



The Mauritius Commercial Bank Limited
Financial Statements
30 June 2021

Statement of Management's Responsibility for Financial Reporting

The Financial Statements for the Bank presented in this annual report have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied for the year ended 30 June 2021 and Management has exercised its judgement and made best estimates where deemed necessary.

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

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

The Bank's Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed programme of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programmes directed at ensuring compliance with regulatory requirements.

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

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

Alain LAW MIN
Director
Chief Executive Officer

Jean-Francois DESVAUX DE MARIGNY
Director
Chairperson

Uday GUJADHUR
Director
Chairperson Audit Committee

Independent auditor's report

To the Shareholder of The Mauritius Commercial Bank Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **The Mauritius Commercial Bank Limited** (the "Bank" and the "Public Interest Entity") as set out on pages 5 to 96, which comprise the statement of financial position as at 30 June 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 30 June 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Basis for opinion

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are not credit impaired	
<p>IFRS 9 requires the Bank to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are:</p> <ul style="list-style-type: none">· Model estimations – the Bank has used the Run-off triangle model to estimate ECLs for the Retail portfolio, which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). For the Wholesale portfolio, statistical models were employed for estimating the PD and LGD. The PD and LGD models used are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach.· Significant Increase in Credit Risk ('SICR') - Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR– These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months.· Macro-Economic Forecasts – IFRS 9 requires the measurement of ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macroeconomic forecasts are estimates of future economic conditions. Variables that were used to estimate future changes in the macro-economic environment were the credit index, the real Gross Domestic Product and the Consumer Price Index.· Economic scenarios – For the wholesale portfolio, the Bank has used a range of future economic conditions in light of the global pandemic of COVID-19. Three forward-looking scenarios (bull, bear and base) were probability weighted by management to determine the ECL. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none">· Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions used in the models;· Evaluating controls over model monitoring and validation;· Use of specialist team in performing certain procedures;· Verifying the historical data used in determination of PD in the models;· Reviewing a sample of the rating reports derived from the internal rating system;· Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology;· Assessing the appropriateness of the macro- economic forecasts used;· Independently assess probability of default, loss given default and exposure at default assumptions;· Testing the accuracy and completeness of ECL by reperformance; and· Assessing whether the disclosures are in accordance with the requirements of IFRS 9. <p>We found the assumptions used in determining the expected credit losses in the financial statements and related disclosures to be appropriate.</p>

Independent auditor's report

To the Shareholders of The Mauritius Commercial Bank Limited (cont'd)

Key audit matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are credit impaired	
<p>Provision for expected credit losses on credit-impaired loans and advances to customers at 30 June 2021 amount to MUR 5,630 million and the charge to profit or loss for the year amount to MUR 2,174 million.</p> <p>The use of assumptions for the measurement of provision for expected credit losses is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment.</p> <p>The details of allowance for credit impairment on loans and advances to customers are disclosed in Note 6(b)(ii) to the financial statements.</p> <p>The most significant judgements are:</p> <ul style="list-style-type: none"> - whether impairment events have occurred - valuation of collateral and future cash flows - management judgements and assumptions used <p>Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for expected credit losses, this item is considered as a key audit matter.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> · Obtaining audit evidence in respect of key controls over the processes for impairment events identification of impaired assets and impairment assessment; · Inspecting the minutes of Impairment Management Committee, Credit Committee, Risk Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; · Challenging the methodologies applied by using our industry knowledge and experience; · Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; · Independently recalculate the ECL, on a sample basis, based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level. Where collateral were used, we assessed, on a sample basis, the reasonableness of the time taken into account to realise those collaterals and the objectivity and qualifications of the respective independent appraisers. · Performing a risk-based test of loans and advances to customers to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment; and · Assessing whether the disclosures are in accordance with the requirements of IFRS 9. <p>We found the assumptions used in determining the allowance for credit impairment and disclosures in the financial statements to be appropriate.</p>

Other matter

The financial statements of The Mauritius Commercial Bank Ltd for the year ended 30 June 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 September 2020.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

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

Corporate Governance Report

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

Responsibilities of directors for the financial statements

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

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

Independent auditor's report

To the Shareholders of The Mauritius Commercial Bank Limited (cont'd)

Responsibilities of directors for the financial statements (Cont'd)

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

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

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

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

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

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

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

Banking Act 2004

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

Use of this report

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

Deloitte Chartered Accountants

**Twaleb Butonkee, FCA
Licensed by FRC**

24 September 2021



Statement of financial position as at 30 June 2021

	Notes	2021 RS'M	2020 RS'M	2019 RS'M
ASSETS				
Cash and cash equivalents	4	101,154	68,128	45,398
Derivative financial instruments	5	1,035	997	269
Loans to and placements with banks	6(a)	40,869	19,353	20,754
Loans and advances to customers	6(b)	256,750	226,777	213,398
Investment securities	7	183,560	135,915	116,398
Investment in subsidiary	8(a)	118	118	118
Investments in associates	8(b)	5,820	4,984	4,079
Intangible assets	9	1,462	1,014	805
Property, plant and equipment	10	5,211	5,219	4,964
Deferred tax assets	11	1,189	1,009	340
Post employee benefit asset	16	1,218	-	-
Other assets	12	27,155	22,359	21,978
Total assets		625,541	485,873	428,501
LIABILITIES AND SHAREHOLDER'S EQUITY				
Deposits from banks	13(a)	21,656	7,600	7,376
Deposits from customers	13(b)	453,828	364,008	307,001
Derivative financial instruments	5	1,406	961	509
Other borrowed funds	14	74,626	50,817	55,406
Subordinated liability	15	875	1,013	1,040
Current tax liabilities		1,031	1,270	899
Post employee benefit liability	16	-	1,170	360
Other liabilities	17	8,823	5,820	7,759
Total liabilities		562,245	432,659	380,350
Shareholder's equity				
Stated capital	19	8,880	6,880	6,880
Retained earnings		45,343	38,949	33,819
Other components of equity		9,073	7,385	7,452
Total equity		63,296	53,214	48,151
Total equity and liabilities		625,541	485,873	428,501
CONTINGENT LIABILITIES	20	128,548	68,496	71,758

These financial statements were approved for issue by the Board of Directors on the 24 September 2021.

Alain LAW MIN
Director
Chief Executive Officer

Jean-Francois DESVAUX DE MARIGNY
Director
Chairperson

Uday GUJADHUR
Director
Chairperson Audit Committee



Statement of profit or loss for the year ended 30 June 2021

		2021	2020	2019
		RS'M	RS'M	RS'M
	Notes			
Interest income	21	15,908	18,348	17,449
Interest expense	22	(2,072)	(4,884)	(5,196)
Net interest income		13,836	13,464	12,253
Fee and commission income	23	4,934	4,421	4,433
Fee and commission expense	24	(1,068)	(1,077)	(1,070)
Net fee and commission income		3,866	3,344	3,363
Other income				
Profit arising from dealing in foreign currencies		1,567	1,322	1,216
Net gain from financial instruments carried at fair value	25	403	913	651
		1,970	2,235	1,867
Dividend income	26	36	36	59
Net (loss)/gain on sale of financial instruments fair valued through other comprehensive income		(113)	195	8
Other operating income/(expense)		148	(1)	30
		2,041	2,465	1,964
Operating income		19,743	19,273	17,580
Non-interest expense				
Salaries and human resource costs	27(a)	(3,789)	(3,629)	(3,527)
Depreciation of property, plant and equipment		(556)	(511)	(436)
Amortisation of intangible assets		(321)	(229)	(173)
Other	27(b)	(2,062)	(1,891)	(1,788)
		(6,728)	(6,260)	(5,924)
Operating profit before impairment		13,015	13,013	11,656
Net impairment of financial assets	28	(4,601)	(4,818)	(1,455)
Operating profit		8,414	8,195	10,201
Share of profit of associates	8(b)	337	444	242
Profit before tax		8,751	8,639	10,443
Income tax expense	29	(1,355)	(1,230)	(1,678)
Profit for the year		7,396	7,409	8,765
Earnings per share (Rs)	31	10.73	10.77	12.74

The notes on pages 15 to 96 form part of these financial statements.
Auditor's report on pages 2 to 4.

	2021 RS'M	2020 RS'M	2019 RS'M
Notes			
Profit for the year	7,396	7,409	8,765
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Net fair value gain/(loss) on equity instruments	111	(191)	(69)
Reclassification adjustments on disposal of investments at fair value	(1)	-	-
Remeasurement of defined benefit pension plan, net of deferred tax	2,108	(671)	(404)
29(b)	<u>2,218</u>	<u>(862)</u>	<u>(473)</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	576	368	23
Reclassification adjustments on disposal of investments at fair value	-	-	(25)
Net fair value (loss)/gain on debt instruments	(108)	5	82
8(b)	<u>468</u>	<u>373</u>	<u>80</u>
Other comprehensive income/(expense) for the year	2,686	(489)	(393)
Total comprehensive income for the year	10,082	6,920	8,372

The notes on pages 15 to 96 form part of these financial statements.
Auditor's report on pages 2 to 4.



Statement of changes in equity for the year ended 30 June 2021

	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 Equity RS'M
At 1 July 2018		6,880	29,619	246	66	5,926	-	42,737
Profit for the year		-	8,765	-	-	-	-	8,765
Other comprehensive (expense)/income for the year		-	(404)	(12)	23	-	-	(393)
Total comprehensive income/(expense) for the year		-	8,361	(12)	23	-	-	8,372
Dividends	30	-	(2,958)	-	-	-	-	(2,958)
Transactions with owner		-	(2,958)	-	-	-	-	(2,958)
Transfer to statutory reserve		-	(954)	-	-	954	-	-
Transfer to general banking reserve		-	(249)	-	-	-	249	-
At 30 June 2019		6,880	33,819	234	89	6,880	249	48,151
Profit for the year		-	7,409	-	-	-	-	7,409
Other comprehensive (expense)/income for the year		-	(671)	(186)	368	-	-	(489)
Total comprehensive income/(expense) for the year		-	6,738	(186)	368	-	-	6,920
Dividends	30	-	(1,857)	-	-	-	-	(1,857)
Transactions with owner		-	(1,857)	-	-	-	-	(1,857)
Transfer from general banking reserve		-	249	-	-	-	(249)	-
At 30 June 2020		6,880	38,949	48	457	6,880	-	53,214
Profit for the year		-	7,396	-	-	-	-	7,396
Other comprehensive income for the year		-	2,107	3	576	-	-	2,686
Total comprehensive income for the year		-	9,503	3	576	-	-	10,082
Rights issue		2,000	-	-	-	-	-	2,000
Dividends	30	-	(2,000)	-	-	-	-	(2,000)
Transactions with owner		2,000	(2,000)	-	-	-	-	-
Transfer to statutory reserve		-	(1,109)	-	-	1,109	-	-
At 30 June 2021	19	8,880	45,343	51	1,033	7,989	-	63,296

The notes on pages 15 to 96 form part of these financial statements.
Auditor's report on pages 2 to 4.



