.6	7,188.9	78.7	3.7	75.0	290.2	129.2	46.5	161.0
Other secured loans	5,343.0	8.1	5,334.9	62.6	2.0	60.6	285.8	67.7	70.8	218.1
Total retail	**50,430.8**	**106.2**	**50,324.6**	**439.9**	**17.1**	**422.8**	**1,835.6**	**483.0**	**293.1**	**1,352.6**
Wholesale										
Sovereign	100,956.1	31.3	100,924.8	-	-	-	-	-	-	-
Financial institutions	50,752.4	178.8	50,573.6	-	-	-	69.3	0.1	7.6	69.2
Project finance	14,860.6	175.7	14,684.9	267.6	6.4	261.2	687.7	140.6	64.7	547.1
Energy & commodities	70,759.8	114.9	70,644.9	3,287.6	91.3	3,196.3	1,575.2	464.4	40.8	1,110.8
Corporate	126,449.3	1,209.5	125,239.8	12,781.2	527.6	12,253.6	5,175.7	1,407.6	1,553.6	3,768.1
Total wholesale	**363,778.2**	**1,710.2**	**362,068.0**	**16,336.4**	**625.3**	**15,711.1**	**7,507.9**	**2,012.7**	**1,666.7**	**5,495.2**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2019

	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									
3	958.3	-	-	0.1	-	-	958.2	-	-
4	445.8	-	-	0.1	-	-	445.7	-	-
5	5,640.6	-	-	1.0	-	-	5,639.6	-	-
6	105,778.3	-	-	8.4	-	-	105,769.9	-	-
7	3,798.0	-	-	0.9	-	-	3,797.1	-	-
8	4,616.2	-	-	0.9	-	-	4,615.3	-	-
9	5,025.2	-	-	2.0	-	-	5,023.2	-	-
10	8,268.5	-	-	4.0	-	-	8,264.5	-	-
11	21,483.7	640.2	-	39.8	3.2	-	21,443.9	637.0	-
12	61,969.7	313.6	-	130.7	0.6	-	61,839.0	313.0	-
13	39,994.0	110.4	-	110.7	1.4	-	39,883.3	109.0	-
14	44,544.4	384.2	-	372.1	4.9	-	44,172.3	379.3	-
15	38,603.8	5,140.3	-	464.0	211.6	-	38,139.8	4,928.7	-
16	14,275.1	4,965.3	-	317.7	143.1	-	13,957.4	4,822.2	-
17	3,644.8	890.9	-	87.3	64.6	-	3,557.5	826.3	-
18	1,424.0	1,201.9	-	37.0	92.4	-	1,387.0	1,109.5	-
19	3,307.8	2,689.6	-	133.5	103.5	-	3,174.3	2,586.1	-
20	-	-	7,507.9	-	-	2,012.7	-	-	5,495.2
Total	**363,778.2**	**16,336.4**	**7,507.9**	**1,710.2**	**625.3**	**2,012.7**	**362,068.0**	**15,711.1**	**5,495.2**
Sovereign									
5	0.8	-	-	-	-	-	0.8	-	-
6	99,809.9	-	-	7.1	-	-	99,802.8	-	-
13	220.0	-	-	0.2	-	-	219.8	-	-
14	611.4	-	-	2.2	-	-	609.2	-	-
18	314.0	-	-	21.8	-	-	292.2	-	-
Total	**100,956.1**	**-**	**-**	**31.3**	**-**	**-**	**100,924.8**	**-**	**-**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2019

	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									
Financial Institutions									
3	958.3	-	-	0.1	-	-	958.2	-	-
4	445.8	-	-	0.1	-	-	445.7	-	-
5	3,512.5	-	-	1.0	-	-	3,511.5	-	-
6	5,968.4	-	-	1.3	-	-	5,967.1	-	-
7	3,798.0	-	-	0.9	-	-	3,797.1	-	-
8	3,979.3	-	-	0.4	-	-	3,978.9	-	-
9	4,595.3	-	-	2.0	-	-	4,593.3	-	-
10	6,639.5	-	-	1.1	-	-	6,638.4	-	-
11	1,887.4	-	-	1.9	-	-	1,885.5	-	-
12	5,693.1	-	-	4.6	-	-	5,688.5	-	-
13	1,903.9	-	-	2.5	-	-	1,901.4	-	-
14	448.9	-	-	5.6	-	-	443.3	-	-
15	3,978.4		-	19.7			3,958.7		-
16	3,134.9	-	-	35.2	-	-	3,099.7	-	-
17	914.0	-	-	-	-	-	914.0	-	-
18	626.4	-	-	9.1	-	-	617.3	-	-
19	2,268.3	-	-	93.3	-	-	2,175.0	-	-
20	-	-	69.3	-	-	0.1	-	-	69.2
Total	**50,752.4**	**-**	**69.3**	**178.8**	**-**	**0.1**	**50,573.6**	**-**	**69.2**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2019

	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	4,563.1	-	-	17.1	-	-	4,546.0	-	-
14	3,878.3	-	-	40.1	-	-	3,838.2	-	-
15	4,718.1	31.4	-	88.6	1.2	-	4,629.5	30.2	-
16	1,701.1	-	-	29.9	-	-	1,671.2	-	-
18	-	236.2	-	-	5.2	-	-	231.0	-
20	-	-	687.7	-	-	140.6	-	-	547.1
Total	**14,860.6**	**267.6**	**687.7**	**175.7**	**6.4**	**140.6**	**14,684.9**	**261.2**	**547.1**
Energy & Commodities									
5	2,127.2	-	-	-	-	-	2,127.2	-	-
8	636.9	-	-	0.5	-	-	636.4	-	-
11	649.0	515.9	-	0.2	2.0	-	648.8	513.9	-
12	22,666.2	-	-	5.5	-	-	22,660.7	-	-
13	11,450.7	-	-	3.2	-	-	11,447.5	-	-
14	13,955.8	-	-	11.6	-	-	13,944.2	-	-
15	15,910.9	1,830.0	-	75.8	3.3	-	15,835.1	1,826.7	-
16	1,900.6	-	-	18.1	-	-	1,882.5	-	-
17	1,452.8	-	-	-	-	-	1,452.8	-	-
18	-	941.7	-	-	86.0	-	-	855.7	-
19	9.7	-	-	-	-	-	9.7	-	-
20	-	-	1,575.2	-	-	464.4	-	-	1,110.8
Total	**70,759.8**	**3,287.6**	**1,575.2**	**114.9**	**91.3**	**464.4**	**70,644.9**	**3,196.3**	**1,110.8**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2019

	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									
Corporate									
9	429.9	-	-	0.1	-	-	429.8	-	-
10	1,629.0	-	-	2.9	-	-	1,626.1	-	-
11	18,947.4	124.3	-	37.8	1.2	-	18,909.6	123.1	-
12	33,610.4	313.6	-	120.6	0.6	-	33,489.8	313.0	-
13	21,856.2	110.4	-	87.6	1.4	-	21,768.6	109.0	-
14	25,649.9	384.2	-	312.5	4.9	-	25,337.4	379.3	-
15	13,996.4	3,278.9	-	279.9	207.0	-	13,716.5	3,071.9	-
16	7,538.6	4,965.3	-	234.6	143.1	-	7,304.0	4,822.2	-
17	1,278.1	890.9	-	87.4	64.6	-	1,190.7	826.3	-
18	483.8	24.1	-	6.3	1.4	-	477.5	22.7	-
19	1,029.6	2,689.5	-	39.8	103.4	-	989.8	2,586.1	-
20	-	-	5,175.7	-	-	1,407.6	-	-	3,768.1
Total	**126,449.3**	**12,781.2**	**5,175.7**	**1,209.5**	**527.6**	**1,407.6**	**125,239.8**	**12,253.6**	**3,768.1**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Restructured financial assets

The Bank defines the "rescheduling" as any amendment to or restructuring or rescheduling of any exposure and includes the 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.

	2020 RS'M	2019 RS'M
Amortised cost before restructure	**595.2**	3,844.1
Net modification gain or loss	**19.7**	38.2
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	**1.6**	28.5

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 year end are shown below:

	RS'M	RS'M
Property	**60.0**	60.6

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. At fair value through profit or loss).

	GROUP	
	2020 RS'M	2019 RS'M
Derivative financial instruments	**1,449.3**	695.8
Investment securities	**14,521.9**	17,529.9
Total	**15,971.2**	18,225.7

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Collateral held and other credit enhancements

Our 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 Bank 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 Bank 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 (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

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

3. Financial risk management (Cont'd)

(c) Market risk

Market risk arises from activities undertaken in or impacted by financial markets generally. This includes the risk of gain or loss arising from the movement in market price of a financial asset or liability as well as currency or interest rate 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 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	
	2020 RS'M	2019 RS'M
Financial assets at fair value through other comprehensive income	**1,090.9**	1,141.5
Financial assets at fair value through profit or loss	**956.6**	1,089.8
	2,047.5	2,231.3

(ii) Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Bank'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 Global Markets & Treasury Management SBU. 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 the Asset and Liability Management Committee

The Bank 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 Bank 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
2020 (RS'M)	**(26.0)**	**(19.4)**	**(48.7)**	**(7.0)**
2019 (RS'M)	(15.8)	(27.6)	(48.0)	(15.8)

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

GROUP

At 30 June 2020	EURO RS'M	USD RS'M	GBP RS'M	MUR RS'M	OTHER RS'M	TOTAL RS'M
Financial assets						
Cash and cash equivalents	12,472.3	27,985.7	2,023.2	23,180.0	2,483.0	68,144.2
Derivative financial instruments	249.1	400.8	84.2	263.2	-	997.3
Loans to and placements with banks	1,782.6	11,312.2	-	6,115.7	164.1	19,374.6
Loans and advances to customers	26,053.3	98,097.4	436.8	111,882.1	75.7	236,545.3
Investment securities	1,396.5	19,613.7	1.0	115,262.3	-	136,273.5
Other financial assets	911.3	1,858.3	166.6	17,533.3	136.8	20,606.3
	42,865.1	159,268.1	2,711.8	274,236.6	2,859.6	481,941.2
Less allowances for credit impairment						(10,164.8)
						471,776.4
Subsidiaries, net of eliminations						29,779.8
Total						501,556.2
Financial liabilities						
Deposits from banks	1,137.1	5,684.1	203.8	417.3	158.0	7,600.3
Deposits from customers	36,836.6	95,692.5	5,031.0	221,790.6	4,657.0	364,007.7
Derivative financial instruments	-	747.0	58.6	155.7	-	961.3
Other borrowed funds	1,950.2	48,417.2	314.5	1.5	133.4	50,816.8
Debt securities	-	-	-	2,007.0	-	2,007.0
Subordinated liabilities	-	1,013.3	-	1,108.9	-	2,122.2
Preference shares	-	-	-	3,396.2	-	3,396.2
Other financial liabilities	168.7	411.3	47.9	2,263.4	30.4	2,921.7
	40,092.6	151,965.4	5,655.8	231,140.6	4,978.8	433,833.2
Subsidiaries, net of eliminations						25,731.3
Total						459,564.5
Net on-balance sheet position	2,772.5	7,302.7	(2,944.0)	43,096.0	(2,119.2)	48,108.0
Less allowances for credit impairment						(10,164.8)
Subsidiaries, net of eliminations						4,048.5
						41,991.7
Off balance sheet net notional position	8,628.4	37,945.0	5,409.2	-	292.8	52,275.4
Credit commitments	4,365.0	47,386.1	8.1	14,665.3	1,972.9	68,397.4
Subsidiaries						4,396.9
						125,069.7

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

GROUP
At 30 June 2019

	EURO RS'M	USD RS'M	GBP RS'M	MUR RS'M	OTHER RS'M	TOTAL RS'M
Financial assets						
Cash and cash equivalents	10,179.2	17,988.8	3,590.1	10,971.0	2,686.9	45,416.0
Derivative financial instruments	187.1	-	13.3	68.9	-	269.3
Loans to and placements with banks	1,012.4	11,386.9	-	8,276.0	144.6	20,819.9
Loans and advances to customers	21,571.5	85,202.8	389.2	112,594.3	63.1	219,820.9
Investment securities	1,349.2	20,453.3	-	94,694.5	-	116,497.0
Other financial assets	797.0	2,367.4	388.1	16,878.2	70.4	20,501.1
	35,096.4	137,399.2	4,380.7	243,482.9	2,965.0	423,324.2
Less allowances for credit impairment						(6,605.8)
						416,718.4
Subsidiaries, net of eliminations						26,729.2
Total						**443,447.6**
Financial liabilities						
Deposits from banks	1,119.7	5,595.1	220.6	384.7	55.8	7,375.9
Deposits from customers	26,890.2	76,105.9	4,541.2	195,624.5	3,838.8	307,000.6
Derivative financial instruments	59.4	158.7	30.5	260.2	-	508.8
Other borrowed funds	5,205.5	50,194.3	-	2.3	3.7	55,405.8
Debt securities	-	-	-	2,012.7	-	2,012.7
Subordinated liabilities	-	1,040.1	-	4,531.7	-	5,571.8
Other financial liabilities	269.3	191.7	48.0	2,219.4	29.2	2,757.6
	33,544.1	133,285.8	4,840.3	205,035.5	3,927.5	380,633.2
Subsidiaries, net of eliminations						23,572.6
Total						**404,205.8**
Net on-balance sheet position	1,552.3	4,113.4	(459.6)	38,447.4	(962.5)	42,691.0
Less allowances for credit impairment						(6,605.8)
Subsidiaries, net of eliminations						3,156.6
						39,241.8
Off balance sheet net notional position	7,867.4	17,339.7	2,993.3	-	771.9	28,972.3
Credit commitments	3,371.1	52,625.4	22.0	14,157.4	1,492.5	71,668.4
Subsidiaries						3,837.2
						104,477.9

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk

Interest rate risk refers to the potential variability in the Group's financial condition owing to changes in the level of interest rates. It is the Group's policy to apply variable interest rates to lending and deposit taking. Fixed interest rates are applied to deposits in foreign currencies; however maturities in this regard are only short-term.