Statement of cash flows for the year ended 30 June 2021

		2021 RS'M	2020 RS'M	2019 RS'M
	Notes			
Operating activities				
Net cash flows from trading activities	33	4,126	13,425	16,386
Net cash flows from other operating activities	34	30,725	15,034	(64)
Dividends received from associates		134	-	173
Dividends paid		-	(3,405)	(2,752)
Income tax paid		(2,080)	(1,418)	(1,517)
Net cash flows from operating activities		32,905	23,636	12,226
Investing activities				
Investment in associate		-	(50)	(98)
Purchase of property, plant and equipment		(439)	(589)	(422)
Purchase of intangible assets		(717)	(518)	(354)
Proceeds from sale of property, plant and equipment		3	2	5
Net cash flows from investing activities		(1,153)	(1,155)	(869)
Net cash flows before financing activities		31,752	22,481	11,357
Financing activities				
Issue of share capital	19	2,000	-	-
Payment of lease liabilities		(60)	(42)	-
Refund of subordinated liability	15	(179)	(137)	(51)
Net cash flows from financing activities		1,761	(179)	(51)
Increase in cash and cash equivalents		33,513	22,302	11,306
Net cash and cash equivalents at 1 July		67,696	45,394	34,088
Net cash and cash equivalents at 30 June	4	101,209	67,696	45,394

The notes on pages 15 to 96 form part of these financial statements.
Auditor's report on pages 2 to 4.

The Mauritius Commercial Bank Limited ("the Bank") is a public company incorporated by Royal Charter in 1838 and registered as limited liability company on 18 August 1955. Its registered office is situated at 9-15, Sir William Newton Street, Port Louis, Mauritius.

The main activities of the Bank consist of providing a whole range of banking and financial services. The Bank is wholly owned by MCB Investment Holding Limited.

The ultimate holding company is MCB Group Limited which is listed on the Official Market of The Stock Exchange of Mauritius Ltd.

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(w) Net impairment of financial assets	
(x) Income tax expense	

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

The financial statements of The Mauritius Commercial Bank Limited (the "Bank"), have been prepared in accordance with International Financial Reporting Standards (IFRS), Financial Reporting Act 2004 and in compliance with the Mauritian Companies Act 2001, the Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned.

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

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

The financial statements have been prepared under the historical cost convention except for investment securities at fair value through other comprehensive income, financial assets and liabilities held at fair value through profit or loss, derivative contracts and defined benefit plan which are stated at fair value.

New and amended standards adopted by the Bank

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on 1 July 2020, 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 Bank in the current reporting period. For this financial year, the following has been adopted:

Amendments to IAS 1 and IAS 8: Definition of material

The Bank has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments in IAS 1 clarify the definition of material. The concept of 'obscuring' material information with immaterial information has been included in the definition. The definition of material in IAS 8 has been replaced by reference to the definition of paragraph 7 of IAS 1. In addition, the IASB amended other standards and the conceptual framework that contain a definition of material to ensure consistency. The Bank assesses materiality in the context of the financial statement as a whole.

The amendments to IAS 1 and IAS 8 did not have a significant impact on the Bank.

Amendments effective as at 1 January 2020 which are not applicable to the Bank:

- IFRS 3 Business Combinations - Definition of business
- IFRS 16 Leases - Covid 19 Related Rent Concessions amendments

New and revised standards in issue but not yet effective

- Amendments to IAS 16 - Property, plant and equipment - Proceeds before intended use

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 1 July 2021, 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 Bank, except the following set out below.

Interest Rate Benchmark Reform Phase 2

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

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

The amendments affect the following key areas:

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

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

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

Disclosure requirements

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

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

A Steering Committee has been set up to assess the impact of the IBOR change on the bank as a whole. It will also assess the impact of this transition on systems, processes and procedures of MCB. The new financial reporting and disclosure requirements will also be taken on board by this committee. An initial analysis of actual instruments reveals that swap, bonds, structured flows, Repo and cap/floor trades are primarily in USD 3M/6M LIBOR, EURIBOR 3M, GBP LIBOR 3M. As EURIBOR rate will continue to exist, the Bank will change the rate indices only for GBP and USD. Of these, the EURIBOR rate index will continue to exist for the foreseeable future. As a result, currencies in focus in which Risk Free Rates (RFR) are required to be initially configured at the Bank are USD and GBP.

Investment in subsidiary

A subsidiary is an entity which the Bank controls. The Bank controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank performs a reassessment of control whenever there is a change in the substance of the relationship between the Bank and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

The financial statements contain information about The Mauritius Commercial Bank Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Bank has taken advantage of the exemption under IFRS 10 Paragraph 4 from the requirement to prepare consolidated financial statements as MCB Group Limited, the ultimate parent, prepares consolidated financial statements that comply with IFRS. A copy of the consolidated financial statements is available at the registered office of the MCB Group Limited at 9-15, Sir William Newton Street, Port Louis.

Investment in associates

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

Investments in associates are accounted for using the equity method except when classified as held-for-sale. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Bank'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 Bank'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 Bank'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 Bank's share of the associate's profit or loss.

When the Bank's share of losses exceeds its interest in an associate, the Bank 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 Bank'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 Bank. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the "functional currency"). The Bank's financial statements are presented in Mauritian Rupees, which is the Bank's functional currency. All amounts are in million, except as otherwise stated. The Mauritian rupee is the currency that most faithfully reflects the underlying transactions, events and conditions that are relevant to the Bank.

(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 rates at the dates 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.

(c) 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 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 Bank that are designated at fair value, the contractual interest is shown in 'Interest expense' together with the interest payable on the issued debt.

(d) 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.

(e) 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).

(f) 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.

(g) Sale and repurchase agreements

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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 Bank commits to purchase or sell the asset.

At initial recognition, the Bank 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 in debt instruments measured at fair value through other comprehensive income (FVOCI), 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 Bank's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Bank classifies its debt instruments.

Classification

The Bank classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost and
- those to be measured subsequently at fair value (either through OCI or through profit or loss).

Amortised cost and effective interest rate

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition - the Bank 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.

Loans originated by the Bank by providing money directly to the borrower (at draw-down) are categorised as loans by the Bank 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 a 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Debt instruments

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

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows, that is, whether the Bank'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 Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

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

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Bank 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 FVPL.

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 Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Bank 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 Bank subsequently measures all equity investments at FVPL, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Bank'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 Bank's right to receive payments is established.

Gains or losses on equity investments at FVPL are included in the 'Net (loss)/gain on sale of financial instruments fair valued through other comprehensive income' line in the statement of profit or loss.

Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different from the original terms. The Bank 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.

If the terms are substantially different, the Bank 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 Bank 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 Bank 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank 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 Bank:

- (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 Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank 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 Bank retains a subordinated residual interest.

Financial Liabilities

(i) Classification and subsequent measurement

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

-Financial liabilities at fair value through profit or loss: this classification is applied to derivative 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 Bank 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 expired).

The exchange between the Bank 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.

Loan commitments provided by the Bank are measured as the amount of the loss allowance (calculated as described in note 20). The Bank 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 Bank 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of financial assets

The Bank 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 Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Write off Policy

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

Definition of Default

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

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

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

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

(j) 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 Bank 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.

(k) Computer software costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable with the design of identifiable and unique software products controlled by the Bank 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**(l) Cash and cash equivalents**

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

(m) Provisions

Provisions are recognised when the Bank 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.

(n) 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.

(o) Employee benefits

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

(i) Defined contribution plans

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

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

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

As from 1 July 2015, the 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 1 July 2015.

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

(ii) Defined benefit plans

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The main assumptions made in the actuarial valuation of the pension fund are listed in note 16 to the financial statements.

The Bank 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 benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

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

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

(iii) Gratuity on retirement

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

(iv) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**(p) 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 differences can be utilised.

(q) 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.

(r) Dividend declared and unpaid

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

(s) Acceptances

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

(t) 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.

(u) 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.

(v) Leases

The present value of future lease payments are recognised in the books as right-of-use assets. Depreciation is calculated to write down the cost of the leased assets to their residual values on a straight-line basis over their estimated useful lives. A lease 'liability' to pay rentals is recognised on the statement of financial position and the interest payment on the lease liability is recognised within the statement of profit or loss.

(w) 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).

(x) Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of 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 assumptions

The Bank 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 disclosures on pension benefits are shown in note 16.

(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 Bank using valuation techniques including third party transaction values, earnings, net asset value or discounted cash flows, whichever is considered to be appropriate. The Bank would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Asset lives and residual values

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

The directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

(d) Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortised 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 Bank in above areas is set out in the Risk and Capital Management report.

Impact of COVID-19

The ECL models set up by the Bank 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 Bank is present has been impacted by the ongoing COVID-19 pandemic. The consequent impact on the Bank 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 and assumptions are made by the Bank 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 Bank'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 Bank 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 Bank holds 49.99% of Banque Française Commerciale Ocean Indien (BFCOI) and it is considered as an associate. The directors consider that the Bank 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 Bank's operations. It has been the Bank's policy to take deposits from customers at variable rates and investing these funds in a wide range of assets and granting loans to customers and banks.

The Bank also seeks to raise its interest margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. The Bank'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.

(b) Credit risk

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

Credit related commitments

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

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

 (b) Credit risk (continued)
 Credit quality

The following tables set out the credit quality of exposures measured at amortised cost by different segments for the year ended 30 June 2021.

At 30 June 2021	Performing			Under performing			Non performing				
	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net exposure	
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	
Portfolio											
Retail	49,870	220	49,650	874	475	399	1,912	575	224	1,337	
Wholesale	585,873	3,410	582,463	34,835	4,344	30,491	7,857	3,209	1,624	4,648	
Total	635,743	3,630	632,113	35,709	4,819	30,890	9,769	3,784	1,848	5,985	
Retail											
Housing loans	31,377	54	31,323	427	223	204	797	208	52	589	
SME	8,983	48	8,935	189	102	87	642	210	84	432	
Unsecured and revolving	4,734	100	4,634	99	68	31	187	104	21	83	
Other secured loans	4,776	18	4,758	159	82	77	286	53	67	233	
Total Retail	49,870	220	49,650	874	475	399	1,912	575	224	1,337	
Wholesale											
Sovereign	170,653	38	170,615	-	-	-	128	3	1	125	
Financial institutions	131,252	319	130,933	-	-	-	3	1	-	2	
Project finance	8,380	299	8,081	-	-	-	295	253	1	42	
Energy & commodities	130,152	312	129,840	6,946	473	6,473	1,014	626	251	388	
Corporate	145,436	2,442	142,994	27,889	3,871	24,018	6,417	2,326	1,371	4,091	
Total Wholesale	585,873	3,410	582,463	34,835	4,344	30,491	7,857	3,209	1,624	4,648	

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Credit quality (continued)

An analysis of credit exposures using the Bank's grading system follows.