Interest rate risk earnings impact analysis

The Bank 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. The basis of preparation has been refined in the current year following the implementation of a new software.

	GROUP	
	2020 RS'M	2019 RS'M
Impact on Earnings	493.8	391.5

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

GROUP At 30 June 2020	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	8,365.0	55.7	-	-	-	-	59,723.5	68,144.2
Derivative financial instruments	-	0.1	0.2	0.4	1.3	4.8	990.5	997.3
Inflow	-	*3.7*	*5.6*	*13.0*	*44.6*	*176.4*	*990.5*	*1,233.8*
(Outflow)	-	*(3.6)*	*(5.4)*	*(12.6)*	*(43.3)*	*(171.6)*	-	*(236.5)*
Loans to and placements with banks	2,515.5	7,342.4	3,160.6	5,970.1	-	304.2	81.8	19,374.6
Loans and advances to customers	133,908.8	33,822.2	26,710.5	19,782.4	6,885.0	3,903.4	11,533.0	236,545.3
Investment securities	8,206.5	11,030.2	18,488.9	17,032.8	31,861.6	46,008.3	3,645.2	136,273.5
Other financial assets	-	-	-	-	-	-	20,606.3	20,606.3
	152,995.8	52,250.6	48,360.2	42,785.7	38,747.9	50,220.7	96,580.3	481,941.2
Less allowances for credit impairment								(10,164.8)
								471,776.4
Subsidiaries, net of eliminations								29,779.8
Total								501,556.2
Financial liabilities								
Deposits from banks	3,763.3	874.2	1,429.3	200.7	-	-	1,332.8	7,600.3
Deposits from customers	225,005.3	7,285.0	3,816.9	2,287.9	159.5	25,968.7	99,484.4	364,007.7
Derivative financial instruments	-	-	-	-	-	-	961.3	961.3
Other borrowed funds	3,197.1	11,452.9	28,742.2	6,416.8	267.3	105.4	635.1	50,816.8
Debt securities	-	-	-	-	-	2,000.0	7.0	2,007.0
Subordinated liabilities	-	-	993.3	-	-	1,103.8	25.1	2,122.2
Preference shares	-	-	-	-	-	-	3,396.2	3,396.2
Other financial liabilities	-	-	-	-	-	-	2,921.7	2,921.7
	231,965.7	19,612.1	34,981.7	8,905.4	426.8	29,177.9	108,763.6	433,833.2
Subsidiaries net of eliminations								25,731.3
Total								459,564.5
Net on balance sheet interest sensitivity gap	(78,969.9)	32,638.5	13,378.5	33,880.3	38,321.1	21,042.8	(12,183.3)	48,108.0
Less allowances for credit impairment								(10,164.8)
Subsidiaries, net of eliminations								4,048.5
								41,991.7

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

GROUP **At 30 June 2019**	**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	16,162.9	2,715.8	-	-	-	-	26,537.3	45,416.0
Derivative financial instruments	-	-	-	-	-	10.1	259.2	269.3
Loans to and placements with banks	5,279.7	4,881.1	1,683.3	2,484.1	6,254.7	124.6	112.4	20,819.9
Loans and advances to customers	129,950.5	26,377.2	16,327.4	9,713.5	12,296.8	22,404.0	2,751.5	219,820.9
Investment securities	6,635.3	17,394.6	21,772.0	12,128.8	26,784.3	27,710.7	4,071.3	116,497.0
Other financial assets	-	-	-	-	-	-	20,501.1	20,501.1
	158,028.4	51,368.7	39,782.7	24,326.4	45,335.8	50,249.4	54,232.8	423,324.2
Less allowances for credit impairment								(6,605.8)
								416,718.4
Subsidiaries, net of eliminations								26,729.2
Total								**443,447.6**
Financial liabilities								
Deposits from banks	3,888.7	1,621.1	1,416.6	-	-	-	449.5	7,375.9
Deposits from customers	194,284.6	7,014.0	2,518.0	1,173.7	692.2	15,299.9	86,018.2	307,000.6
Derivative financial instruments	-	-	-	-	-	-	508.8	508.8
Other borrowed funds	5,521.0	14,043.9	32,922.2	1,786.7	-	709.8	422.2	55,405.8
Debt securities	-	-	-	-	-	2,000.0	12.7	2,012.7
Subordinated liabilities	-	1,015.0	-	-	-	4,500.0	56.8	5,571.8
Other financial liabilities	-	-	-	-	-	-	2,757.6	2,757.6
	203,694.3	23,694.0	36,856.8	2,960.4	692.2	22,509.7	90,225.8	380,633.2
Subsidiaries, net of eliminations								23,572.6
Total								**404,205.8**
Net on balance sheet interest sensitivity gap	(45,665.9)	27,674.7	2,925.9	21,366.0	44,643.6	27,739.7	(35,993.0)	42,691.0
Less allowances for credit impairment								(6,605.8)
Subsidiaries, net of eliminations								3,156.6
								39,241.8

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk

Liquidity risk can be defined as the risk of a funding crisis, notably a lack of funds to meet immediate or short term obligations in a cost-effective way. There are two aspects of liquidity risk management:

(a) cash flow management to ensure a balanced inflow and outflow of funds on any one specific day.

(b) the maintenance of a stock of liquid assets to ensure that the Group has a constantly available store of value, which can be utilised in the event of an unexpected outflow of funds.

The Bank has a documented liquidity policy compliant with the Bank of Mauritius Guideline on Liquidity. Treasury Strategic Business Unit manages liquidity in accordance with this policy, on a day-to-day basis.

The amounts disclosed in the following table are undiscounted.

Maturities of assets and liabilities

GROUP At 30 June 2020	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	40,900.5	55.8	-	-	-	-	27,188.7	68,145.0
Derivative financial instruments	0.3	0.6	0.8	1.6	5.5	1.3	944.1	954.2
Loans to and placements with banks	2,542.8	7,359.9	3,177.6	6,379.0	69.1	322.7	-	19,851.1
Loans and advances to customers	47,179.5	17,350.9	14,164.5	20,881.0	59,177.8	97,963.8	7,870.0	264,587.5
Investment securities	5,661.6	9,987.0	18,277.3	12,949.7	31,706.2	52,261.1	3,911.8	134,754.7
Other financial assets	-	-	-	-	-	-	20,606.2	20,606.2
	96,284.7	34,754.2	35,620.2	40,211.3	90,958.6	150,548.9	60,520.8	508,898.7
Less allowances for credit impairment								(10,164.8)
								498,733.9
Subsidiaries, net of eliminations								29,779.8
Total								528,513.7
Financial liabilities								
Deposits from banks	5,090.5	842.2	1,632.8	0.2	0.8	38.8	-	7,605.3
Deposits from customers	327,233.1	9,494.8	5,390.7	7,223.8	11,322.2	3,865.6	179.3	364,709.5
Derivative financial instruments	-	-	-	-	-	-	923.4	923.4
Other borrowed funds	3,651.4	11,380.9	849.6	29,298.2	2,321.1	4,140.6	-	51,641.8
Debt securities	-	-	-	-	-	2,007.0	-	2,007.0
Subordinated liabilities	-	-	190.3	180.1	522.8	1,278.7	-	2,171.9
Preference shares	-	-	-	-	-	-	3,396.2	3,396.2
Other financial liabilities	-	-	-	-	-	-	2,921.7	2,921.7
	335,975.0	21,717.9	8,063.4	36,702.3	14,166.9	11,330.7	7,420.6	435,376.8
Subsidiaries, net of eliminations								25,731.3
Total								461,108.1
Net liquidity gap	(239,690.3)	13,036.3	27,556.8	3,509.0	76,791.7	139,218.2	53,100.2	73,521.9
Less allowances for credit impairment								(10,164.8)
Subsidiaries, net of eliminations								4,048.5
								67,405.6

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities

GROUP At 30 June 2019	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	30,102.7	2,728.6	-	-	-	-	12,627.8	45,459.1
Derivative financial instruments	-	-	-	-	-	-	243.9	243.9
Loans to and placements with banks	5,408.2	4,517.5	1,712.1	2,762.3	6,889.9	-	-	21,290.0
Loans and advances to customers	41,908.3	18,255.3	12,451.8	17,231.2	55,497.1	110,016.0	19,638.4	274,998.1
Investment securities	4,644.0	16,906.6	19,390.1	13,550.9	31,841.6	39,959.2	3,408.2	129,700.6
Other financial assets	-	-	-	-	-	-	20,501.1	20,501.1
	82,063.2	42,408.0	33,554.0	33,544.4	94,228.6	149,975.2	56,419.4	492,192.8
Less allowances for credit impairment								(6,605.8)
								485,587.0
Subsidiaries, net of eliminations								26,729.2
Total								**512,316.2**
Financial liabilities								
Deposits from banks	4,321.4	1,636.5	1,436.4	-	-	-	-	7,394.3
Deposits from customers	268,944.1	9,216.5	4,945.7	6,399.1	14,643.7	4,526.3	8.2	308,683.6
Derivative financial instruments	-	-	-	-	-	-	504.9	504.9
Other borrowed funds	4,354.6	9,207.1	1,235.1	12,529.4	25,695.4	4,920.5	-	57,942.1
Debt securities	-	-	-	-	-	2,012.7	-	2,012.7
Subordinated liabilities	-	143.1	-	140.5	511.5	4,886.5	-	5,681.6
Other financial liabilities	-	-	-	-	-	-	2,757.6	2,757.6
	277,620.1	20,203.2	7,617.2	19,069.0	40,850.6	16,346.0	3,270.7	384,976.8
Subsidiaries, net of eliminations								23,572.6
Total								**408,549.4**
Net liquidity gap	(195,556.9)	22,204.8	25,936.8	14,475.4	53,378.0	133,629.2	53,148.7	107,216.0
Less allowances for credit impairment								(6,605.8)
Subsidiaries, net of eliminations								3,156.6
								103,766.8

3. Financial risk management (Cont'd)

(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 approximate their fair values.

(e) Capital risk management

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

3. Financial risk management (Cont'd)

(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 2020						
Financial assets						
Cash and cash equivalents	71,573.3	-	-	-	-	71,573.3
Derivative financial instruments	-	-	1,449.3	-	-	1,449.3
Loans to and placements with banks	18,115.9	-	-	-	-	18,115.9
Loans and advances to customers	240,953.4	-	-	-	-	240,953.4
Investment securities	107,909.5	19,131.5	-	19,773.9	2,043.1	148,858.0
Other financial assets	24,318.2	-	-	-	-	24,318.2
Total	462,870.3	19,131.5	1,449.3	19,773.9	2,043.1	505,268.1
Financial liabilities						
Deposits from banks	4,314.1	-	-	-	-	4,314.1
Deposits from customers	386,344.5	-	-	-	-	386,344.5
Derivative financial instruments	-	-	1,412.8	-	-	1,412.8
Other borrowed funds	52,443.9	-	-	-	-	52,443.9
Debt securities	2,007.0	-	-	-	-	2,007.0
Subordinated liabilities	2,122.2	-	-	-	-	2,122.2
Preference shares	3,396.2		-			3,396.2
Other financial liabilities	7,523.8	-	-	-	-	7,523.8
Total	458,151.7	-	1,412.8	-	-	459,564.5
Net on-balance sheet position	4,718.6	19,131.5	36.5	19,773.9	2,043.1	45,703.6

3. Financial risk management (Cont'd)

(f) Financial instruments by category (Cont'd):

	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 2019						
Financial assets						
Cash and cash equivalents	49,333.5	-	-	-	-	49,333.5
Derivative financial instruments	-	-	695.8	-	-	695.8
Loans to and placements with banks	19,672.8	-	-	-	-	19,672.8
Loans and advances to customers	227,040.4	-	-	-	-	227,040.4
Investment securities	81,578.9	21,795.0	-	20,754.9	2,075.2	126,204.0
Other financial assets	24,592.7	-	-	-	-	24,592.7
Total	**402,218.3**	**21,795.0**	**695.8**	**20,754.9**	**2,075.2**	**447,539.2**
Financial liabilities						
Deposits from banks	3,850.9	-	-	-	-	3,850.9
Deposits from customers	327,649.5	-	-	-	-	327,649.5
Derivative financial instruments	-	-	935.0	-	-	935.0
Other borrowed funds	56,886.3	-	-	-	-	56,886.3
Debt securities	2,012.7	-	-	-	-	2,012.7
Subordinated liabilities	5,571.8	-	-	-	-	5,571.8
Other financial liabilities	7,299.6	-	-	-	-	7,299.6
Total	**403,270.8**	**-**	**935.0**	**-**	**-**	**404,205.8**
Net on-balance sheet position	**(1,052.5)**	**21,795.0**	**(239.2)**	**20,754.9**	**2,075.2**	**43,333.4**

4. Cash and cash equivalents

	GROUP		COMPANY	
	2020 RS'M	2019 RS'M	2020 RS'M	2019 RS'M
Cash in hand	**3,127.9**	2,993.5	**141.0**	58.2
Foreign currency notes and coins	**360.3**	200.4	**-**	-
Unrestricted balances with Central Banks*	**28,933.2**	13,297.9	**-**	-
Balances due in clearing	**379.6**	494.5	**-**	-
Balances with local banks	**7.4**	471.9	**-**	-
Treasury bills	**174.7**	2,648.7	**-**	299.6
Money market placements	**6,134.7**	15,520.0	**-**	-
Balances with banks abroad	**32,473.5**	11,740.5	**-**	-
Interbank loans**	**-**	1,985.9	**-**	-
	71,591.3	49,353.3	**141.0**	357.8
Allowances for credit impairment	**(18.0)**	(19.8)	**-**	-
	71,573.3	49,333.5	**141.0**	357.8

Allowances for credit impairment

	GROUP
	12 months expected credit loss RS'M
At 01 July 2019	**19.8**
Exchange adjustment	**(0.1)**
Provision for credit impairment for the year	**6.5**
Provision released during the year	**(4.7)**
Financial assets that have been derecognised	**(3.5)**
At 30 June 2020	**18.0**
At 01 July 2018	14.8
Exchange adjustment	(1.0)
Provision for credit impairment for the year	10.9
Provision released during the year	(2.7)
Financial assets that have been derecognised	(2.2)
At 30 June 2019	19.8

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

** Interbank loans represent loans with banks having an original maturity of less than three months.

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

	GROUP		COMPANY	
	2020 RS'M	2019 RS'M	2020 RS'M	2019 RS'M
Cash and cash equivalents as per above	**71,591.3**	49,353.3	**141.0**	357.8
Other borrowed funds (note 16(a))	**(449.9)**	(24.4)	**-**	-
Net cash and cash equivalents	**71,141.4**	49,328.9	**141.0**	357.8
Change in year	**21,812.5**	13,432.8	**(216.8)**	(165.0)
Effect of foreign exchange rate changes	**452.0**	(110.8)	**-**	-
Increase/(Decrease) in cash and cash equivalents as per the statements of cash flows	**22,264.5**	13,322.0	**(216.8)**	(165.0)

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.

The fair values of derivative 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			
At 30 June 2020			
Derivative Instruments			
Currency forwards	**5,738.1**	**142.7**	**62.2**
Interest rate swaps	**30,128.1**	**725.4**	**805.6**
Currency swaps	**18,538.0**	**127.2**	**93.5**
Warrants	**1,916.3**	**451.9**	**451.5**
Others	**101.4**	**2.1**	**-**
	56,421.9	**1,449.3**	**1,412.8**
Fair value through profit or loss - Level 2			
At 30 June 2019			
Derivative Instruments			
Currency forwards	8,472.1	61.3	34.8
Interest rate swaps	14,211.9	200.4	248.9
Currency swaps	11,715.4	6.1	224.2
Warrants	2,864.0	426.5	426.2
Others	223.2	1.5	0.9
	37,486.6	695.8	935.0

6. Loans

(a) Loans to and placements with banks

	GROUP	
	2020 RS'M	2019 RS'M
(i) Loans to and placements with banks		
in Mauritius	**6,292.9**	10,707.9
outside Mauritius	**50,460.4**	38,749.0
	56,753.3	49,456.9
Less:		
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(38,615.6)**	(29,718.3)
	18,137.7	19,738.6
Less:		
Allowances for credit impairment	**(21.8)**	(65.8)
	18,115.9	19,672.8
(ii) Remaining term to maturity		
Up to 3 months	**8,965.3**	8,396.8
Over 3 months and up to 6 months	**3,163.4**	2,037.3
Over 6 months and up to 1 year	**6,007.3**	3,089.8
Over 1 year and up to 5 years	**-**	6,214.7
Over 5 years	**1.7**	-
	18,137.7	19,738.6

(iii) Allowances for credit impairment

	GROUP		
	12 months expected credit loss RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 01 July 2019	**58.3**	**-**	**58.3**
Provision for credit impairment for the year	**5.3**	**-**	**5.3**
Provision released during the year	**(5.8)**	**-**	**(5.8)**
Financial assets that have been derecognised	**(47.7)**	**-**	**(47.7)**
At 30 June 2020	**10.1**	**-**	**10.1**
Interest in suspense	**-**	**11.7**	**11.7**
Provision and interest in suspense at 30 June 2020	**10.1**	**11.7**	**21.8**
At 01 July 2018	100.5	31.3	131.8
Exchange adjustment	-	1.2	1.2
Provision for credit impairment for the year	46.2	-	46.2
Provision released during the year	(56.5)	(23.7)	(80.2)
Financial assets that have been derecognised	(31.9)	(8.8)	(40.7)
At 30 June 2019	58.3	-	58.3
Interest in suspense	-	7.5	7.5
Provision and interest in suspense at 30 June 2019	58.3	7.5	65.8

6. Loans (Cont'd)

(b) Loans and advances to customers

	GROUP	
	2020 RS'M	2019 RS'M
(i) Loans and advances to customers		
Retail customers:		
Credit cards	**796.6**	1,231.8
Mortgages	**31,811.8**	30,495.4
Other retail loans	**14,061.6**	13,776.8
Corporate customers	**120,197.3**	115,864.4
Governments	**1,484.6**	1,643.2
Entities outside Mauritius	**83,781.6**	71,567.5
	252,133.5	234,579.1
Less:		
Allowances for credit impairment	**(11,180.1)**	(7,538.7)
	240,953.4	227,040.4

Finance lease receivable included in Group loans amounts to Rs 3,283.8 million as at 30 June 2020 (2019: Rs 3,486.7 million).

(ii) Remaining term to maturity

	2020 RS'M	2019 RS'M
Up to 3 months	**66,303.6**	67,998.0
Over 3 months and up to 6 months	**4,994.0**	6,790.4
Over 6 months and up to 1 year	**14,546.3**	6,837.1
Over 1 year and up to 5 years	**74,720.3**	64,553.7
Over 5 years	**91,569.3**	88,399.9
	252,133.5	234,579.1

(iii) Allowances for credit impairment

	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 01 July 2019	**1,459.3**	**720.7**	**2,966.2**	**5,146.2**
Exchange adjustment	**(1.3)**	**(3.0)**	**213.0**	**208.7**
Transfer to 12 month ECL	**151.7**	**(63.0)**	**(88.7)**	**-**
Transfer to lifetime ECL not credit impaired	**(203.1)**	**232.7**	**(29.6)**	**-**
Transfer to lifetime ECL credit impaired	**(28.7)**	**(25.2)**	**53.9**	**-**
Provision for credit impairment for the year	**484.6**	**2,726.3**	**2,435.9**	**5,646.8**
Provision released during the year	**(590.6)**	**(104.3)**	**(277.0)**	**(971.9)**
Financial assets that have been derecognised	**(172.6)**	**(43.9)**	**(412.9)**	**(629.4)**
Write offs	**-**	**-**	**(1,298.5)**	**(1,298.5)**
Changes in models /risk parameters	**774.5**	**86.5**	**10.2**	**871.2**
At 30 June 2020	**1,873.8**	**3,526.8**	**3,572.5**	**8,973.1**
Interest in suspense	**-**	**-**	**2,207.0**	**2,207.0**
Provision and interest in suspense at 30 June 2020	**1,873.8**	**3,526.8**	**5,779.5**	**11,180.1**
At 01 July 2018	1,645.3	898.1	2,690.0	5,233.4
Exchange adjustment	(5.1)	(10.3)	39.3	23.9
Transfer to 12 month ECL	198.6	(99.4)	(99.2)	-
Transfer to lifetime ECL not credit impaired	(59.0)	82.0	(23.0)	-
Transfer to lifetime ECL credit impaired	(9.4)	(273.7)	283.1	-
Provision for credit impairment for the year	1,015.8	482.2	2,336.8	3,834.8
Provision released during the year	(892.1)	(202.6)	(291.9)	(1,386.6)
Financial assets that have been derecognised	(198.6)	(36.7)	(253.7)	(489.0)
Write offs	-	-	(1,715.2)	(1,715.2)
Changes in models /risk parameters	(236.2)	(118.9)	-	(355.1)
At 30 June 2019	1,459.3	720.7	2,966.2	5,146.2
Interest in suspense	-	-	2,392.5	2,392.5
Provision and interest in suspense at 30 June 2019	1,459.3	720.7	5,358.7	7,538.7

6. Loans (Cont'd)

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

(iv) Allowances for credit impairment by industry sectors

	GROUP					
	2020					
	Gross amount of loans RS'M	Non performing loans RS'M	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 provision RS'M
Agriculture and fishing	7,087.6	1,228.3	35.9	245.1	925.3	1,206.3
Manufacturing	17,183.9	646.6	132.8	216.4	333.7	682.9
of which EPZ	*2,978.0*	*179.0*	*19.2*	*122.9*	*120.8*	*262.9*
Tourism	25,282.9	608.0	295.4	1,550.3	212.9	2,058.6
Transport	8,658.9	1,496.7	106.3	66.9	1,635.4	1,808.6
Construction	18,698.5	1,465.9	243.1	23.7	550.4	817.2
Financial and business services	48,703.6	1,278.9	249.0	174.1	218.5	641.6
Traders	47,460.1	2,677.5	229.3	296.9	1,024.2	1,550.4
Personal	43,552.6	1,739.9	333.0	113.5	627.5	1,074.0
of which credit cards	*790.0*	*28.5*	*22.0*	*1.8*	*19.8*	*43.6*
of which housing	*31,811.8*	*1,059.3*	*65.6*	*34.1*	*297.8*	*397.5*
Professional	1,265.3	142.7	13.4	36.7	78.8	128.9
Foreign governments	1,484.6	-	1.0	-	-	1.0
Global Business Licence holders	19,291.8	114.1	96.5	643.3	63.4	803.2
Others	13,463.7	233.5	138.1	159.9	109.4	407.4
	252,133.5	11,632.1	1,873.8	3,526.8	5,779.5	11,180.1

	GROUP					
	2019					
	Gross amount of loans RS'M	Non performing loans RS'M	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 provision RS'M
Agriculture and fishing	9,410.3	1,126.5	17.6	98.1	478.7	594.4
Manufacturing	12,987.1	655.1	104.1	95.8	264.1	464.0
of which EPZ	*3,924.1*	*510.8*	*11.9*	*12.8*	149.1	*173.8*
Tourism	23,481.1	378.7	335.9	23.3	348.9	708.1
Transport	8,308.7	1,243.7	33.9	3.9	1,139.3	1,177.1
Construction	17,775.4	2,038.4	178.9	9.5	876.1	1,064.5
Financial and business services	39,652.1	1,114.1	249.9	18.6	433.4	701.9
Traders	44,658.4	1,986.9	228.3	125.9	681.7	1,035.9
Personal	43,191.1	1,349.2	63.7	15.7	593.6	673.0
of which credit cards	*1,224.4*	*29.6*	*4.2*	*0.3*	23.6	*28.1*
of which housing	*30,495.4*	*773.3*	*22.3*	*5.9*	274.7	*302.9*
Professional	1,092.0	211.1	3.2	0.7	123.9	127.8
Foreign governments	1,643.2	-	1.2	294.7	-	295.9
Global Business Licence holders	17,858.1	167.9	153.0	22.9	311.4	487.3
Others	14,521.6	217.8	89.6	11.6	107.6	208.8
	234,579.1	10,489.4	1,459.3	720.7	5,358.7	7,538.7

* Lifetime expected credit loss (credit impaired) includes interest in suspense.