At 30 June 2021		Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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	
Total Wholesale										
2	21,690	-	-	1	-	-	21,689	-	-	
3	16,422	-	-	2	-	-	16,420	-	-	
4	5	-	-	-	-	-	5	-	-	
5	59,267	-	-	33	-	-	59,234	-	-	
6	4,968	-	-	1	-	-	4,967	-	-	
7	142,813	-	-	27	-	-	142,786	-	-	
8	6,536	-	-	2	-	-	6,534	-	-	
9	10,820	-	-	6	-	-	10,814	-	-	
10	6,583	-	-	1	-	-	6,582	-	-	
11	1,195	1	-	4	-	-	1,191	1	-	
12	23,134	8	-	89	-	-	23,045	8	-	
13	97,928	819	-	423	41	-	97,505	778	-	
14	63,512	2,027	-	468	99	-	63,044	1,928	-	
15	100,147	11,684	-	1,334	684	-	98,813	11,000	-	
16	19,931	6,806	-	610	1,001	-	19,321	5,805	-	
17	6,385	9,706	-	309	1,742	-	6,076	7,964	-	
18	4,343	2,205	-	75	415	-	4,268	1,790	-	
19	194	1,579	-	25	362	-	169	1,217	-	
20	-	-	7,857	-	-	3,209	-	-	4,648	
Total	585,873	34,835	7,857	3,410	4,344	3,209	582,463	30,491	4,648	
Sovereign										
2	21,690	-	-	1	-	-	21,689	-	-	
3	7,559	-	-	-	-	-	7,559	-	-	
7	140,500	-	-	24	-	-	140,476	-	-	
15	472	-	-	4	-	-	468	-	-	
16	432	-	-	9	-	-	423	-	-	
20	-	-	128	-	-	3	-	-	125	
Total	170,653	-	128	38	-	3	170,615	-	125	
Financial Institutions										
3	8,863	-	-	2	-	-	8,861	-	-	
4	5	-	-	-	-	-	5	-	-	
5	59,267	-	-	33	-	-	59,234	-	-	
6	4,968	-	-	1	-	-	4,967	-	-	
7	2,313	-	-	3	-	-	2,310	-	-	
8	6,536	-	-	2	-	-	6,534	-	-	
9	10,820	-	-	6	-	-	10,814	-	-	
10	5,879	-	-	-	-	-	5,879	-	-	
11	766	-	-	2	-	-	764	-	-	
12	1,271	-	-	2	-	-	1,269	-	-	
13	13,551	-	-	28	-	-	13,523	-	-	
14	145	-	-	2	-	-	143	-	-	
15	9,028	-	-	142	-	-	8,886	-	-	
16	3,830	-	-	50	-	-	3,780	-	-	
18	4,010	-	-	46	-	-	3,964	-	-	
20	-	-	3	-	-	1	-	-	2	
Total	131,252	-	3	319	-	1	130,933	-	2	

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Credit quality (continued)

At 30 June 2021	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
Project Finance									
13	3,348	-	-	18	-	-	3,330	-	-
14	182	-	-	2	-	-	180	-	-
15	1,332	-	-	27	-	-	1,305	-	-
16	2,910	-	-	194	-	-	2,716	-	-
17	394	-	-	39	-	-	355	-	-
18	214	-	-	19	-	-	195	-	-
20	-	-	295	-	-	253	-	-	42
Total	8,380	-	295	299	-	253	8,081	-	42

Energy & Commodities

12	4,474	-	-	-	-	-	4,474	-	-
13	36,687	439	-	50	22	-	36,637	417	-
14	29,434	1,323	-	20	66	-	29,414	1,257	-
15	55,615	2,854	-	165	52	-	55,450	2,802	-
16	780	-	-	14	-	-	766	-	-
17	3,162	2,330	-	63	333	-	3,099	1,997	-
20	-	-	1,014	-	-	626	-	-	388
Total	130,152	6,946	1,014	312	473	626	129,840	6,473	388

Corporate

10	704	-	-	1	-	-	703	-	-
11	429	1	-	2	-	-	427	1	-
12	17,389	8	-	87	-	-	17,302	8	-
13	44,342	380	-	327	19	-	44,015	361	-
14	33,751	704	-	444	33	-	33,307	671	-
15	33,700	8,830	-	996	632	-	32,704	8,198	-
16	11,979	6,806	-	343	1,001	-	11,636	5,805	-
17	2,829	7,376	-	207	1,409	-	2,622	5,967	-
18	119	2,205	-	10	415	-	109	1,790	-
19	194	1,579	-	25	362	-	169	1,217	-
20	-	-	6,417	-	-	2,326	-	-	4,091
Total	145,436	27,889	6,417	2,442	3,871	2,326	142,994	24,018	4,091

3. FINANCIAL RISK MANAGEMENT (continued)

 (b) Credit risk (continued)
 Credit quality (continued)

The following tables set out the credit quality of exposures measured at amortised cost by different segments for the year ended 30 June 2020.

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										
Retail	48,527	427	48,100	1,733	357	1,376	2,340	554	291	1,786
Wholesale	410,743	1,604	409,139	33,353	3,362	29,991	7,372	2,442	1,363	4,930
Total	459,270	2,031	457,239	35,086	3,719	31,367	9,712	2,996	1,654	6,716
Retail										
Housing loans	29,520	65	29,455	626	60	566	1,053	220	80	833
SME	9,198	78	9,120	733	178	555	643	139	93	504
Unsecured and revolving	5,044	220	4,824	115	51	64	279	130	44	149
Other secured loans	4,765	64	4,701	259	68	191	365	65	74	300
Total Retail	48,527	427	48,100	1,733	357	1,376	2,340	554	291	1,786
Wholesale										
Sovereign	135,729	29	135,700	-	-	-	-	-	-	-
Financial institutions	53,271	45	53,226	-	-	-	-	-	12	-
Project finance	8,905	199	8,706	241	45	196	57	5	-	52
Energy & commodities	76,857	111	76,746	6,647	224	6,423	1,489	281	95	1,208
Corporate	135,981	1,220	134,761	26,465	3,093	23,372	5,826	2,156	1,256	3,670
Total Wholesale	410,743	1,604	409,139	33,353	3,362	29,991	7,372	2,442	1,363	4,930

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Credit quality (continued)

An analysis of credit exposures using the Bank's grading system follows.

At 30 June 2020	Gross exposure			Expected credit loss			Net exposure			
	Internal Rating	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
Total Wholesale										
3		4,990	-	-	-	-	-	4,990	-	-
4		6	-	-	-	-	-	6	-	-
5		15,228	-	-	3	-	-	15,225	-	-
6		140,847	-	-	11	-	-	140,836	-	-
7		6,446	-	-	2	-	-	6,444	-	-
8		701	-	-	-	-	-	701	-	-
9		13,571	-	-	3	-	-	13,568	-	-
10		2,419	-	-	1	-	-	2,418	-	-
11		13,190	-	-	7	-	-	13,183	-	-
12		42,709	10	-	118	-	-	42,591	10	-
13		54,530	701	-	175	11	-	54,355	690	-
14		37,487	1,935	-	218	30	-	37,269	1,905	-
15		55,428	13,910	-	496	1,422	-	54,932	12,488	-
16		18,373	9,087	-	322	1,001	-	18,051	8,086	-
17		2,005	2,986	-	112	159	-	1,893	2,827	-
18		1,931	3,455	-	66	451	-	1,865	3,004	-
19		882	1,269	-	70	288	-	812	981	-
20		-	-	7,372	-	-	2,442	-	-	4,930
Total		410,743	33,353	7,372	1,604	3,362	2,442	409,139	29,991	4,930
Sovereign										
6		134,736	-	-	10	-	-	134,726	-	-
14		691	-	-	2	-	-	689	-	-
18		302	-	-	17	-	-	285	-	-
Total		135,729	-	-	29	-	-	135,700	-	-
Financial Institutions										
3		4,577	-	-	-	-	-	4,577	-	-
4		6	-	-	-	-	-	6	-	-
5		15,228	-	-	3	-	-	15,225	-	-
6		6,111	-	-	1	-	-	6,110	-	-
7		6,446	-	-	2	-	-	6,444	-	-
8		204	-	-	-	-	-	204	-	-
9		13,571	-	-	3	-	-	13,568	-	-
10		1,252	-	-	-	-	-	1,252	-	-
11		10	-	-	-	-	-	10	-	-
12		519	-	-	2	-	-	517	-	-
13		483	-	-	3	-	-	480	-	-
14		241	-	-	1	-	-	240	-	-
15		634	-	-	1	-	-	633	-	-
16		2,626	-	-	8	-	-	2,618	-	-
17		119	-	-	-	-	-	119	-	-
18		1,244	-	-	21	-	-	1,223	-	-
Total		53,271	-	-	45	-	-	53,226	-	-

3. FINANCIAL RISK MANAGEMENT (continued)

 (b) Credit risk (continued)
 Credit quality (continued)

At 30 June 2020		Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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	
Project Finance										
12	1,033	-	-	4	-	-	1,029	-	-	
13	1,353	-	-	3	-	-	1,350	-	-	
14	623	-	-	6	-	-	617	-	-	
15	3,233	-	-	61	-	-	3,172	-	-	
16	2,057	-	-	76	-	-	1,981	-	-	
17	378	-	-	25	-	-	353	-	-	
18	135	241	-	9	45	-	126	196	-	
19	93	-	-	15	-	-	78	-	-	
20	-	-	57	-	-	5	-	-	52	
Total	8,905	241	57	199	45	5	8,706	196	52	
Energy & Commodities										
3	413	-	-	-	-	-	413	-	-	
8	497	-	-	-	-	-	497	-	-	
11	6,222	-	-	-	-	-	6,222	-	-	
12	8,476	-	-	5	-	-	8,471	-	-	
13	16,212	437	-	16	2	-	16,196	435	-	
14	10,325	769	-	13	7	-	10,312	762	-	
15	28,166	2,288	-	41	23	-	28,125	2,265	-	
16	6,546	1,214	-	36	59	-	6,510	1,155	-	
17	-	951	-	-	29	-	-	922	-	
18	-	988	-	-	104	-	-	884	-	
20	-	-	1,489	-	-	281	-	-	1,208	
Total	76,857	6,647	1,489	111	224	281	76,746	6,423	1,208	
Corporate										
10	1,167	-	-	1	-	-	1,166	-	-	
11	6,958	-	-	7	-	-	6,951	-	-	
12	32,681	10	-	107	-	-	32,574	10	-	
13	36,482	264	-	153	9	-	36,329	255	-	
14	25,607	1,166	-	196	23	-	25,411	1,143	-	
15	23,395	11,622	-	393	1,399	-	23,002	10,223	-	
16	7,144	7,873	-	202	942	-	6,942	6,931	-	
17	1,508	2,035	-	87	130	-	1,421	1,905	-	
18	250	2,226	-	19	302	-	231	1,924	-	
19	789	1,269	-	55	288	-	734	981	-	
20	-	-	5,826	-	-	2,156	-	-	3,670	
Total	135,981	26,465	5,826	1,220	3,093	2,156	134,761	23,372	3,670	

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Credit quality (continued)

The following tables set out the credit quality of exposures measured at amortised cost by different segments for the year ended 30 June 2019.