6. Loans (Cont'd)

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

(v) 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	
	2020 RS'M	2019 RS'M
Agriculture and fishing	**311.7**	7,093.7
Manufacturing	**969.6**	1,380.0
of which EPZ	***46.2***	*100.4*
Tourism	**9,563.3**	15,720.6
Transport	**7,296.4**	7,507.3
Construction	**8,832.5**	9,640.4
Financial and business services	**47,303.9**	25,025.3
Traders	**39,040.9**	41,827.0
Global Business Licence holders	**8,261.3**	8,294.7
Others	**6,261.6**	6,533.6
	127,841.2	123,022.6

7. Investment securities

	GROUP	
Investment securities	2020 RS'M	2019 RS'M
Amortised cost	**108,275.9**	81,690.5
Fair value through other comprehensive income	**21,817.0**	22,830.1
Fair value through profit or loss	**19,131.5**	21,795.0
	149,224.4	126,315.6
Less:		
Allowances for credit impairment	**(366.4)**	(111.6)
	148,858.0	126,204.0

Credit impaired investments at fair valued through other comprehensive income amounted to Rs 90M. Allowances for credit impairment: Rs 10.1M in 2020 (2019:nil)

	COMPANY	
Fair value through other comprehensive income	2020 RS'M	2019 RS'M
Non-voting non-cumulative preference shares issued by MCB Leasing Limited	**200.0**	200.0
Shares - Quoted level 1	**214.3**	195.2
	414.3	395.2
Fair value through profit or loss		
Credit linked note	**464.3**	-
	878.6	395.2

(a) Amortised cost

	GROUP	
	2020 RS'M	2019 RS'M
Government of Mauritius and Bank of Mauritius bonds	**72,394.2**	49,996.3
Treasury bills	**11,502.3**	12,213.3
Foreign bonds	**386.8**	338.2
Notes	**23,668.3**	18,833.3
Indexed linked note	**324.3**	309.4
	108,275.9	81,690.5

(i) Remaining term to maturity

	2020					
	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	**3,444.5**	**1,834.8**	**6,715.5**	**40,463.6**	**19,935.8**	**72,394.2**
Treasury bills	**4,855.7**	**3,190.0**	**2,563.0**	**722.6**	**171.0**	**11,502.3**
Foreign bonds	**-**	**-**	**-**	**238.5**	**148.3**	**386.8**
Notes	**-**	**-**	**2,725.4**	**11,580.2**	**9,362.7**	**23,668.3**
Indexed linked note	**-**	**-**	**-**	**324.3**	**-**	**324.3**
	8,300.2	**5,024.8**	**12,003.9**	**53,329.2**	**29,617.8**	**108,275.9**

	2019					
	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	1,217.9	2,823.4	3,575.4	32,755.1	9,624.5	49,996.3
Treasury bills	5,427.4	3,260.9	3,328.7	142.6	53.7	12,213.3
Foreign bonds	-	-	-	214.7	123.5	338.2
Notes	976.2	-	-	8,989.8	8,867.3	18,833.3
Indexed linked note	-	-	-	-	309.4	309.4
	7,621.5	6,084.3	6,904.1	42,102.2	18,978.4	81,690.5

7. Investment securities (Cont'd)

(a) Amortised cost (Cont'd)

(ii) Allowances for credit impairment

	GROUP		
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Total
	RS'M	RS'M	RS'M
At 01 July 2019	**111.6**	**-**	**111.6**
Exchange adjustment	**0.5**	**-**	**0.5**
Transfer to lifetime ECL not credit impaired	**(43.6)**	**43.6**	**-**
Provision for credit impairment for the year	**10.8**	**213.8**	**224.6**
Provision released during the year	**(20.2)**	**-**	**(20.2)**
Financial assets that have been derecognised	**(4.7)**	**-**	**(4.7)**
Changes in models/risk parameters	**46.1**	**8.5**	**54.6**
At 30 June 2020	**100.5**	**265.9**	**366.4**
At 01 July 2018	53.1	-	53.1
Exchange adjustment	(0.4)	-	(0.4)
Provision for credit impairment for the year	78.3	-	78.3
Provision released during the year	(40.7)	-	(40.7)
Changes in models/risk parameters	21.3	-	21.3
At 30 June 2019	111.6	-	111.6

(b) Fair value through other comprehensive income by levels

	GROUP	
	2020	2019
	RS'M	RS'M
Quoted - Level 1		
Official list : shares	**939.9**	1,064.8
Bonds	**19,140.9**	20,201.0
Foreign shares	**455.4**	389.6
	20,536.2	21,655.4
Unquoted - Level 2		
Investment fund	**633.0**	553.9
Shares	**99.8**	57.5
	732.8	611.4
Unquoted - Level 3		
Shares	**548.0**	563.3
	21,817.0	22,830.1

Reconciliation of level 3 fair value measurements

	GROUP	
	RS'M	RS'M
At 01 July	**563.3**	544.4
Movement in fair value	**(0.6)**	16.9
Exchange adjustments	**(14.7)**	2.0
At 30 June	**548.0**	563.3

7. Investment securities (Cont'd)

(c) Fair value through profit or loss by levels

	GROUP	
	2020	2019
	RS'M	RS'M
Quoted - Level 1		
Local bonds	553.5	10.7
Local shares	560.4	594.1
Foreign bonds	1.0	732.5
Foreign shares	2,091.9	1,666.5
	3,206.8	3,003.8
Unquoted - Level 2		
Government of Mauritius & Bank of Mauritius bonds	893.1	864.4
Treasury bills	11,852.8	14,995.0
Investment funds	735.2	861.9
	13,481.1	16,721.3
Unquoted - Level 3		
Local shares	1,618.5	1,702.8
Foreign shares	338.8	301.7
Debt	486.3	65.4
	2,443.6	2,069.9
	19,131.5	21,795.0

Reconciliation of level 3 fair value measurement

	GROUP	
	2020	2019
	RS'M	RS'M
At 01 July	2,069.9	1,962.2
Additions	267.7	104.5
Disposals	(3.9)	(46.4)
Movement in fair value	109.9	49.6
At 30 June	2,443.6	2,069.9

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	Indirect
2020					
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**	**6.07**	**38.08**
Credit Guarantee Insurance Co Ltd	**Insurance services**	**Mauritius**	**Republic of Mauritius**	**40.00**	**-**
2019					
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	46.39
Caudan Development Ltd	Property development, investment and provision of security services	Mauritius	Republic of Mauritius	4.87	38.10
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 1,628.3M (2019: Rs 1,816.5M)
Caudan Development Ltd : Rs 901.1M (2019: Rs 885.2M)

	GROUP	
	2020 RS'M	2019 RS'M
Group's share of net assets	**9,975.6**	9,180.1
Goodwill	**56.9**	56.9
Subordinated loans to associate	**801.6**	724.5
	10,834.1	9,961.5

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

Banque Française Commerciale Ocean Indien

(i) Summarised statement of financial position:

Current assets	**14,980.0**	9,742.6
Non current assets	**82,009.6**	66,263.1
Current liabilities	**23,829.6**	21,558.8
Non current liabilities	**65,044.9**	47,991.8

(ii) Summarised statement of profit or loss and other comprehensive income:

Revenue	**4,026.6**	4,136.1
Profit	**877.2**	482.4
Total comprehensive income	**877.2**	482.4

8. Investments in associates (Cont'd)

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

Promotion and Development Ltd

(i) Summarised statement of financial position:

	GROUP 2020 RS'M	GROUP 2019 RS'M
Current assets	**168.7**	250.7
Non current assets	**14,159.7**	14,223.8
Current liabilities	**862.5**	758.0
Non current liabilities	**1,437.6**	1,410.9
Non-controlling interest	**1,203.8**	1,200.9

(ii) Summarised statement of profit or loss and other comprehensive income:

	GROUP 2020 RS'M	GROUP 2019 RS'M
Revenue	**587.3**	599.1
(Loss)/Profit	**(77.7)**	302.6
Other comprehensive (expense)/income	**(35.2)**	158.6
Total comprehensive (expense)/income	**(112.9)**	461.2

(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/ (loss) RS'M	Other comprehensive (expense)/ 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 loan RS'M	Carrying value RS'M
2020											
Banque Française Commerciale Ocean Indien	**6,455.1**	**877.2**	**-**	**782.8**	**-**	**8,115.1**	**49.99%**	**4,056.7**	**56.9**	**801.6**	**4,915.2**
Promotion and Development Limited	**11,104.7**	**(77.7)**	**(35.2)**	**(116.7)**	**(50.6)**	**10,824.5**	**46.49%**	**5,032.3**	**-**	**-**	**5,032.3**
2019											
Banque Française Commerciale Ocean Indien	6,610.4	482.4	-	(272.4)	(365.3)	6,455.1	49.99%	3,226.9	56.9	724.5	4,008.3
Promotion and Development Limited	10,800.3	302.6	158.6	(8.9)	(147.9)	11,104.7	46.52%	5,165.9	-	-	5,165.9

8. Investments in associates (Cont'd)

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

	GROUP	
	2020	2019
	RS'M	RS'M
Carrying amount of interests	**886.6**	787.3
Share of (loss)/profit	**(1.8)**	22.0
Share of other comprehensive (expense)/income	**(1.7)**	5.9

AT COST

	COMPANY	
	2020	2019
	RS'M	RS'M
At 01 July	**118.7**	117.2
Additions	**24.2**	1.5
At 30 June	**142.9**	118.7

9. Investments in subsidiaries

(a) The Group has the following main subsidiaries:

	Country of incorporation/ operation	Principal activities	Stated capital		Effective Holding 2020 %	Proportion of ownership interests held by non-controlling interests 2020 %	Effective Holding 2019 %	Proportion of ownership interests held by non-controlling interests 2019 %	Cost of Investment COMPANY 2020 RS'M	Cost of Investment COMPANY 2019 RS'M
BANKING										
Direct										
MCB Investment Holding Ltd	Republic of Mauritius	Activities of holding companies, without managing	Rs'M	6,879.6	100.00	-	100.00	-	**6,879.6**	6,879.6
Indirect										
The Mauritius Commercial Bank Limited	Republic of Mauritius	Banking & Financial services	Rs'M	6,879.6	100.00	-	100.00	-	-	-
MCB Seychelles Ltd	Seychelles	Banking & Financial services	SRS'M	20.0	100.00	-	100.00	-	-	-
MCB Madagascar SA	Madagascar	Banking & Financial services	MGA'bn	13.6	90.00	10.00	90.00	10.00	-	-
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	MVR'M	150.0	100.00	-	100.00	-	-	-
NON-BANKING FINANCIAL										
Direct										
MCB Equity Fund Ltd	Republic of Mauritius	Private Equity Fund	Rs'M	2,084.6	100.00	-	100.00	-	**2,084.6**	2,084.6
MCB Capital Markets Ltd	Republic of Mauritius	Investment Holding Company	Rs'M	73.0	100.00	-	100.00	-	**73.0**	73.0
MCB Factors Ltd	Republic of Mauritius	Factoring	Rs'M	50.0	100.00	-	100.00	-	**50.0**	50.0
MCB Microfinance Ltd	Republic of Mauritius	Credit Finance	Rs'M	125.0	100.00	-	100.00	-	**125.0**	100.0
MCB Real Assets Ltd*	Republic of Mauritius	Investment Holding Company	Rs'M	-	100.00	-	-	-	-	-
OTHER INVESTMENTS										
Direct										
International Card Processing Services Ltd	Republic of Mauritius	Providing card system facilities, card embossing and encoding services	Rs'M	100.0	80.00	20.00	80.00	20.00	**80.0**	80.0
Fincorp Investment Ltd	Republic of Mauritius	Investment Company	Rs'M	103.4	57.73	42.27	57.73	42.27	**28.7**	28.7
MCB Properties Ltd	Republic of Mauritius	Property ownership & development	Rs'M	14.6	100.00	-	100.00	-	**14.6**	14.6
Blue Penny Museum	Republic of Mauritius	Philatelic museum	Rs'M	13.5	99.63	0.37	97.88	2.12	**13.5**	1.0
MCB Group Corporate Services Ltd	Republic of Mauritius	Company secretarial services	Rs'M	2.0	100.00	-	100.00	-	**2.0**	2.0
MCB Consulting Services Ltd	Republic of Mauritius	Consulting, advisory, support and maintenance services	USD'M	1.5	100.00	-	100.00	-	**49.7**	49.7
MCB Institute of Finance	Republic of Mauritius	To develop the financial know-how of professionals and students	Rs'M	20.0	80.00	20.00	80.00	20.00	**16.0**	16.0
Others**	Seychelles	Property rental & other financial services		-	100.00	-	100.00	-	**0.2**	0.2
									9,416.9	9,379.4
Subordinated loans to subsidiaries									**1,734.1**	1,734.1
									11,151.0	11,113.5

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 1,190.4 million at 30 June 2020 (2019: Rs 1,473.8 million).