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	106	50,324	441	17	424	1,836	484	293	1,352
Wholesale	363,777	1,710	362,067	16,337	624	15,713	7,508	2,014	1,666	5,494
Total	414,207	1,816	412,391	16,778	641	16,137	9,344	2,498	1,959	6,846
Retail										
Housing loans	29,176	19	29,157	181	4	177	759	184	93	575
SME	8,688	44	8,644	118	7	111	501	103	83	398
Unsecured and revolving	7,223	35	7,188	79	4	75	290	129	47	161
Other secured loans	5,343	8	5,335	63	2	61	286	68	70	218
Total Retail	50,430	106	50,324	441	17	424	1,836	484	293	1,352
Wholesale										
Sovereign	100,956	31	100,925	-	-	-	-	-	-	-
Financial institutions	50,751	179	50,572	-	-	-	69	-	7	69
Project finance	14,861	176	14,685	268	6	262	688	141	65	547
Energy & commodities	70,760	115	70,645	3,288	91	3,197	1,575	464	41	1,111
Corporate	126,449	1,209	125,240	12,781	527	12,254	5,176	1,409	1,553	3,767
Total Wholesale	363,777	1,710	362,067	16,337	624	15,713	7,508	2,014	1,666	5,494

3. FINANCIAL RISK MANAGEMENT (continued)

 (b) Credit risk (continued)
 Credit quality (continued)

An analysis of credit exposures using the Bank's grading system follows.

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
Total Wholesale									
3	958	-	-	-	-	-	958	-	-
4	446	-	-	-	-	-	446	-	-
5	5,641	-	-	1	-	-	5,640	-	-
6	105,778	-	-	8	-	-	105,770	-	-
7	3,798	-	-	1	-	-	3,797	-	-
8	4,616	-	-	1	-	-	4,615	-	-
9	5,025	-	-	2	-	-	5,023	-	-
10	8,269	-	-	4	-	-	8,265	-	-
11	21,483	640	-	40	3	-	21,443	637	-
12	61,969	314	-	131	1	-	61,838	313	-
13	39,994	110	-	110	1	-	39,884	109	-
14	44,545	384	-	372	5	-	44,173	379	-
15	38,603	5,141	-	465	211	-	38,138	4,930	-
16	14,275	4,965	-	317	143	-	13,958	4,822	-
17	3,645	891	-	87	65	-	3,558	826	-
18	1,424	1,202	-	37	92	-	1,387	1,110	-
19	3,308	2,690	-	134	103	-	3,174	2,587	-
20	-	-	7,508	-	-	2,014	-	-	5,494
Total	363,777	16,337	7,508	1,710	624	2,014	362,067	15,713	5,494
Sovereign									
5	1	-	-	-	-	-	1	-	-
6	99,810	-	-	7	-	-	99,803	-	-
13	220	-	-	-	-	-	220	-	-
14	611	-	-	2	-	-	609	-	-
18	314	-	-	22	-	-	292	-	-
Total	100,956	-	-	31	-	-	100,925	-	-
Financial Institutions									
3	958	-	-	-	-	-	958	-	-
4	446	-	-	-	-	-	446	-	-
5	3,513	-	-	1	-	-	3,512	-	-
6	5,968	-	-	1	-	-	5,967	-	-
7	3,798	-	-	1	-	-	3,797	-	-
8	3,979	-	-	-	-	-	3,979	-	-
9	4,595	-	-	2	-	-	4,593	-	-
10	6,640	-	-	1	-	-	6,639	-	-
11	1,887	-	-	2	-	-	1,885	-	-
12	5,693	-	-	5	-	-	5,688	-	-
13	1,904	-	-	2	-	-	1,902	-	-
14	449	-	-	6	-	-	443	-	-
15	3,978	-	-	20	-	-	3,958	-	-
16	3,135	-	-	35	-	-	3,100	-	-
17	914	-	-	-	-	-	914	-	-
18	626	-	-	9	-	-	617	-	-
19	2,268	-	-	94	-	-	2,174	-	-
20	-	-	69	-	-	-	-	-	69
Total	50,751	-	69	179	-	-	50,572	-	69

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Credit quality (continued)

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	Lifetime	12 months	Lifetime not credit impaired	Lifetime credit impaired
					expected credit loss (not credit impaired)	expected credit loss (credit impaired)			
Internal Rating	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Project Finance									
13	4,563	-	-	17	-	-	4,546	-	-
14	3,879	-	-	40	-	-	3,839	-	-
15	4,718	32	-	89	1	-	4,629	31	-
16	1,701	-	-	30	-	-	1,671	-	-
18	-	236	-	-	5	-	-	231	-
19	-	-	-	-	-	-	-	-	-
20	-	-	688	-	-	141	-	-	547
Total	14,861	268	688	176	6	141	14,685	262	547
Energy & Commodities									
5	2,127	-	-	-	-	-	2,127	-	-
8	637	-	-	1	-	-	636	-	-
11	649	516	-	-	2	-	649	514	-
12	22,666	-	-	5	-	-	22,661	-	-
13	11,451	-	-	3	-	-	11,448	-	-
14	13,956	-	-	12	-	-	13,944	-	-
15	15,911	1,830	-	76	3	-	15,835	1,827	-
16	1,900	-	-	18	-	-	1,882	-	-
17	1,453	-	-	-	-	-	1,453	-	-
18	-	942	-	-	86	-	-	856	-
19	10	-	-	-	-	-	10	-	-
20	-	-	1,575	-	-	464	-	-	1,111
Total	70,760	3,288	1,575	115	91	464	70,645	3,197	1,111
Corporate									
9	430	-	-	-	-	-	430	-	-
10	1,629	-	-	3	-	-	1,626	-	-
11	18,947	124	-	38	1	-	18,909	123	-
12	33,610	314	-	121	1	-	33,489	313	-
13	21,856	110	-	88	1	-	21,768	109	-
14	25,650	384	-	312	5	-	25,338	379	-
15	13,996	3,279	-	280	207	-	13,716	3,072	-
16	7,539	4,965	-	234	143	-	7,305	4,822	-
17	1,278	891	-	87	65	-	1,191	826	-
18	484	24	-	6	1	-	478	23	-
19	1,030	2,690	-	40	103	-	990	2,587	-
20	-	-	5,176	-	-	1,409	-	-	3,767
Total	126,449	12,781	5,176	1,209	527	1,409	125,240	12,254	3,767

3. FINANCIAL RISK MANAGEMENT (continued)
(b) Credit risk (continued)
Credit quality (continued)
Restructured financial assets

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

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

	2021 RS 'M	2020 RS 'M	2019 RS 'M
Amortised cost before restructure	741	595	3,844
Net modification gain or loss	44	20	38
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	2	2	28

Assets obtained by taking possession of collateral

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

	2021 RS 'M	2020 RS 'M	2019 RS 'M
Property	79	60	61

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

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

	2021 RS 'M	2020 RS 'M	2019 RS 'M
Derivative financial instruments	1,035	997	269
Investment securities	18,019	12,747	16,592

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 (continued)

(b) Credit risk (continued)

Credit quality (continued)

Sensitivity Analysis

As part of IFRS 9, the Bank 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 (continued)

(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 Risk BU and Asset and Liability Committee (ALCO). The Market Risk Business Unit (MRBU) plays a central role in monitoring and controlling market risk activities. It is the aim of MRBU to ensure that market risk policies and guidelines are being effectively complied with and that limits are being observed.

(i) Price risk

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

	2021	2020	2019
	RS 'M	RS 'M	RS 'M
Financial assets at fair value through other comprehensive income	396	1,035	1,093
Financial assets at fair value through profit or loss	1,036	742	913
	1,432	1,777	2,006

3. FINANCIAL RISK MANAGEMENT (continued)
(c) Market risk (continued)
(ii) Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the 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. 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 ALCO.

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

	As at 30 June	Average	Maximum	Minimum
2021 (RS 'M)	(13)	(15)	(39)	(7)
2020 (RS 'M)	(13)	(12)	(26)	(5)
2019 (RS 'M)	(18)	(25)	(42)	(11)

Concentration of assets, liabilities and off-balance sheet items

At 30 June 2021	EURO RS 'M	USD RS 'M	GBP RS 'M	MUR RS 'M	OTHER RS 'M	TOTAL RS 'M
Financial Assets						
Cash and cash equivalents	19,678	44,865	4,825	22,901	8,942	101,211
Derivative financial instruments	513	242	-	280	-	1,035
Loans to and placements with banks	2,117	39,009	-	-	-	41,126
Loans and advances to customers	30,402	120,149	481	118,615	123	269,770
Investment securities	8,877	28,421	1	146,619	-	183,918
Other financial assets	1,121	2,283	196	20,269	113	23,982
	62,708	234,969	5,503	308,684	9,178	621,042
Less allowances for credit impairment						(13,692)
Total						607,350
Financial liabilities						
Deposits from banks	1,364	19,400	182	617	93	21,656
Deposits from customers	44,048	144,928	6,164	242,070	16,618	453,828
Derivative financial instruments	6	888	-	512	-	1,406
Other borrowed funds	1,728	72,896	-	-	2	74,626
Subordinated liability	-	875	-	-	-	875
Other financial liabilities	205	337	50	1,243	30	1,865
Total	47,351	239,324	6,396	244,442	16,743	554,256
Net on-balance sheet position	15,357	(4,355)	(893)	64,242	(7,565)	66,786
Less allowances for credit impairment						(13,692)
						53,094
Off balance sheet net notional position	21,332	50,198	302	-	557	72,389
Credit commitments	4,134	104,986	161	17,320	1,947	128,548

3. FINANCIAL RISK MANAGEMENT (continued)
(c) Market risk (continued)
(ii) Currency risk (continued)
Concentration of assets, liabilities and off-balance sheet items
At 30 June 2020

	EURO	USD	GBP	MUR	OTHER	TOTAL
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Financial Assets						
Cash and cash equivalents	12,472	27,986	2,023	23,180	2,483	68,144
Derivative financial instruments	249	401	84	263	-	997
Loans to and placements with banks	1,783	11,312	-	6,116	164	19,375
Loans and advances to customers	26,053	98,097	437	111,882	76	236,545
Investment securities	1,397	19,614	1	115,262	-	136,274
Other financial assets	911	1,858	167	17,533	137	20,606
	42,865	159,268	2,712	274,236	2,860	481,941
Less allowances for credit impairment						(10,165)
Total						471,776
Financial liabilities						
Deposits from banks	1,137	5,684	204	417	158	7,600
Deposits from customers	36,837	95,692	5,031	221,791	4,657	364,008
Derivative financial instruments	-	747	59	155	-	961
Other borrowed funds	1,950	48,417	314	1	135	50,817
Subordinated liability	-	1,013	-	-	-	1,013
Other financial liabilities	169	411	48	2,263	30	2,921
Total	40,093	151,964	5,656	224,627	4,980	427,320
Net on-balance sheet position	2,772	7,304	(2,944)	49,609	(2,120)	54,621
Less allowances for credit impairment						(10,165)
						44,456
Off balance sheet net notional position	8,628	37,945	5,409	-	293	52,275
Credit commitments	4,365	47,386	8	14,665	1,974	68,398

3. FINANCIAL RISK MANAGEMENT (continued)
(c) Market risk (continued)
(ii) Currency risk (continued)
Concentration of assets, liabilities and off-balance sheet items

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	17,989	3,590	10,971	2,687	45,416
Derivative financial instruments	187	-	13	69	-	269
Loans to and placements with banks	1,012	11,387	-	8,276	145	20,820
Loans and advances to customers	21,571	85,203	389	112,594	63	219,820
Investment securities	1,349	20,453	-	94,695	-	116,497
Other financial assets	797	2,367	388	16,878	71	20,501
	<u>35,095</u>	<u>137,399</u>	<u>4,380</u>	<u>243,483</u>	<u>2,966</u>	<u>423,323</u>
Less allowances for credit impairment						(6,605)
Total						<u><u>416,718</u></u>
Financial liabilities						
Deposits from banks	1,120	5,595	221	385	55	7,376
Deposits from customers	26,890	76,106	4,541	195,625	3,839	307,001
Derivative financial instruments	59	159	31	260	-	509
Other borrowed funds	5,206	50,194	-	2	4	55,406
Subordinated liability	-	1,040	-	-	-	1,040
Other financial liabilities	269	192	48	2,219	30	2,758
Total	<u>33,544</u>	<u>133,286</u>	<u>4,841</u>	<u>198,491</u>	<u>3,928</u>	<u><u>374,090</u></u>
Net on-balance sheet position	1,551	4,113	(461)	44,992	(962)	49,233
Less allowances for credit impairment						(6,605)
						<u><u>42,628</u></u>
Off balance sheet net notional position	7,867	17,340	2,993	-	772	28,972
Credit commitments	3,371	52,625	22	14,157	1,493	71,668

3. FINANCIAL RISK MANAGEMENT (continued)
(c) Market risk (continued)
(iii) Interest rate risk

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

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 previous year following the implementation of a new software.

	2021 RS 'M	2020 RS 'M	2019 RS 'M
Impact on Earnings	273	514	385

Interest sensitivity of assets and liabilities- repricing analysis

At 30 June 2021	Up to 1 month RS 'M	1-3 months RS 'M	3-6 months RS 'M	6-12 months RS 'M	1-3 years RS 'M	Over 3 years RS 'M	Non-interest bearing RS 'M	Total RS 'M
Financial Assets								
Cash and cash equivalents	12,667	457	-	-	-	-	88,087	101,211
Derivative financial instruments	-	-	1	1	4	14	1,015	1,035
<i>Inflow</i>	2	2	7	14	50	173	1,015	1,263
<i>(Outflow)</i>	(2)	(2)	(6)	(13)	(46)	(159)	-	(228)
Loans to and placements with banks	18,870	16,314	4,053	189	1,635	-	65	41,126
Loans and advances to customers	179,926	24,175	28,726	14,852	4,676	6,266	11,149	269,770
Investment securities	419	13,341	10,409	14,514	59,247	80,614	5,374	183,918
Other financial assets	-	-	-	-	-	-	23,982	23,982
	211,882	54,287	43,189	29,556	65,562	86,894	129,672	621,042
Less allowances for credit impairment								(13,692)
Total								607,350
Financial liabilities								
Deposits from banks	7,764	893	1,663	426	-	-	10,910	21,656
Deposits from customers	263,365	5,157	2,335	3,661	147	31,700	147,463	453,828
Derivative financial instruments	-	-	-	-	-	-	1,406	1,406
Other borrowed funds	4,904	26,077	12,092	14,008	9,982	7,320	243	74,626
Subordinated liability	-	864	-	-	-	-	11	875
Other financial liabilities	-	-	-	-	-	-	1,865	1,865
Total	276,033	32,991	16,090	18,095	10,129	39,020	161,898	554,256
On balance sheet interest sensitivity gap	(64,151)	21,296	27,099	11,461	55,433	47,874	(32,226)	66,786
Less allowances for credit impairment								(13,692)
								53,094

3. FINANCIAL RISK MANAGEMENT (continued)
(c) Market risk (continued)
(iii) Interest rate risk (continued)
Interest sensitivity of assets and liabilities- repricing analysis

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	56	-	-	-	-	59,723	68,144
Derivative financial instruments	-	-	1	-	2	3	991	997
<i>Inflow</i>	-	4	6	13	45	175	991	1,234
<i>(Outflow)</i>	-	(4)	(5)	(13)	(43)	(172)	-	(237)
Loans to and placements with banks	2,515	7,342	3,161	5,970	-	304	83	19,375
Loans and advances to customers	133,909	33,822	26,711	19,782	6,885	3,903	11,533	236,545
Investment securities	8,207	11,030	18,489	17,033	31,862	46,008	3,645	136,274
Other financial assets	-	-	-	-	-	-	20,606	20,606
	152,996	52,250	48,362	42,785	38,749	50,218	96,581	481,941
Less allowances for credit impairment								(10,165)
Total								471,776
Financial liabilities								
Deposits from banks	3,763	874	1,429	201	-	-	1,333	7,600
Deposits from customers	225,005	7,285	3,817	2,288	159	25,969	99,485	364,008
Derivative financial instruments	-	-	-	-	-	-	961	961
Other borrowed funds	3,197	11,453	28,742	6,417	267	105	636	50,817
Subordinated liability	-	993	-	-	-	-	20	1,013
Other financial liabilities	-	-	-	-	-	-	2,921	2,921
Total	231,965	20,605	33,988	8,906	426	26,074	105,356	427,320
On balance sheet interest sensitivity gap	(78,969)	31,645	14,374	33,879	38,323	24,144	(8,775)	54,621
Less allowances for credit impairment								(10,165)
								44,456

3. FINANCIAL RISK MANAGEMENT (continued)
(c) Market risk (continued)
(iii) Interest rate risk (continued)
Interest sensitivity of assets and liabilities- repricing analysis

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	16,163	2,716	-	-	-	-	26,537	45,416
Derivative financial instruments	-	-	-	-	-	10	259	269
Loans to and placements with banks	5,280	4,881	1,683	2,484	6,255	125	112	20,820
Loans and advances to customers	129,950	26,377	16,327	9,713	12,297	22,404	2,752	219,820
Investment securities	6,635	17,395	21,772	12,129	26,784	27,711	4,071	116,497
Other financial assets	-	-	-	-	-	-	20,501	20,501
	158,028	51,369	39,782	24,326	45,336	50,250	54,232	423,323
Less allowances for credit impairment								(6,605)
Total								416,718
Financial liabilities								
Deposits from banks	3,889	1,621	1,416	-	-	-	450	7,376
Deposits from customers	194,285	7,014	2,518	1,174	692	15,300	86,018	307,001
Derivative financial instruments	-	-	-	-	-	-	509	509
Other borrowed funds	5,521	14,044	32,922	1,787	-	710	422	55,406
Subordinated liability	-	1,015	-	-	-	-	25	1,040
Other financial liabilities	-	-	-	-	-	-	2,758	2,758
Total	203,695	23,694	36,856	2,961	692	16,010	90,182	374,090
On balance sheet interest sensitivity gap	(45,667)	27,675	2,926	21,365	44,644	34,240	(35,950)	49,233
Less allowances for credit impairment								(6,605)
								42,628

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iv) Liquidity risk

Liquidity risk can be defined as the risk of being unable to raise liquid 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 Bank 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. Global Markets and Treasury Management Strategic Business Unit manages liquidity in accordance with this policy, on a day-to-day basis.

Liquidity and funding risk are dynamically managed through a robust ecosystem comprising of Risk, Finance and Treasury Management, under the oversight of ALCO. Liquidity and funding metrics have been internally defined and include Liquidity Coverage ratio and Net Stable Funding ratio targets. Early Warning Indicators have been identified and are monitored by the ALM unit within Finance SBU.

The amounts disclosed in the following tables are undiscounted.