* The stated capital and cost of investment in MCB Real Assets Ltd are negligible.
** 'Others' relates to Mascareignes Properties Ltd involved in property rental and MCB International Services Ltd involved in other financial services in which the Group has an effective holding of 100%. The stated capital of both entities are negligible.

9. Investments in subsidiaries (Cont'd)

(b) Movement in investments in subsidiaries

	COMPANY	
	2020	2019
	RS'M	RS'M
At 01 July	9,379.4	9,338.4
Additions	37.5	41.0
	9,416.9	9,379.4
Subordinated loans to subsidiaries	1,734.1	1,734.1
At 30 June	11,151.0	11,113.5

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

	(Loss)/Profit attributable to non-controlling interests RS'M	Net assets attributable to non-controlling interests RS'M
GROUP		
2020	(2.1)	2,423.6
2019	84.5	2,437.2

(d) Summarised financial information for Fincorp Investment Ltd included for Group reporting

	GROUP	
	2020	2019
(i) Summarised statement of financial position:	RS'M	RS'M
Current assets	1,795.9	1,592.5
Non current assets	9,236.2	9,191.1
Current liabilities	2,734.7	1,545.1
Non current liabilities	2,563.9	3,472.7
(ii) Summarised statement of profit or loss and statement of comprehensive income:		
Revenue	487.7	501.4
(Loss)/Profit	(5.0)	199.9
Other comprehensive (expense)/ income	(193.9)	1.4
Total comprehensive (expense)/ income	(198.9)	201.3
(iii) Summarised statement of cash flows:		
Net cash flows from operating activities	885.5	303.7
Investing activities	(374.4)	(334.0)
Financing activities	(186.7)	(228.1)
Taxation	(3.3)	(22.5)
Net increase/(decrease) in cash and cash equivalents	321.1	(280.9)

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

10. Investment properties

	GROUP	
	2020 RS'M	2019 RS'M
At 01 July	**3,991.7**	2,861.1
Additions	**71.5**	925.0
Exchange adjustment	**381.1**	87.6
Revaluation	**-**	118.0
Fair value of land and buildings at 30 June	**4,444.3**	3,991.7
Rental income	**226.4**	276.9

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 land held under an operating lease and the buildings have been treated as investment properties and are stated at fair value.

The land is leased from the Government of Mauritius for a term expiring on 30 September 2069 and is fully reimbursed by the tenant.

The investment property is categorised into Level 3 of the fair value hierarchy, the following information is relevant:

-Valuation technique: Income approach

-Significant input (s): Observable input: Fixed rent

Unobservable input: Discount rate

-Sensitivity: An increase in discount rate used would result in a decrease in fair value, and vice versa.

11. Goodwill and other intangible assets

(a) Goodwill

	GROUP	
	2020 RS'M	2019 RS'M
01 July	**391.9**	390.9
Exchange adjustment	-	1.0
At 30 June	**391.9**	391.9

The directors are satisfied that there are no indications requiring an impairment of goodwill.

(b) Other intangible assets

	GROUP		
	Computer software RS'M	Work in progress RS'M	Total RS'M
Cost			
At 01 July 2018	3,633.1	158.5	3,791.6
Additions	115.1	277.9	393.0
Scrap/Impairment	(1,810.1)	-	(1,810.1)
Transfer	366.4	(351.4)	15.0
Exchange adjustment	(0.2)	0.1	(0.1)
At 30 June 2019	**2,304.3**	**85.1**	**2,389.4**
Additions	**126.6**	**484.9**	**611.5**
Scrap/Impairment	**(700.5)**	**(21.8)**	**(722.3)**
Transfer	**275.2**	**(264.7)**	**10.5**
Exchange adjustment	-	**(1.6)**	**(1.6)**
At 30 June 2020	**2,005.6**	**281.9**	**2,287.5**
Accumulated amortisation			
At 01 July 2018	2,943.7	-	2,943.7
Scrap/Impairment	(1,810.1)	-	(1,810.1)
Charge for the year	264.7	-	264.7
Amortisation adjustment	(80.5)	-	(80.5)
Exchange adjustment	0.6	-	0.6
At 30 June 2019	**1,318.4**	-	**1,318.4**
Scrap/Impairment	**(700.5)**	-	**(700.5)**
Charge for the year	**328.6**	-	**328.6**
Amortisation adjustment	**58.2**	-	**58.2**
Exchange adjustment	**(3.5)**	-	**(3.5)**
At 30 June 2020	**1,001.2**	-	**1,001.2**
Net book values			
At 30 June 2020	**1,004.4**	**281.9**	**1,286.3**
At 30 June 2019	985.9	85.1	1,071.0
Total			
At 30 June 2020			**1,678.2**
At 30 June 2019			1,462.9

The Group reviews the useful lives of fully depreciated assets, and if appropriate, makes a reinstatement of the useful lives.

12. Property, plant and equipment

	GROUP				
	Land and buildings	Computer and other equipment	Furniture, fittings and vehicles	Work in progress	Total
	RS'M	RS'M	RS'M	RS'M	RS'M
Cost					
At 01 July 2018	**5,117.4**	**3,750.1**	**2,011.5**	**56.5**	**10,935.5**
Additions	9.2	291.3	356.1	181.5	838.1
Scrap/Disposals	(3.0)	(731.7)	(162.5)	(1.1)	(898.3)
Exchange adjustment	9.4	3.2	1.5	0.2	14.3
Transfer	-	58.4	26.7	(100.1)	(15.0)
At 30 June 2019	**5,133.0**	**3,371.3**	**2,233.3**	**137.0**	**10,874.6**
Recognition of right-of-use assets on initial application of IFRS16	**449.9**	-	-	-	**449.9**
Additions of property, plant and equipment	**85.9**	**242.2**	**241.4**	**333.8**	**903.3**
Additions of right-of-use assets	**23.7**	-	-	-	**23.7**
Scrap/Disposals	**(6.5)**	**(114.6)**	**(226.1)**	-	**(347.2)**
Exchange adjustment	**(70.0)**	**(12.5)**	**(7.7)**	**(3.1)**	**(93.3)**
Transfer	**37.1**	**133.4**	**55.0**	**(236.0)**	**(10.5)**
At 30 June 2020	**5,653.1**	**3,619.8**	**2,295.9**	**231.7**	**11,800.5**
Accumulated depreciation					
At 01 July 2018	**934.5**	**2,853.0**	**954.2**	**-**	**4,741.7**
Charge for the year	85.2	355.4	215.3	-	655.9
Scrap/Disposal adjustment	(0.8)	(731.5)	(94.1)	-	(826.4)
Exchange adjustment	2.4	2.6	(0.2)	-	4.8
Depreciation adjustment	-	(126.5)	(12.7)	-	(139.2)
At 30 June 2019	**1,021.3**	**2,353.0**	**1,062.5**	**-**	**4,436.8**
Charge for the year	**87.2**	**379.7**	**241.7**	-	**708.6**
Depreciation of right-of-use assets	**101.5**	-	-	-	**101.5**
Scrap/Disposal adjustment	**(5.3)**	**(110.7)**	**(150.2)**	-	**(266.2)**
Exchange adjustment	**(11.8)**	**(9.5)**	**(3.9)**	-	**(25.2)**
Depreciation adjustment	-	**(38.8)**	**8.9**	-	**(29.9)**
At 30 June 2020	**1,192.9**	**2,573.7**	**1,159.0**	**-**	**4,925.6**
Net book values					
At 30 June 2020	**4,460.2**	**1,046.1**	**1,136.9**	**231.7**	**6,874.9**
At 30 June 2019	4,111.7	1,018.3	1,170.8	137.0	6,437.8

Following the adoption of IFRS 16, the Group has presented right-of-use assets within 'property and equipment' – i.e. the same line item in which it presents underlying assets of the same nature that it owns.
The Group reviews the useful lives of fully depreciated assets, and if appropriate, makes a reinstatement of the useful lives.

12. Property, plant and equipment (Cont'd)

	COMPANY		
	Land and buildings	Furniture, fittings and vehicles	Total
	RS'M	RS'M	RS'M
Cost			
At 01 July 2018	**221.8**	**9.7**	**231.5**
Additions	-	2.2	2.2
At 30 June 2019	**221.8**	**11.9**	**233.7**
Additions	-	5.0	5.0
At 30 June 2020	**221.8**	**16.9**	**238.7**
Accumulated depreciation			
At 01 July 2018	**-**	**6.6**	**6.6**
Charge for the year	-	2.4	2.4
At 30 June 2019	**-**	**9.0**	**9.0**
Charge for the year	-	2.6	2.6
At 30 June 2020	**-**	**11.6**	**11.6**
Net book values			
At 30 June 2020	**221.8**	**5.3**	**227.1**
At 30 June 2019	221.8	2.9	224.7

Following the adoption of IFRS 16, the Group has presented right-of-use assets within 'property and equipment' – i.e. the same line item in which it presents underlying assets of the same nature that it owns.
The Group reviews the useful lives of fully depreciated assets, and if appropriate, makes a reinstatement of the useful lives.

13. Deferred tax assets/(liabilities)

	GROUP						
	Balance as at 01 July	Restatement*	As restated	Exchange adjustments	Recognised in Statements of profit or loss	Recognised in Statements of comprehensive income	Balance as at 30 June
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
At 30 June 2020							
Deferred tax assets:							
Provisions and post retirement benefits	**304.2**	**-**	**-**	**-**	**(83.6)**	**100.4**	**321.0**
Provisions for credit impairment	**502.6**	**-**	**-**	**20.7**	**621.2**	**-**	**1,144.5**
Tax losses carried forward	**6.4**	**-**	**-**	**(0.1)**	**(3.2)**	**-**	**3.1**
Leases	**-**	**-**	**-**	**-**	**1.2**	**-**	**1.2**
Accelerated tax depreciation	**(264.6)**	**-**	**-**	**(5.1)**	**62.4**	**-**	**(207.3)**
	548.6	**-**	**-**	**15.5**	**598.0**	**100.4**	**1,262.5**
Deferred tax liabilities:							
Accelerated tax depreciation	**(349.4)**	**-**	**-**	**2.6**	**(132.2)**	**-**	**(479.0)**
Fair value of investment property	**(20.5)**	**-**	**-**	**-**	**20.5**	**-**	**-**
Tax losses carried forward	**58.4**	**-**	**-**	**-**	**59.9**	**-**	**118.3**
Leases	**23.6**	**-**	**-**	**-**	**(1.5)**	**-**	**22.1**
	(287.9)	**-**	**-**	**2.6**	**(53.3)**	**-**	**(338.6)**
At 30 June 2019							
Deferred tax assets:							
Provisions and post retirement benefits	245.9	-	245.9	-	(24.6)	82.9	304.2
Provisions for credit impairment	263.3	305.2	568.5	4.1	(70.0)	-	502.6
Tax losses carried forward	5.3	-	5.3	-	1.1	-	6.4
Accelerated tax depreciation	(228.7)	-	(228.7)	0.4	(36.3)	-	(264.6)
	285.8	305.2	591.0	4.5	(129.8)	82.9	548.6
Deferred tax liabilities:							
Accelerated tax depreciation	(245.8)	-	(245.8)	(0.8)	(102.8)	-	(349.4)
Fair value of investment property	(18.0)	-	(18.0)	-	(2.5)	-	(20.5)
Tax losses carried forward	3.9	-	3.9	-	54.5	-	58.4
Leases	23.5	-	23.5	-	0.1	-	23.6
	(236.4)	-	(236.4)	(0.8)	(50.7)	-	(287.9)

* More details are disclosed in note 41.