Maturities of assets and liabilities

At 30 June 2021	Up to 1 month RS 'M	1-3 months RS 'M	3-6 months RS 'M	6-12 months RS 'M	1-3 years RS 'M	Over 3 years RS 'M	Non-maturity items RS 'M	Total RS 'M
Financial Assets								
Cash and cash equivalents	85,675	1,417	-	-	-	-	14,117	101,209
Derivative financial instruments	-	-	-	(1)	(2)	11	956	964
Loans to and placements with banks	17,555	12,631	5,639	2,200	2,984	342	-	41,351
Loans and advances to customers	62,626	20,198	21,436	20,704	62,230	105,469	9,591	302,254
Investment securities	1,435	12,400	10,412	14,503	59,283	80,406	4,535	182,974
Other financial assets	-	-	-	-	-	-	23,982	23,982
	167,291	46,646	37,487	37,406	124,495	186,228	53,181	652,734
Less allowances for credit impairment								(13,692)
Total								639,042
Financial liabilities								
Deposits from banks	18,672	853	1,665	428	1	41	-	21,660
Deposits from customers	425,192	6,623	4,024	7,408	7,363	3,680	173	454,463
Derivative financial instruments	-	-	-	-	-	-	1,355	1,355
Other borrowed funds	688	6,663	1,297	38,271	17,902	10,673	-	75,494
Subordinated liability	-	230	-	227	447	-	-	904
Other financial liabilities	-	-	-	-	-	-	1,865	1,865
Total	444,552	14,369	6,986	46,334	25,713	14,394	3,393	555,741
Net liquidity gap	(277,261)	32,277	30,501	(8,928)	98,782	171,834	49,788	96,993
Less allowances for credit impairment								(13,692)
								83,301

3. FINANCIAL RISK MANAGEMENT (continued)
(c) Market risk (continued)
(iv) Liquidity risk (continued)
Maturities of assets and liabilities

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	40,901	56	-	-	-	-	27,187	68,144
Derivative financial instruments	-	1	1	2	5	1	944	954
Loans to and placements with banks	2,543	7,360	3,178	6,379	69	323	-	19,852
Loans and advances to customers	47,180	17,351	14,165	20,881	59,178	97,964	7,869	264,588
Investment securities	5,662	9,987	18,277	12,950	31,706	52,261	3,912	134,755
Other financial assets	-	-	-	-	-	-	20,606	20,606
	96,286	34,755	35,621	40,212	90,958	150,549	60,518	508,899
Less allowances for credit impairment								(10,165)
Total								498,734
Financial liabilities								
Deposits from banks	5,090	842	1,633	-	1	39	-	7,605
Deposits from customers	327,233	9,495	5,391	7,224	11,322	3,866	178	364,709
Derivative financial instruments	-	-	-	-	-	-	923	923
Other borrowed funds	3,651	11,381	850	29,298	2,321	4,141	-	51,642
Subordinated liability	-	-	190	180	523	170	-	1,063
Other financial liabilities	-	-	-	-	-	-	2,921	2,921
Total	335,974	21,718	8,064	36,702	14,167	8,216	4,022	428,863
Net liquidity gap	(239,688)	13,037	27,557	3,510	76,791	142,333	56,496	80,036
Less allowances for credit impairment								(10,165)
								69,871

3. FINANCIAL RISK MANAGEMENT (continued)
(c) Market risk (continued)
(iv) Liquidity risk (continued)
Maturities of assets and liabilities

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	30,103	2,729	-	-	-	-	12,628	45,460
Derivative financial instruments	-	-	-	-	-	-	244	244
Loans to and placements with banks	5,408	4,517	1,712	2,762	6,890	-	-	21,289
Loans and advances to customers	41,908	18,255	12,452	17,231	55,497	110,016	19,638	274,997
Investment securities	4,644	16,907	19,390	13,551	31,842	39,959	3,408	129,701
Other financial assets	-	-	-	-	-	-	20,501	20,501
	<u>82,063</u>	<u>42,408</u>	<u>33,554</u>	<u>33,544</u>	<u>94,229</u>	<u>149,975</u>	<u>56,419</u>	<u>492,192</u>
Less allowances for credit impairment								(6,606)
Total								<u><u>485,586</u></u>
Financial liabilities								
Deposits from banks	4,321	1,636	1,436	-	-	-	-	7,393
Deposits from customers	268,944	9,217	4,946	6,399	14,644	4,526	8	308,684
Derivative financial instruments	-	-	-	-	-	-	505	505
Other borrowed funds	4,355	9,207	1,235	12,529	25,695	4,921	-	57,942
Subordinated liability	-	143	-	140	511	355	-	1,149
Other financial liabilities	-	-	-	-	-	-	2,758	2,758
Total	<u>277,620</u>	<u>20,203</u>	<u>7,617</u>	<u>19,068</u>	<u>40,850</u>	<u>9,802</u>	<u>3,271</u>	<u><u>378,431</u></u>
Net liquidity gap	(195,557)	22,205	25,937	14,476	53,379	140,173	53,148	113,761
Less allowances for credit impairment								(6,606)
								<u><u>107,155</u></u>

3. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of 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 Bank 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 cashflows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using foreign exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

(e) Capital risk management

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

(f) Financial instruments by category

	Amortised cost RS 'M	Fair value through profit or loss		Fair value through other comprehensive income		Total RS 'M
		Designated RS 'M	Mandatory RS 'M	Debt instrument RS 'M	Equity instrument RS 'M	
At 30 June 2021						
Financial assets						
Cash and cash equivalents	101,154	-	-	-	-	101,154
Derivative financial instruments	-	-	1,035	-	-	1,035
Loans to and placements with banks	40,869	-	-	-	-	40,869
Loans and advances to customers	256,750	-	-	-	-	256,750
Investment securities	154,924	20,722	-	6,859	1,055	183,560
Other financial assets	23,982	-	-	-	-	23,982
Total	577,679	20,722	1,035	6,859	1,055	607,350
Financial liabilities						
Deposits from banks	21,656	-	-	-	-	21,656
Deposits from customers	453,828	-	-	-	-	453,828
Derivative financial instruments	-	-	1,406	-	-	1,406
Other borrowed funds	74,626	-	-	-	-	74,626
Subordinated liability	875	-	-	-	-	875
Other financial liabilities	1,865	-	-	-	-	1,865
Total	552,850	-	1,406	-	-	554,256
Net on-balance sheet position	24,829	20,722	(371)	6,859	1,055	53,094

3. FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category (continued)

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
	RS 'M	Designated RS 'M	Mandatory RS 'M	Debt instrument RS 'M	Equity instrument RS 'M	RS 'M
At 30 June 2020						
Financial assets						
Cash and cash equivalents	68,128	-	-	-	-	68,128
Derivative financial instruments	-	-	997	-	-	997
Loans to and placements with banks	19,353	-	-	-	-	19,353
Loans and advances to customers	226,777	-	-	-	-	226,777
Investment securities	100,382	14,839	-	19,766	928	135,915
Other financial assets	20,606	-	-	-	-	20,606
Total	435,246	14,839	997	19,766	928	471,776
Financial liabilities						
Deposits from banks	7,600	-	-	-	-	7,600
Deposits from customers	364,008	-	-	-	-	364,008
Derivative financial instruments	-	-	961	-	-	961
Other borrowed funds	50,817	-	-	-	-	50,817
Subordinated liability	1,013	-	-	-	-	1,013
Other financial liabilities	2,921	-	-	-	-	2,921
Total	426,359	-	961	-	-	427,320
Net on-balance sheet position	8,887	14,839	36	19,766	928	44,456

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
	RS 'M	Designated RS 'M	Mandatory RS 'M	Debt instrument RS 'M	Equity instrument RS 'M	RS 'M
At 30 June 2019						
Financial assets						
Cash and cash equivalents	45,398	-	-	-	-	45,398
Derivative financial instruments	-	-	269	-	-	269
Loans to and placements with banks	20,754	-	-	-	-	20,754
Loans and advances to customers	213,398	-	-	-	-	213,398
Investment securities	76,289	18,258	-	20,747	1,104	116,398
Other financial assets	20,501	-	-	-	-	20,501
Total	376,340	18,258	269	20,747	1,104	416,718
Financial liabilities						
Deposits from banks	7,376	-	-	-	-	7,376
Deposits from customers	307,001	-	-	-	-	307,001
Derivative financial instruments	-	-	509	-	-	509
Other borrowed funds	55,406	-	-	-	-	55,406
Subordinated liability	1,040	-	-	-	-	1,040
Other financial liabilities	2,758	-	-	-	-	2,758
Total	373,581	-	509	-	-	374,090
Net on-balance sheet position	2,759	18,258	(240)	20,747	1,104	42,628

4. CASH AND CASH EQUIVALENTS

	2021	2020	2019
	RS'M	RS'M	RS'M
Cash in hand	2,804	2,738	2,802
Foreign currency notes and coins	89	204	109
Unrestricted balances with Central Bank*	14,117	27,189	12,137
Balances due in clearing	381	331	491
Treasury bills	5,092	56	2,130
Money market placements	4,140	5,422	14,779
Balances with banks abroad	73,588	32,204	10,982
Interbank loans**	1,000	-	1,986
	101,211	68,144	45,416
Allowances for credit impairment	(57)	(16)	(18)
	101,154	68,128	45,398

Allowances for credit impairment

	12 months expected credit loss RS'M
At 1 July 2020	16
Provision for credit impairment for the year	13
Provision released during the year	(2)
Changes in models/risk parameters	30
At 30 June 2021	57
At 1 July 2019	18
Provision for credit impairment for the year	4
Provision released during the year	(3)
Financial assets that have been derecognised	(3)
At 30 June 2020	16
At 1 July 2018	12
Provision for credit impairment for the year	11
Provision released during the year	(3)
Financial assets that have been derecognised	(2)
At 30 June 2019	18

* Unrestricted balances with Central Bank represent amounts above the minimum cash reserve requirement.

** 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

	2021	2020	2019
	RS'M	RS'M	RS'M
Cash and cash equivalents	101,211	68,144	45,416
Other borrowed funds (see note 14(a))	(2)	(448)	(22)
Net cash and cash equivalents	101,209	67,696	45,394
Increase in cash and cash equivalents	33,513	22,302	11,306

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank 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 Bank'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 Bank assesses counterparties using the same techniques as for its lending activities.

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

	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 2021			
Derivative Instruments			
Currency forwards	9,378	143	98
Interest rate swaps	31,830	733	895
Currency swaps	32,672	158	413
Others	235	1	-
	74,115	1,035	1,406
At 30 June 2020			
Derivative Instruments			
Currency forwards	5,738	143	62
Interest rate swaps	30,128	725	806
Currency swaps	18,538	127	93
Others	101	2	-
	54,505	997	961
At 30 June 2019			
Derivative Instruments			
Currency forwards	8,472	62	35
Interest rate swaps	14,212	200	249
Currency swaps	11,715	6	224
Others	223	1	1
	34,622	269	509

*Refer to definition of Level 2 in note 7.

6. LOANS
(a) Loans to and placements with banks
(i) Loans to and placements with banks

 in Mauritius
 outside Mauritius

Less:

 Loans and placements with original maturity less than
 3 months and included in cash and cash equivalents

Less:

Allowances for credit impairment

(ii) Remaining term to maturity

 Up to 3 months
 Over 3 months and up to 6 months
 Over 6 months and up to 1 year
 Over 1 year and up to 5 years
 Over 5 years

(iii) Allowances for credit impairment
At 1 July 2020

 Provision for credit impairment for the year
 Financial assets that have been derecognised
 Changes in models/risk parameters

At 30 June 2021

Interest in suspense

Provision and interest in suspense at 30 June 2021
At 1 July 2019

 Provision for credit impairment for the year
 Provision released during the year
 Financial assets that have been derecognised

At 30 June 2020

Interest in suspense

Provision and interest in suspense at 30 June 2020
At 1 July 2018

 Exchange adjustment
 Provision for credit impairment for the year
 Provision released during the year
 Financial assets that have been derecognised

At 30 June 2019

Interest in suspense

Provision and interest in suspense at 30 June 2019

	2021 RS'M	2020 RS'M	2019 RS'M
(i) Loans to and placements with banks			
in Mauritius	39	6,114	10,261
outside Mauritius	119,815	50,887	38,306
	119,854	57,001	48,567
Less:			
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	(78,728)	(37,626)	(27,747)
	41,126	19,375	20,820
Less:			
Allowances for credit impairment	(257)	(22)	(66)
	40,869	19,353	20,754
(ii) Remaining term to maturity			
Up to 3 months	29,577	9,901	9,207
Over 3 months and up to 6 months	5,248	3,163	2,037
Over 6 months and up to 1 year	1,014	6,008	3,090
Over 1 year and up to 5 years	4,965	-	6,219
Over 5 years	322	303	267
	41,126	19,375	20,820
(iii) Allowances for credit impairment			
		Lifetime	
	12 months	expected	Total
	expected	credit loss	
	credit loss	(credit	
		impaired)	
	RS'M	RS'M	RS'M
At 1 July 2020	10	-	10
Provision for credit impairment for the year	146	1	147
Financial assets that have been derecognised	(11)	-	(11)
Changes in models/risk parameters	110	-	110
At 30 June 2021	255	1	256
Interest in suspense	-	1	1
Provision and interest in suspense at 30 June 2021	255	2	257
At 1 July 2019	59	-	59
Provision for credit impairment for the year	4	-	4
Provision released during the year	(6)	-	(6)
Financial assets that have been derecognised	(47)	-	(47)
At 30 June 2020	10	-	10
Interest in suspense	-	12	12
Provision and interest in suspense at 30 June 2020	10	12	22
At 1 July 2018	101	31	132
Exchange adjustment	-	1	1
Provision for credit impairment for the year	48	-	48
Provision released during the year	(57)	(24)	(81)
Financial assets that have been derecognised	(33)	(8)	(41)
At 30 June 2019	59	-	59
Interest in suspense	-	7	7
Provision and interest in suspense at 30 June 2019	59	7	66

Non performing loans (NPL) under Loans to and placements with banks amounted to Rs 1M in 2021 with provision Rs 1M.
 (2020: NPL Rs Nil/Provision Rs Nil, 2019: NPL - Rs 69M/Provision Rs Nil).

6. LOANS (continued)
(b) Loans and advances to customers

	2021 RS'M	2020 RS'M	2019 RS'M
(i) Loans and advances to customers			
Retail customers:			
Credit cards	821	794	1,250
Mortgages	32,177	30,802	29,676
Other retail loans	10,118	10,761	11,188
Corporate customers	123,015	110,051	105,598
Governments	244	459	611
Entities outside Mauritius	103,395	83,678	71,497
	269,770	236,545	219,820
Less:			
Allowances for credit impairment	(13,020)	(9,768)	(6,422)
	256,750	226,777	213,398
(ii) Remaining term to maturity			
Up to 3 months	81,354	62,014	64,783
Over 3 months and up to 6 months	4,856	4,425	6,168
Over 6 months and up to 1 year	15,557	13,471	5,730
Over 1 year and up to 5 years	78,673	70,248	59,451
Over 5 years	89,330	86,387	83,688
	269,770	236,545	219,820

(iii) Allowances for credit impairment

	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2020	1,681	3,452	2,993	8,126
Exchange adjustment	-	-	95	95
Transfer to 12 months ECL	291	(183)	(108)	-
Transfer to lifetime ECL not credit impaired	(159)	193	(34)	-
Transfer to lifetime ECL credit impaired	(44)	(153)	197	-
Provision for credit impairment for the year	1,026	1,764	2,585	5,375
Provision released during the year	(645)	(820)	(300)	(1,765)
Financial assets that have been derecognised	(140)	(432)	(166)	(738)
Write offs	-	-	(1,479)	(1,479)
Changes in models/risk parameters	667	892	-	1,559
At 30 June 2021	2,677	4,713	3,783	11,173
Interest in suspense	-	-	1,847	1,847
Provision and interest in suspense at 30 June 2021	2,677	4,713	5,630	13,020
At 1 July 2019	1,331	641	2,498	4,470
Exchange adjustment	-	-	173	173
Transfer to 12 months ECL	108	(30)	(78)	-
Transfer to lifetime ECL not credit impaired	(195)	205	(10)	-
Transfer to lifetime ECL credit impaired	(24)	(9)	33	-
Provision for credit impairment for the year	351	2,684	2,237	5,272
Provision released during the year	(494)	(81)	(196)	(771)
Financial assets that have been derecognised	(170)	(44)	(409)	(623)
Write offs	-	-	(1,255)	(1,255)
Changes in models/risk parameters	774	86	-	860
At 30 June 2020	1,681	3,452	2,993	8,126
Interest in suspense	-	-	1,642	1,642
Provision and interest in suspense at 30 June 2020	1,681	3,452	4,635	9,768
At 1 July 2018	1,533	785	2,347	4,665
Exchange adjustment	-	-	31	31
Transfer to 12 months ECL	171	(78)	(93)	-
Transfer to lifetime ECL not credit impaired	(55)	75	(20)	-
Transfer to lifetime ECL credit impaired	(12)	(262)	274	-
Provision for credit impairment for the year	991	464	2,110	3,565
Provision released during the year	(861)	(188)	(196)	(1,245)
Financial assets that have been derecognised	(198)	(36)	(246)	(480)
Write offs	-	-	(1,709)	(1,709)
Changes in models/risk parameters	(238)	(119)	-	(357)
At 30 June 2019	1,331	641	2,498	4,470
Interest in suspense	-	-	1,952	1,952
Provision and interest in suspense at 30 June 2019	1,331	641	4,450	6,422

6. LOANS (continued)
 (b) Loans and advances to customers (continued)
 (iv) Allowances for credit impairment by industry sectors

	2021					
	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	7,379	1,164	127	13	1,181	1,321
Manufacturing	12,902	497	164	271	278	713
<i>of which EPZ</i>	2,040	158	22	152	138	312
Tourism	30,012	694	458	1,626	136	2,220
Transport	8,130	72	49	175	64	288
Construction	17,365	1,249	277	14	851	1,142
Financial and business services	52,518	1,079	637	248	703	1,588
Traders	63,270	1,653	402	515	1,267	2,184
Personal	42,260	1,223	150	41	462	653
<i>of which credit cards</i>	779	21	13	1	18	32
<i>of which housing</i>	32,177	797	54	18	260	332
Professional	1,369	131	11	5	78	94
Foreign governments	244	-	-	-	-	-
Global Business Licence holders	19,770	1,809	208	1,216	568	1,992
Others	14,551	198	194	589	42	825
	269,770	9,769	2,677	4,713	5,630	13,020
	2020					
	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	6,309	1,161	26	243	889	1,158
Manufacturing	13,620	473	93	200	211	504
<i>of which EPZ</i>	2,126	139	11	121	94	226
Tourism	23,250	243	281	1,538	44	1,863
Transport	7,498	1,183	95	61	1,427	1,583
Construction	16,833	1,327	228	12	515	755
Financial and business services	50,423	1,265	242	166	211	619
Traders	43,647	2,078	192	286	598	1,076
Personal	41,504	1,643	324	109	570	1,003
<i>of which credit cards</i>	754	27	21	2	19	42
<i>of which housing</i>	30,802	1,039	64	33	297	394
Professional	1,198	142	13	37	79	129
Foreign governments	459	-	-	-	-	-
Global Business Licence holders	19,211	114	96	643	64	803
Others	12,593	83	91	157	27	275
	236,545	9,712	1,681	3,452	4,635	9,768
	2019					
	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	8,562	1,057	11	93	450	554
Manufacturing	9,835	587	79	79	185	343
<i>of which EPZ</i>	2,964	510	3	13	149	165
Tourism	21,438	153	319	17	163	499
Transport	7,597	1,050	30	-	1,011	1,041
Construction	16,023	1,922	166	4	857	1,027
Financial and business services	41,755	1,108	248	10	429	687
Traders	40,618	1,633	192	109	345	646
Personal	41,240	1,293	51	10	551	612
<i>of which credit cards</i>	1,178	28	4	-	22	26
<i>of which housing</i>	29,676	755	20	4	273	297
Professional	1,048	207	3	1	122	126
Foreign governments	611	-	-	-	-	-
Global Business Licence holders	17,858	168	153	295	311	759
Others	13,235	97	79	23	26	128
	219,820	9,275	1,331	641	4,450	6,422

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

(v) Credit concentration of risk by industry sectors

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

	2021	2020	2019
	RS'M	RS'M	RS'M
Agriculture and fishing	5,115	7,536	7,863
Manufacturing	909	947	7,912
<i>of which EPZ</i>	61	33	1,215
Tourism	17,818	13,541	17,305
Transport	9,046	7,254	7,467
Construction	11,223	9,482	11,299
Financial and business services	64,024	64,823	31,745
Traders	99,865	68,866	57,088
Global Business Licence holders	10,217	10,090	10,584
Others	8,961	8,112	6,674
	227,178	190,651	157,937

7. INVESTMENT SECURITIES
(a) Investment securities

	2021 RS'M	2020 RS'M	2019 RS'M
Amortised cost	155,282	100,741	76,388
Fair value through other comprehensive income	7,914	20,694	21,851
Fair value through profit or loss	20,722	14,839	18,258
	183,918	136,274	116,497
Less allowances for credit impairment	(358)	(359)	(99)
	183,560	135,915	116,398

Credit impaired investments at fair value through other comprehensive income amounted to Rs 101M/Provision Rs 11M in 2021 (2020: Rs 90M/Provision Rs 10M, 2019: NIL)

(b) (i) Amortised cost

	2021 RS'M	2020 RS'M	2019 RS'M
Government of Mauritius and Bank of Mauritius bonds	103,843	72,143	49,895
Treasury bills	7,415	7,084	8,498
Foreign bonds	22,000	387	338
Notes	21,643	20,803	17,348
Index linked note	381	324	309
	155,282	100,741	76,388

(ii) Remaining term to maturity

	2021					Total RS'M
	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	
Government of Mauritius and Bank of Mauritius bonds	327	3,688	9,457	71,356	19,015	103,843
Treasury bills	7,248	167	-	-	-	7,415
Foreign bonds	-	-	-	8,945	13,055	22,000
Notes	-	407	-	14,403	6,833	21,643
Index linked note	-	-	-	204	177	381
	7,575	4,262	9,457	94,908	39,080	155,282

	2020					Total RS'M
	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	
Government of Mauritius and Bank of Mauritius bonds	3,444	1,835	6,716	40,212	19,936	72,143
Treasury bills	3,075	2,325	1,684	-	-	7,084
Foreign bonds	-	-	-	238	149	387
Notes	-	-	2,725	11,181	6,897	20,803
Index linked note	-	-	-	324	-	324
	6,519	4,160	11,125	51,955	26,982	100,741