13. Deferred tax assets/(liabilities) (Cont'd)

	COMPANY		
	Balance as at 01 July	Recognised in Statements of profit or loss	Balance as at 30 June
	RS'M	RS'M	RS'M
At 30 June 2020			
Deferred tax liability:			
Accelerated tax depreciation	**(0.2)**	**0.1**	**(0.1)**
At 30 June 2019			
Deferred tax liability:			
Accelerated tax depreciation	(0.1)	(0.1)	(0.2)

14. Other assets

	GROUP		COMPANY	
	2020	2019	2020	2019
	RS'M	RS'M	RS'M	RS'M
Mandatory balances with Central Banks	**22,211.0**	21,075.1	**-**	-
Prepayments & other receivables	**1,343.8**	1,060.1	**11.3**	1,679.7
Credit Card Clearing	**183.2**	139.9	**-**	-
Non-banking assets acquired in satisfaction of debts*	**60.0**	60.6	**-**	-
Impersonal and other accounts	**2,288.0**	3,749.5	**-**	-
	26,086.0	26,085.2	**11.3**	1,679.7
Less allowance for credit impairment	**(15.7)**	(16.2)	**-**	-
	26,070.3	26,069.0	**11.3**	1,679.7

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

14. Other assets (Cont'd)

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 01 July 2019	7.2	9.0	-	16.2
Exchange adjustment	0.7	-	-	0.7
Provision for credit impairment for the year	0.7	1.3	0.4	2.4
Provision released during the year	-	(2.3)	(1.3)	(3.6)
At 30 June 2020	8.6	8.0	(0.9)	15.7
At 01 July 2018	1.9	-	-	1.9
Provision for credit impairment for the year	5.3	9.0	-	14.3
At 30 June 2019	7.2	9.0	-	16.2

15. Deposits

	GROUP	
	2020 RS'M	2019 RS'M
(a) Deposits from banks		
Demand deposits	3,006.3	1,855.5
Money market deposits with remaining term to maturity:		
Up to 3 months	504.6	1,286.0
Over 3 months and up to 6 months	803.2	709.4
	1,307.8	1,995.4
	4,314.1	3,850.9

15. Deposits (Cont'd)

	GROUP	
	2020	2019
	RS'M	RS'M
(b) Deposits from customers		
(i) Retail customers		
Demand deposits	43,060.4	31,444.5
Savings deposits	158,741.0	137,465.3
Time deposits with remaining term to maturity:		
Up to 3 months	5,506.3	5,605.0
Over 3 months and up to 6 months	2,580.9	2,436.9
Over 6 months and up to 1 year	5,199.8	4,960.7
Over 1 year and up to 5 years	12,350.7	14,189.1
Over 5 years	57.3	45.0
	25,695.0	27,236.7
	227,496.4	196,146.5
(ii) Corporate customers		
Demand deposits	130,096.0	105,517.5
Savings deposits	5,526.0	5,842.1
Time deposits with remaining term to maturity:		
Up to 3 months	13,247.6	10,699.6
Over 3 months and up to 6 months	3,387.6	1,814.2
Over 6 months and up to 1 year	2,309.4	1,159.8
Over 1 year and up to 5 years	3,658.6	5,456.9
Over 5 years	1.2	31.4
	22,604.4	19,161.9
	158,226.4	130,521.5
(iii) Government		
Demand deposits	459.5	819.8
Savings deposits	154.4	152.9
Time deposits with remaining term to maturity:		
Up to 3 months	5.2	8.8
Over 3 months and up to 6 months	2.6	-
	7.8	8.8
	621.7	981.5
	386,344.5	327,649.5

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

16. Other borrowed funds

(a) Other borrowed funds comprise the following:

	GROUP	
	2020 RS'M	2019 RS'M
Borrowings from banks:		
in Mauritius	**17,537.1**	12,067.6
abroad	**34,906.8**	44,818.7
	52,443.9	56,886.3
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**449.9**	24.4

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

(b) Remaining term to maturity:

	2020 RS'M	2019 RS'M
On demand or within a period not exceeding 1 year	**43,828.2**	24,460.8
Within a period of more than 1 year but not exceeding 2 years	**352.5**	23,930.1
Within a period of more than 3 years	**8,263.2**	8,495.4
	52,443.9	56,886.3

17. Debt securities

Debt securities comprise the following:

	GROUP		COMPANY	
	2020 RS'M	2019 RS'M	2020 RS'M	2019 RS'M
Rs 2.0 billion floating rate senior unsecured notes maturing in 2023 at an average interest rate of 3.0% (2019:3.5%) (Level 1)	**2,007.0**	2,012.7	**2,007.0**	2,012.7

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

18. Subordinated liabilities

Subordinated liabilities comprise the following:

		GROUP		COMPANY	
		2020 RS'M	2019 RS'M	2020 RS'M	2019 RS'M
Floating rate subordinated notes maturing in August 2023 at an average interest rate of 4.4 % (2019:4.9%) (Level 1)	(i)	**1,108.9**	4,531.7	**1,108.9**	4,531.7
USD30M subordinated debt maturing in August 2023 at an average interest rate of 5.2% (2019:5.8%) (Level 3)	(ii)	**1,040.1**	1,068.0	**-**	-
Repayment of USD3.75M during the year (2019:USD 1.5M)		**(137.2)**	(51.4)	**-**	-
Exchange adjustment		**110.4**	23.5	**-**	-
		2,122.2	5,571.8	**1,108.9**	4,531.7

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 Ltd and are presently available to individual and institutional investors for secondary trading.

During the year, the holders of the 'Floating Rate Subordinated Notes Due 2023' were given the option to subscribe for convertible redeemable non-voting preference shares in the ratio of 100 preference shares for every 1 note held on the record date, being 26 February 2020. The subscription amount was settled by the cancellation of the Notes held by the noteholders. At 30 June 2020, the outstanding notes amounted to Rs 1.1M. The details of the preference shares are disclosed in note 19.

(ii) The Mauritius Commercial Bank Limited obtained a USD30M 10-year subordinated debt from the African Development Bank. This facility forms part of a wider package of USD150M 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.

19. Preference shares

	GROUP		COMPANY	
	2020 RS'M	2019 RS'M	2020 RS'M	2019 RS'M
339,622,500 convertible redeemable non-voting preference shares (Level 1)	**3,396.2**	-	**3,396.2**	-

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 2020.

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.

20. Post employee benefit liability

		GROUP	
		2020 RS'M	2019 RS'M
	Post employee benefit liability:		
(a)	Staff superannuation fund	1,040.9	300.7
(b)	Residual retirement gratuities	128.9	59.4
		1,169.8	360.1
(a)	**Staff superannuation fund**		
	Reconciliation of net defined benefit liability		
	Opening balance	300.7	152.0
	Amount recognised in statements of profit or loss	261.3	211.2
	Amount recognised in statements of comprehensive income	715.3	486.7
	Less employer contributions	(236.4)	(232.2)
	Less capital injection	-	(317.0)
	Closing balance	1,040.9	300.7
	Reconciliation of fair value of plan assets		
	Opening balance	7,687.9	7,193.3
	Interest income	459.7	461.1
	Employer contributions	236.4	232.2
	Benefits paid	(310.2)	(294.1)
	Return on plan assets below interest income	(518.5)	(221.6)
	Capital injection	-	317.0
	Closing balance	7,555.3	7,687.9
	Reconciliation of present value of defined benefit obligation		
	Opening balance	7,988.6	7,345.3
	Current service cost	230.1	218.6
	Interest expense	471.9	453.7
	Past service cost	19.0	-
	Benefits paid	(310.2)	(294.1)
	Liability experience gain	(12.6)	-
	Liability loss due to change in financial assumptions	209.4	265.1
	Closing balance	8,596.2	7,988.6
	Components of amount recognised in statements of profit or loss		
	Current service cost	230.1	218.6
	Past service cost	19.0	-
	Net interest on net defined benefit liability	12.2	(7.4)
	Total	261.3	211.2
	Components of amount recognised in statements of comprehensive income		
	Return on plan assets below interest income	518.5	221.6
	Liability experience gain	(12.6)	-
	Liability loss due to change in financial assumptions	209.4	265.1
	Total	715.3	486.7

20. Post employee benefit liability (Cont'd)

(a) Staff superannuation fund (Cont'd)

	GROUP	
	2020	2019
Allocation of plan assets at end of year	%	%
Equity - Local quoted	30	34
Equity - Local unquoted	1	1
Debt - Overseas quoted	1	2
Debt - Local quoted	12	8
Debt - Local unquoted	5	11
Property - Local	6	4
Investment funds	31	34
Cash and other	14	6
Total	100	100
Allocation of plan assets at end of year	%	%
Reporting entity's own transferable financial instruments	8	9
Property occupied by reporting entity	6	3
Other assets used by reporting entity	4	2
Principal assumptions used at end of year		
Discount rate	3.2%	6.0%
Rate of salary increases	1.0%	3.5%
Rate of pension increases	0.5%	3.3%
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

	2020 RS'M	2019 RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	1,617.1	1,486.6
Decrease due to 1% increase in discount rate	1,254.0	1,168.7

20. Post employee benefit liability (Cont'd)

(a) Staff superannuation fund (Cont'd)

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

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.

There was no change in the methods and assumptions used in preparing that sensitivity analysis from prior years.

The Mauritius Commercial Bank Limited sponsors a final salary defined benefit pension plan for its staff and some staff of the Group. The plan is self-administered and funded separately from the bank . The Mauritius Commercial Bank Limited has recognised a net defined benefit liability of Rs 1,040.9 M, as at 30 June 2020 for the plan (2019: Rs 300.7M).

The plan exposes the bank 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 Mauritius Commercial Bank Limited has a residual obligation imposed by the 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, except for data adjustments.

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 M) : **258.5M**
Weighted average duration of the defined benefit obligation : **17 years**

As from 01 July 2015, The Group has introduced a Defined Contribution Cash Balanced Scheme "DCCB" for its employees.
Existing employees had the choice of either remaining in the Defined Benefit Scheme or to join the new scheme.

Note: Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants.

20. Post employee benefit liability (Cont'd)

(b) Residual retirement gratuities

	GROUP	
	2020 RS'M	2019 RS'M
Reconciliation of net defined benefit liability		
Opening balance	**59.4**	51.0
Amount recognised in statements of profit or loss	**13.0**	7.7
Amount recognised in statements of comprehensive income	**56.5**	0.7
Closing balance	**128.9**	59.4
Reconciliation of present value of defined benefit obligation		
Opening balance	**59.4**	51.0
Current service cost	**9.5**	4.7
Interest expense	**3.4**	3.0
Past service cost	**0.1**	-
Liability experience	**47.4**	-
Liability loss due to change in financial assumptions	**9.1**	0.7
Closing balance	**128.9**	59.4
Components of amount recognised in statements of profit or loss		
Current service cost		
Past service cost	**9.5**	4.7
Net interest on net defined benefit liability	**0.1**	-
Total	**3.4**	3.0
	13.0	7.7
Components of amount recognised in statements of comprehensive income		
Liability expense loss	**47.4**	-
Liability loss due to change in financial assumptions	**9.1**	0.7
Total	**56.5**	0.7
Principal assumptions used at end of year		
Discount rate	**3.2%**	6.0%
Rate of salary increases	**1.0%**	3.5%
Rate of pension increases	**0.5%**	3.3%
Average retirement age(ARA)	**63**	63

	2020 RS'M	2019 RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	**41.8**	27.0
Decrease due to 1% increase in discount rate	**33.1**	19.2

The Mauritius Commercial Bank Limited has recognised a net defined liability of Rs 128.9M as at 30 June 2020 (2019: Rs 59.4) 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 period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

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 (RS'M) : **Nil**
Weighted average duration of the defined benefit obligation: **24 years**

21. Other liabilities

	GROUP		COMPANY	
	2020	2019	2020	2019
	RS'M	RS'M	RS'M	RS'M
Impersonal & other accounts	6,655.7	7,673.8	61.6	73.4
Structured products notes*	4,602.1	4,542.0	-	-
Proposed dividend	-	1,290.1	-	1,290.1
Lease liabilities	494.5	-	-	-
Allowances for credit impairment on off-balance sheet exposures	274.5	336.7	-	-
	12,026.8	13,842.6	61.6	1,363.5

* These structured products notes were issued at the level of our subsidiaries.

The Lease liabilities can be analysed as follows:

	GROUP
	2020
	RS'M
Up to 3 months	2.2
Over 3 months and up to 6 months	2.2
Over 6 months and up to 1 year	0.2
Over 1 year and up to 5 years	281.8
Over 5 years	208.1
	494.5

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 01 July 2019	333.8	2.9	-	336.7
Exchange adjustment	(0.6)	-	-	(0.6)
Provision for credit impairment for the year	29.2	-	3.2	32.4
Provision released during the year	(246.7)	(1.8)	-	(248.5)
Changes in models/risk parameters	154.5	-	-	154.5
At 30 June 2020	270.2	1.1	3.2	274.5
At 01 July 2018	289.6	-	-	289.6
Exchange adjustment	6.1	-	-	6.1
Provision for credit impairment for the year	321.2	4.9	32.7	358.8
Provision released during the year	(253.7)	(2.0)	(32.7)	(288.4)
Changes in models/risk parameters	(29.4)	-	-	(29.4)
At 30 June 2019	333.8	2.9	-	336.7

22. Leases

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements. The Group is adopting IFRS 16 Leases as from financial year 2020 with no restatement of comparatives for 2019 as permitted under the specific transition provisions in the standard. The adjustments arising from the new leasing rules have been recognised in the statement of financial position as from financial year 2020. The new accounting policies are disclosed in note 1.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's borrowing rate as of 01 July 2019. The lessee's borrowing rate applied to the lease liabilities on 01 July 2019 ranged from 5% to 10%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, 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 at 01 July 2019 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.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation in Determining whether an Arrangement contains a Lease.

(ii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

(iii) Lessor Accounting

The Group did not make adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

(iv) Amounts recognised in the financial statements at 30 June 2020:

Impact on statement of financial position

On transition to IFRS16, the Group recognised additional lease liabilities. The impact on transition is summarised below:

	GROUP
	2020 RS'M
Amount in statement of financial position as at 30 June 2020	
Recognition of right-of-use assets/ lease liabilities at 01 July 2019	449.9
Depreciation of right-of-use assets	101.5
Carrying amount of right-of-use assets	348.4
Amount in statement of profit or loss for the year ended 30 June 2020	
Interest on lease liabilities	40.7
Expenses related to short term leases	2.3
Expenses relating to low value leases	15.9
Expenses relating to variable leases	5.9
Amount in statement of cash flows for the year ended 30 June 2020	
Cash payment for reduction of the outstanding lease liabilities	116.0
Interest payments	40.7
Total outflow for lease	156.7

23. Stated capital and reserves

(a) Stated capital

	Number of shares
At 01 July 2018	**238,683,096**
Issue of shares following the exercise of Group Employee Share Options Scheme	217,565
At 30 June 2019	**238,900,661**
Issue of shares following the exercise of Group Employee Share Options Scheme	351,577
At 30 June 2020	239,252,238

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.

(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.

(iv) General banking reserve

The Group makes an appropriation to a General banking reserve for unforeseen risks and future losses.

24. Contingent Liabilities

	GROUP	
	2020 RS'M	2019 RS'M
(a) Instruments		
Acceptances on account of customers	**534.1**	555.0
Guarantees on account of customers	**24,617.3**	21,397.5
Letters of credit and other obligations on account of customers	**38,774.8**	45,290.5
Other contingent items	**1,550.3**	1,759.5
	65,476.5	69,002.5
(b) Commitments		
Loans and other facilities, including undrawn credit facilities	**7,317.8**	6,503.1
(c) Tax assessments *	**106.6**	89.7
	72,900.9	75,595.3

*The Mauritius Commercial Bank Limited (the Bank) received income tax assessments relating to financial years ended 30 June 2007 to 30 June 2015 against which the Bank has objected.

The basis of the assessment raised by the Mauritius Revenue Authority ("MRA") were around a number of areas and during the year ended 30 June 2019, an agreement was reached between the two parties for the income tax assessments relating to financial years ended 30 June 2007 to 30 June 2014.

On the basis of the agreement reached, the Bank has, during the year, submitted amended income tax returns for the years ended 30 June 2016 to 30 June 2018.

In addition, the Bank received several assessments under the Value Added Tax Act for the periods beginning April 2006 to June 2017 against which the Bank also objected.

Based on the settlement previously reached on income tax assessments and ongoing discussions held with the MRA, a provision was made for the estimated likely charge for the remaining periods.

The Bank is of the opinion that the likelihood of incurring additional payment to the MRA beyond the amount provided is not probable for those assessments still in front of the Assessment Review Committee. As a result, the maximum liability that could arise from these assessments that have not been provided for amounted to Rs 98.3 million.

During the year, MCB Leasing Limited, another subsidiary of the Group, received an income tax assessment relating to financial year ended 30 June 2019. The maximum liability that could arise amounted to Rs 8.3 million.

25. Interest income

	GROUP Year ended 30 June 2020 RS'M	GROUP Year ended 30 June 2019 (Restated) RS'M	COMPANY Year ended 30 June 2020 RS'M	COMPANY Year ended 30 June 2019 RS'M
Interest income using the effective interest method:				
Loans to and placements with banks	**832.7**	1,085.0	**-**	-
Loans and advances to customers	**14,405.9**	13,980.2	**-**	-
Investments at amortised cost	**3,912.9**	2,674.1	**9.1**	0.2
Investments at fair value through other comprehensive income	**354.2**	313.4	**-**	-
Other	**-**	-	**5.5**	5.3
	19,505.7	18,052.7	**14.6**	5.5
Investments at fair value through profit or loss	**396.6**	773.8	**2.5**	-
Other	**92.4**	14.9	**-**	-
	19,994.7	18,841.4	**17.1**	5.5

26. Interest expense

	GROUP 2020 RS'M	GROUP 2019 RS'M	COMPANY 2020 RS'M	COMPANY 2019 RS'M
Deposits from banks	**0.8**	106.6	**-**	-
Deposits from customers	**3,637.4**	4,161.7	**-**	-
Other borrowed funds	**1,651.4**	1,273.0	**1.6**	-
Debt securities	**60.9**	70.0	**60.9**	70.0
Subordinated liabilities	**194.9**	273.3	**155.1**	218.3
Leases	**40.7**	-	**-**	-
	5,586.1	5,884.6	**217.6**	288.3

27. Fee and commission income

	GROUP 2020 RS'M	GROUP 2019 RS'M	COMPANY 2020 RS'M	COMPANY 2019 RS'M
Retail and private banking fees	**698.6**	724.3	**-**	-
Corporate banking fees	**957.0**	936.9	**-**	-
Guarantee fees	**354.2**	276.5	**-**	-
Interbank transaction fees	**81.6**	64.6	**-**	-
Brokerage	**96.1**	60.7	**-**	-
Asset management fees	**224.1**	192.1	**-**	-
Rental income	**204.7**	194.6	**-**	-
Cards and other related fees	**1,983.0**	2,012.4	**-**	-
Trade finance fees	**647.4**	750.3	**-**	-
Others	**93.1**	268.4	**-**	-
	5,339.8	5,480.8	**-**	-

The Mauritius Commercial Bank Limited has restated certain income previously included in 'profit arising from dealing in foreign currencies' to 'fees and commission income', since this better reflects the nature of the underlying transactions. The restatement was made to the prior year comparatives since this provides the users of the financial statements with more transparent and fair information of the effects of the transactions in accordance with the requirements of IAS1 ' Presentation of financial statements'. The impact of the restatement to amounts previously reported is as follows:

	GROUP 2020 RS'M	GROUP 2019 RS'M	COMPANY 2020 RS'M	COMPANY 2019 RS'M
Increase in fee and commission income	**-**	345.8	**-**	-
Decrease in profit arising from dealing in foreign currencies	**-**	(345.8)	**-**	-

28. Fee and commission expense

	GROUP 2020 RS'M	GROUP 2019 RS'M	COMPANY 2020 RS'M	COMPANY 2019 RS'M
Interbank transaction fees	**62.2**	43.2	**-**	-
Cards and other related fees	**1,040.0**	1,045.2	**-**	-
Corporate banking and trade finance fees	**241.9**	174.1	**-**	-
Others	**59.0**	86.4	**-**	-
	1,403.1	1,348.9	**-**	-

29. Net gain/(loss) on financial instruments

	GROUP		COMPANY	
	Year ended 30 June 2020 RS'M	Year ended 30 June 2019 RS'M	Year ended 30 June 2020 RS'M	Year ended 30 June 2019 RS'M
Financial instruments	507.3	89.6	-	-
Investment securities at fair value through profit or loss	532.1	613.3	(0.7)	-
	1,039.4	702.9	(0.7)	-

30. Dividend income

	GROUP		COMPANY	
	Year ended 30 June 2020 RS'M	Year ended 30 June 2019 RS'M	Year ended 30 June 2020 RS'M	Year ended 30 June 2019 RS'M
Income from quoted investments:				
Subsidiary	-	-	35.8	35.8
Others	57.5	64.3	0.1	4.1
Income from unquoted investments:				
Subsidiaries	-	-	2,041.5	3,320.2
Others	25.9	31.4	23.0	10.1
	83.4	95.7	2,100.4	3,370.2

31. Non-interest expense

(a) Salaries and human resource costs

	GROUP		COMPANY	
	Year ended 30 June 2020 RS'M	Year ended 30 June 2019 RS'M	Year ended 30 June 2020 RS'M	Year ended 30 June 2019 RS'M
Wages and salaries	**3,109.5**	3,156.8	**83.9**	108.0
Defined benefit plan	**261.3**	211.2	**-**	-
Residual retirement gratuities	**13.0**	7.7	**-**	-
Defined contribution plan	**156.7**	126.1	**-**	-
Compulsory social security obligations	**95.0**	82.5	**-**	-
Equity settled share-based payments	**11.2**	4.1	**-**	-
Other personnel expenses	**784.9**	726.6	**-**	-
	4,431.6	4,315.0	**83.9**	108.0
Number of employees at the end of the year	**3,729**	3,598		

(b) Other non-interest expense

	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Legal and professional fees	**478.1**	411.6	**34.7**	14.9
Rent, repairs, maintenance costs and security charges	**375.8**	412.7	**1.2**	0.6
Software licensing and other information technology costs	**551.7**	441.6	**-**	-
Electricity, water and telephone charges	**302.1**	285.1	**-**	-
Advertising and marketing costs	**176.9**	268.1	**-**	-
Postage, courier and stationery costs	**163.4**	160.9	**1.8**	1.6
Insurance costs	**104.9**	104.9	**-**	-
Others	**68.4**	190.2	**40.2**	36.8
	2,221.3	2,275.1	**77.9**	53.9

(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 October 2019, a further offer of 788,609 options was made on similar terms.

	GROUP			
	2020		2019	
	Weighted avg exercise price RS	Number of options	Weighted avg exercise price RS	Number of options
Outstanding and exercisable at 01 July	**244.82**	**490,035**	252.51	523,284
Expired during the year	**243.92**	**(426,540)**	252.80	(500,112)
Granted during the year	**269.56**	**788,609**	246.70	684,428
Exercised during the year	**270.28**	**(351,577)**	250.90	(217,565)
Outstanding and exercisable at 30 June		**500,527**		490,035

The options outstanding at 30 June 2020 under GESOS have an exercise price in the range of Rs 266.75 to Rs 297.75 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 19/20 was Rs 315.77(2019:Rs 277.03).

The fair value of services in return for share options granted is based on the fair value of the share options granted measured 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 293.50 (2019:Rs 268.00).

32. Net impairment of financial assets

	GROUP	
	Year ended 30 June 2020 RS'M	Year ended 30 June 2019 RS'M
Net allowance for credit impairment		
Cash and cash equivalents	**(1.7)**	6.0
Loan and advances		
Loans to and placements with banks	**(48.2)**	(74.7)
Loans and advances to customers	**4,916.7**	1,604.1
Investment securities		
Amortised cost	**254.3**	58.9
Fair value through other comprehensive income	**9.9**	(6.4)
Other assets - receivables	**(1.2)**	14.3
Off-balance sheet exposures	**(61.6)**	41.0
	5,068.2	1,643.2
Bad debts written off for which no provisions were made	**72.1**	1.8
Recoveries of advances written off	**(64.6)**	(48.1)
	5,075.7	1,596.9

33. Income tax expense

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

	GROUP		COMPANY	
	Year ended 30 June 2020	Year ended 30 June 2019 (Restated)	Year ended 30 June 2020	Year ended 30 June 2019
	RS'M	RS'M	RS'M	RS'M
Income tax based on the adjusted profit	**1,383.1**	998.6	**0.9**	0.4
Deferred tax	**(544.7)**	180.5	**(0.1)**	0.1
Special levy on banks	**563.1**	510.5	**-**	-
Corporate Social Responsibility contribution	**111.7**	102.2	**0.1**	0.1
(Over)/Under provision in previous years	**(19.2)**	23.3	**-**	-
Provision for tax assessments	**-**	163.1	**-**	-
Charge for the year	**1,494.0**	1,978.2	**0.9**	0.6

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

	GROUP 2020	GROUP 2019 (Restated)	COMPANY 2020	COMPANY 2019
Profit before tax	**9,487.6**	11,522.7	**1,737.6**	2,923.4
Less share of profit of associates	**(400.6)**	(403.9)	**-**	-
	9,087.0	11,118.8	**1,737.6**	2,923.4
Tax calculated at applicable rates	**1,363.1**	1,667.8	**260.6**	438.5
Effect of different tax rates	**(263.7)**	58.0	**-**	-
Impact of:				
Income not subject to tax	**(738.7)**	(132.8)	**(317.4)**	(506.1)
Expenses not deductible for tax purposes	**477.7**	361.4	**57.6**	68.1
Tax credits	**-**	(775.3)	**-**	-
Special levy on banks	**563.1**	510.5	**-**	-
Corporate Social Responsibility contribution	**111.7**	102.2	**0.1**	0.1
(Over)/Under provision in previous years	**(19.2)**	23.3	**-**	-
Provision for tax assessments	**-**	163.1	**-**	-
Tax charge	**1,494.0**	1,978.2	**0.9**	0.6

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 resident, excluding Global Business Licence holders.

Applicable Tax Rates

As from 01 July 2020, 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 related to statements of comprehensive income is as follows:

	GROUP	
	Year ended 30 June 2020	Year ended 30 June 2019
	RS'M	RS'M
Remeasurement of defined benefits pension plan	**771.8**	487.4
Deferred tax credit	**(100.4)**	(82.9)
Remeasurement of defined benefit pension plan, net of deferred tax	**671.4**	404.5

34. Dividends

	COMPANY	
	2020 RS'M	2019 RS'M
Ordinary shares		
Paid on 13 December 2019 at Rs 7.60 per share (FY 2019: Rs 5.50 per share)	**1,816.1**	1,312.8
Paid on 30 July 2019 at Rs 5.40 per share*	**-**	1,290.1
	1,816.1	2,602.9
Preference shares		
Paid on 30 June 2020 at Re 0.16 per preference share from the issue date 28 February 2020 to 30 June 2020	**53.8**	-
	1,869.9	2,602.9

* No dividends have yet been declared in respect of financial year ended 30 June 2020.

35. 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	
	Year ended 30 June 2020	Year ended 30 June 2019
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	**7,912,200**	9,434,200
Weighted average number of ordinary shares (thousands)	**239,072**	238,791
Basic earnings per share (Rs)	**33.10**	39.51

(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, 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	
	Year ended 30 June 2020	Year ended 30 June 2019
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	**7,912,200**	9,434,200
Weighted average number of ordinary shares - basic (thousands)	**239,072**	238,791
Effect of share options in issue (thousands)	**-**	75
Weighted average number of ordinary shares - diluted (thousands) at year end	**239,072**	238,866
Diluted earnings per share (Rs)	**33.10**	39.50

36. Commitments

(a) Capital commitments

	GROUP	
	Year ended 30 June 2020 RS'M	Year ended 30 June 2019 RS'M
Expenditure contracted for but not incurred	**129.4**	137.1
Expenditure approved by the Board but not contracted for	**172.8**	143.3

(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	
	2020 RS'M	2019 RS'M
Government of Mauritius bonds with Bank of Mauritius	**5,800.0**	5,014.1
Government of Mauritius bonds with other financial institutions	**9,087.0**	1,800.0
	14,887.0	6,814.1

37. Net cash flows from trading activities

	GROUP		COMPANY	
	Year ended 30 June 2020 RS'M	Year ended 30 June 2019 RS'M	Year ended 30 June 2020 RS'M	Year ended 30 June 2019 RS'M
Operating profit	**9,087.0**	11,118.8	**1,737.6**	2,923.4
Decrease/(Increase) in other assets	**121.1**	(3,455.3)	**1,668.4**	(292.3)
(Decrease)/Increase in other liabilities	**(1,035.5)**	2,492.6	**(44.1)**	18.6
Net increase in derivative financial instruments	**(275.7)**	(131.4)	**-**	-
Net decrease in investment securities at fair value through profit or loss	**2,663.5**	6,549.8	**-**	-
Additional/(Release of) provision for employee benefits	**24.9**	(21.0)	**-**	-
Provision for residual retirement gratuities	**13.0**	7.7	**-**	-
Net allowance for credit impairment on:				
Cash and cash equivalents	**(1.7)**	6.0	**-**	-
Loans and advances	**4,868.5**	1,529.4	**-**	-
Investment securities at amortised cost	**254.3**	58.9	**-**	-
Investment securities at fair value through other comprehensive income	**9.9**	(6.4)	**-**	-
Other assets - receivables	**(1.2)**	14.3	**-**	-
Off-balance sheet exposures	**(61.6)**	41.0	**-**	-
Exchange loss	**(2,643.7)**	(541.6)	**-**	-
Depreciation of property, plant and equipment	**810.1**	655.9	**2.6**	2.4
Amortisation of intangible assets	**328.6**	264.7	**-**	-
(Profit)/Loss on disposal of property, plant and equipment	**(8.8)**	2.9	**-**	-
Loss on scrapped intangible assets	**21.8**	-	**-**	-
Profit on disposal of investment securities	**(195.4)**	(25.1)	**-**	-
Bargain purchase on business combinations	**(24.9)**	(1.1)	**-**	-
Capital injection in MCB Superannuation fund	**-**	(317.0)	**-**	-
Revaluation gain on investment properties	**-**	(118.0)	**-**	-
	13,954.2	18,125.1	**3,364.5**	2,652.1

38. Net cash flows from other operating activities

	GROUP	
	Year ended 30 June 2020 RS'M	Year ended 30 June 2019 (Restated) RS'M
Net increase in deposits	**60,289.8**	33,527.0
Net increase in loans and advances	**(17,824.0)**	(31,222.6)
Purchase of investments at fair value through other comprehensive income	**(63,848.6)**	(39,697.2)
Proceeds from sale of investments at fair value through other comprehensive income	**67,685.7**	21,158.5
Net increase in investment securities at amortised cost	**(26,647.0)**	(24,933.4)
Net (decrease)/increase in other borrowed funds	**(4,913.9)**	41,350.4
	14,742.0	182.7

39. 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 2020

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	**28,943.5**	27,701.8	1,551.1	561.6	(871.0)
Expenses	**(14,780.8)**	(14,165.9)	(875.5)	(451.5)	712.1
Operating profit before impairment	**14,162.7**	13,535.9	675.6	110.1	(158.9)
Net impairment of financial assets	**(5,075.7)**	(4,966.2)	(103.9)	(5.5)	(0.1)
Operating profit	**9,087.0**	8,569.7	571.7	104.6	(159.0)
Share of profit/(loss) of associates	**400.6**	444.3	(0.5)	(43.2)	-
Profit before tax	**9,487.6**	9,014.0	571.2	61.4	(159.0)
Income tax expense	**(1,494.0)**				
Profit for the year	**7,993.6**				
Other segment items:					
Segment assets	**518,339.4**	512,159.0	20,118.7	1,551.6	(15,489.9)
Investments in associates	**10,834.1**	5,327.0	20.2	5,499.5	(12.6)
Goodwill and other intangible assets	**1,678.2**				
Deferred tax assets	**1,262.5**				
Total assets	**532,114.2**				
Segment liabilities	**457,711.9**	454,573.4	12,385.8	1,522.0	(10,769.3)
Unallocated liabilities	**9,308.3**				
Total liabilities	**467,020.2**				

39. Operating segments (Cont'd)

Year ended 30 June 2019

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	**27,459.9**	26,439.1	1,671.3	525.3	(1,175.8)
Expenses	**(14,744.2)**	(14,026.5)	(836.7)	(466.4)	585.4
Operating profit before impairment	**12,715.7**	12,412.6	834.6	58.9	(590.4)
Net impairment of financial assets	**(1,596.9)**	(1,579.4)	(12.5)	(5.2)	0.2
Operating profit	**11,118.8**	10,833.2	822.1	53.7	(590.2)
Share of profit of associates	**403.9**	241.9	0.3	161.7	-
Profit before tax	**11,522.7**	11,075.1	822.4	215.4	(590.2)
Income tax expense	**(1,978.2)**				
Profit for the year	**9,544.5**				
Other segment items:					
Segment assets	**459,445.0**	457,541.3	19,778.5	1,334.1	(19,208.9)
Investments in associates	**9,961.5**	4,363.2	19.6	5,587.3	(8.6)
Goodwill and other intangible assets	**1,462.9**				
Deferred tax assets	**548.6**				
Total assets	**471,418.0**				
Segment liabilities	**402,234.3**	399,390.5	12,636.7	1,491.8	(11,284.7)
Unallocated liabilities	**10,149.1**				
Total liabilities	**412,383.4**				

39. Operating segments (Cont'd)

Year ended 30 June 2020

	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	**20,769.6**	14,232.8	3,590.5	244.1	2,702.2
Non-Banking Financial	**1,255.8**	168.9	631.8	23.4	431.7
Other Investments	**559.4**	6.9	13.1	1.4	538.0
Eliminations	**(630.5)**	-	(298.7)	(185.5)	(146.3)
	21,954.3	14,408.6	3,936.7	83.4	3,525.6
Segment assets	**447,974.2**	441,321.5	-	6,652.7	-
Investments in associates	**10,834.1**				
Goodwill and other intangible assets	**1,678.2**				
Deferred tax assets	**1,262.5**				
Unallocated assets	**70,365.2**				
Total assets	**532,114.2**				

Year ended 30 June 2019

	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	**19,312.8**	12,857.1	3,648.1	649.3	2,158.3
Non-Banking Financial	**1,357.7**	134.9	676.0	33.7	513.1
Other Investments	**481.2**	(35.2)	10.3	8.8	497.3
Eliminations	**(925.3)**	-	(202.5)	(596.1)	(126.7)
	20,226.4	12,956.8	4,131.9	95.7	3,042.0
Segment assets	**403,311.5**	396,971.2	-	6,340.3	-
Investments in associates	**9,961.5**				
Goodwill and other intangible assets	**1,462.9**				
Deferred tax assets	**548.6**				
Unallocated assets	**56,133.5**				
Total assets	**471,418.0**				

40. 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 19	3,781.3	291.1	372.2	-
30 June 20	**3,041.2**	**303.8**	**332.7**	**-**
Deposits				
Balance at year end:				
30 June 19	117.3	235.3	277.9	882.4
30 June 20	**194.0**	**328.5**	**406.0**	**1,006.1**
Amounts due from/(to)				
Balance at year end:				
30 June 19	(1,145.7)	-	-	-
30 June 20	**(1,198.6)**	**-**	**-**	**-**
Off Balance sheet items				
Balance at year end:				
30 June 19	629.3	-	2.8	-
30 June 20	**160.8**	**-**	**5.1**	**-**
Interest income				
For the year ended:				
30 June 19	95.8	6.7	20.3	-
30 June 20	**103.0**	**5.8**	**15.0**	**-**
Interest expense				
For the year ended:				
30 June 19	23.7	6.8	-	5.8
30 June 20	**32.0**	**4.2**	**0.1**	**1.7**
Fees and commissions and Other income				
For the year ended:				
30 June 19	34.7	3.3	2.2	7.3
30 June 20	**24.6**	**1.7**	**3.7**	**3.3**

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.

40. Related party transactions (Cont'd)

(a) The Group (Cont'd)

The figures for "Fee and commission income" and "Other income" from Associated Companies includes, where applicable, an annual amount in respect of management fees charged to Banque Francaise Commerciale Ocean Indien ('BFCOI') and fees charged to SG Moçambique in respect of IT, Systems and Cards services support by International Cards Processing Services Ltd, MCB Consulting Services Ltd and MCB Ltd.

During the year, 125,905 share options were exercised under the Group Employee Share Option scheme by Key Management Personnel, including Executive Directors amounting to Rs36.5M (FY2018/2019: 74,120 share options for Rs19.9M).

(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 :

	Amount owed by RS'M	Amount owed to RS'M
Subsidiaries		
2019	1,933.6	3.7
2020	**352.0**	**3.9**
Associates		
2019	4.0	-

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

	Dividend income RS'M	Interest income RS'M	Other expense RS'M
Subsidiaries			
2019	3,356.1	5.5	12.1
2020	**2,077.4**	**5.5**	14.6
Associates			
2019	4.1	-	-
2020	**0.1**	-	-

(c) Key Management Personnel compensation

	GROUP		COMPANY	
	2020 RS'M	2019 RS'M	2020 RS'M	2019 RS'M
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :				
Salaries and short term employee benefits	**264.2**	224.3	**91.1**	82.8
Post employment benefits	**17.3**	16.4	**4.5**	4.8
	281.5	240.7	**95.6**	87.6

41. Restatement

Restated amounts represents deferred tax adjustment on ECL following the adoption of IFRS 9.

As from 01 July 2018, IFRS 9 'Financial Instruments' was applied and this resulted in an ECL provision. The ECL provisions are not allowable for tax purposes in the year these are recognised and leads to a temporary difference.

In the current financial year, the Group has recognised the deferred tax impact arising on ECL provision since this provides more transparent information to the users of the financial statements. Therefore, the opening balances as of 1 July 2018 and the comparatives for the year ended 30 June 2019 have been restated for the deferred tax impact on ECL provision.

	GROUP		
	As at 01 Jul 2018	Impact of deferred tax adjustment	As at 01 Jul 2018 (Restated)
	RS'M	RS'M	RS'M
Impacted items:			
Deferred tax assets	285.8	305.2	591.0
Retained earnings	39,224.4	303.6	39,528.0
Non-controlling interests	2,445.0	1.6	2,446.6