	2019					Total RS'M
	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	
Government of Mauritius and Bank of Mauritius bonds	1,218	2,823	3,575	32,654	9,625	49,895
Treasury bills	3,337	2,625	2,536	-	-	8,498
Foreign bonds	-	-	-	215	123	338
Notes	976	-	-	8,011	8,361	17,348
Index linked note	-	-	-	-	309	309
	5,531	5,448	6,111	40,880	18,418	76,388

(iii) Allowances for credit impairment

	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Total RS'M
At 1 July 2020	92	267	359
Transfer to 12 months ECL	133	(133)	-
Provision for credit impairment for the year	37	-	37
Provision released during the year	(87)	(42)	(129)
Financial assets that have been derecognised	(8)	(5)	(13)
Changes in models/risk parameters	85	19	104
At 30 June 2021	252	106	358
At 1 July 2019	99	-	99
Transfer to lifetime ECL not credit impaired	(44)	44	-
Provision for credit impairment for the year	8	214	222
Provision released during the year	(12)	-	(12)
Financial assets that have been derecognised	(5)	-	(5)
Changes in models/risk parameters	46	9	55
At 30 June 2020	92	267	359
At 1 July 2018	40	-	40
Provision for credit impairment for the year	78	-	78
Financial assets that have been derecognised	(40)	-	(40)
Changes in models/risk parameters	21	-	21
At 30 June 2019	99	-	99

7. INVESTMENT SECURITIES (continued)

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

Quoted - Level 1

Official list : shares

Bonds

Unquoted - Level 2

Investment fund

Unquoted - Level 3

Shares

	2021 RS'M	2020 RS'M	2019 RS'M
Official list : shares	797	684	860
Bonds	6,182	19,141	20,201
	6,979	19,825	21,061
Investment fund	677	625	545
Shares	258	244	245
	7,914	20,694	21,851

(ii) Reconciliation of level 3 fair value measurements

At 1 July

Additions

Disposal of investment

Movement in fair value

At 30 June

	2021 RS'M	2020 RS'M	2019 RS'M
At 1 July	244	245	230
Additions	99	-	-
Disposal of investment	(101)	-	-
Movement in fair value	16	(1)	15
At 30 June	258	244	245

(d) Fair value through profit or loss by levels

Quoted - Level 1

Foreign bonds

Foreign shares

Unquoted - Level 2

Government of Mauritius & Bank of Mauritius bonds

Treasury bills

	2021 RS'M	2020 RS'M	2019 RS'M
Foreign bonds	1	1	733
Foreign shares	2,703	2,092	1,666
	2,704	2,093	2,399
Government of Mauritius & Bank of Mauritius bonds	1,251	893	864
Treasury bills	16,767	11,853	14,995
	18,018	12,746	15,859
	20,722	14,839	18,258

The Bank uses a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

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

Level 1 : Quoted prices (unadjusted) for identical assets. This level includes listed equity securities.

Level 2 : Inputs other than quoted prices that are observable for the assets.

Level 3 : Inputs for the assets that are not based on observable market data.

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

8. INVESTMENTS IN SUBSIDIARY AND ASSOCIATES
(a) Investment in subsidiary
(i) The Bank's interest in its subsidiary is as follows:
MCB Madagascar SA
Year ended 30 June 2021

Year ended 30 June 2020

Year ended 30 June 2019

	Country of incorporation	Nature of business	Assets RS'M	Liabilities RS'M	Holding %	Cost RS'M
	Madagascar	Banking & Financial Services	8,973	8,184	80.00	118
	Madagascar	Banking & Financial Services	6,817	6,140	80.00	118
	Madagascar	Banking & Financial Services	5,646	5,087	80.00	118

(ii) Movement in investment in subsidiary is as follows:
At 30 June

	2021 RS'M	2020 RS'M	2019 RS'M
	118	118	118

(b) Investments in associates
(i) The Bank's interest in its associates are as follows:
At 30 June 2021
Banque Française Commerciale Océan Indien
Société Générale Moçambique

	Country of incorporation	Nature of business	Assets RS'M	Liabilities RS'M	Revenues RS'M	Profit RS'M	Holding %
	Reunion	Banking & Financial Services	114,864	105,317	4,547	662	49.99
	Mozambique	Banking & Financial Services	11,328	10,146	878	16	35.00

At 30 June 2020

Banque Française Commerciale Océan Indien

Société Générale Moçambique

	Reunion	Banking & Financial Services	96,990	88,875	4,027	876	49.99
	Mozambique	Banking & Financial Services	7,344	6,340	729	16	35.00

At 30 June 2019

Banque Française Commerciale Océan Indien

Société Générale Moçambique

	Reunion	Banking & Financial Services	76,006	69,551	4,136	482	49.99
	Mozambique	Banking & Financial Services	3,957	3,116	526	2	35.00

(ii) The above associates are accounted for using the equity method.
(iii) Banque Française Commerciale Océan Indien (BFCOI) and Société Générale (SG) Moçambique are unquoted.

8. INVESTMENTS IN SUBSIDIARY AND ASSOCIATES
(b) Investments in associates
(iv) Movements in investments in associates

	BFCOI RS'M	SG Moçambique RS'M	Subordinated loan to BFCOI RS'M	Total RS'M
At 1 July 2018	3,233	250	413	3,896
Share of profit of associates	241	1	-	242
Share of other movements in associates	2	21	-	23
Dividend received from associates	(173)	-	-	(173)
Increase in shareholding	-	98	-	98
Adjustments	(9)	-	2	(7)
At 30 June 2019	3,294	370	415	4,079
Share of profit of associates	438	6	-	444
Share of other movements in associates	392	(24)	-	368
Increase in shareholding	-	50	-	50
Adjustments	-	-	43	43
At 30 June 2020	4,124	402	458	4,984
Share of profit of associates	331	6	-	337
Share of other movements in associates	526	50	-	576
Dividend received from associates	(134)	-	-	(134)
Adjustments	(7)	6	58	57
At 30 June 2021	4,840	464	516	5,820

(v) Summarised financial information in respect of material entities:
Banque Française Commerciale Océan Indien
Summarised statement of financial position:

	2021 RS'M	2020 RS'M	2019 RS'M
Current assets	17,753	14,980	9,743
Non current assets	97,111	82,010	66,263
Current liabilities	25,362	23,830	21,559
Non current liabilities	79,955	65,045	47,992

Summarised statement of profit or loss and other comprehensive income:

	2021 RS'M	2020 RS'M	2019 RS'M
Revenue	4,547	4,027	4,136
Dividend received	134	-	173
Profit	662	877	482
Total comprehensive income	662	877	482

The directors are satisfied that there are no indications requiring an impairment of the Bank's investment in subsidiary and investments in associates.

9. INTANGIBLE ASSETS

	Computer software RS'M	Work in progress RS'M	Total RS'M
Cost			
At 1 July 2018	2,834	158	2,992
Additions	78	276	354
Scrap/Impairment	(1,810)	-	(1,810)
Transfer	351	(351)	-
At 30 June 2019	1,453	83	1,536
Additions	56	462	518
Scrap/Impairment	(700)	(22)	(722)
Transfer	265	(265)	-
At 30 June 2020	1,074	258	1,332
Additions	153	564	717
Scrap/Impairment	(1)	-	(1)
Transfer	356	(356)	-
At 30 June 2021	1,582	466	2,048
Accumulated amortisation			
At 1 July 2018	2,448	-	2,448
Scrap/Impairment	(1,810)	-	(1,810)
Amortisation adjustment	(80)	-	(80)
Charge for the year	173	-	173
At 30 June 2019	731	-	731
Scrap/Impairment	(700)	-	(700)
Amortisation adjustment	58	-	58
Charge for the year	229	-	229
At 30 June 2020	318	-	318
Scrap/Impairment	(1)	-	(1)
Amortisation adjustment	(52)	-	(52)
Charge for the year	321	-	321
At 30 June 2021	586	-	586
Net book values			
At 30 June 2021	996	466	1,462
At 30 June 2020	756	258	1,014
At 30 June 2019	722	83	805

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

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Computer and other equipment	Furniture, fittings and vehicles	Work in progress	Right-of-Use assets (Land and Buildings)	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Cost						
At 1 July 2018	4,552	3,314	831	14	-	8,711
Additions	4	270	11	137	-	422
Scrap/Disposals	(3)	(708)	(11)	-	-	(722)
Transfer	-	50	27	(77)	-	-
At 30 June 2019	4,553	2,926	858	74	-	8,411
Recognition of right-of-use assets on initial application of IFRS 16	-	-	-	-	151	151
Additions	83	215	16	275	-	589
Scrap	-	(77)	(11)	-	-	(88)
Disposals	-	(29)	(9)	-	-	(38)
Transfer	32	116	31	(179)	-	-
At 30 June 2020	4,668	3,151	885	170	151	9,025
Additions	9	248	3	179	90	529
Scrap	-	(60)	(17)	-	-	(77)
Disposals	(1)	(74)	(12)	-	-	(87)
Cancellation	-	-	-	-	(3)	(3)
Adjustment on re-measurement*	-	-	-	-	2	2
Transfer	39	123	38	(200)	-	-
At 30 June 2021	4,715	3,388	897	149	240	9,389
Accumulated depreciation						
At 1 July 2018	859	2,534	477	-	-	3,870
Charge for the year	74	309	53	-	-	436
Depreciation adjustment	-	(126)	(13)	-	-	(139)
Scrap/Disposal adjustment	(1)	(708)	(11)	-	-	(720)
At 30 June 2019	932	2,009	506	-	-	3,447
Charge for the year	76	334	56	-	45	511
Depreciation adjustment	-	(39)	9	-	-	(30)
Scrap adjustment	-	(74)	(11)	-	-	(85)
Disposal adjustment	-	(29)	(8)	-	-	(37)
At 30 June 2020	1,008	2,201	552	-	45	3,806
Charge for the year	78	363	56	-	59	556
Depreciation adjustment	-	(16)	(10)	-	-	(26)
Scrap adjustment	-	(60)	(15)	-	-	(75)
Disposal adjustment	-	(73)	(10)	-	-	(83)
At 30 June 2021	1,086	2,415	573	-	104	4,178
Net book values						
At 30 June 2021	3,629	973	324	149	136	5,211
At 30 June 2020	3,660	950	333	170	106	5,219
At 30 June 2019	3,621	917	352	74	-	4,964

Following the adoption of IFRS 16, the Bank has presented right-of-use assets within 'property, plant and equipment'.

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

The leases under Right-of-use Assets consist mainly of rental of space for ATMs and the lease terms are in the range of 1 to 5 years.

Moreover, the Bank does not have the possibility of acquiring the asset at the end of the lease.

* The Bank reviewed the discounting rate used upon adoption of IFRS 16 to measure the present value of the remaining lease payments from 5.6% to 4.1%.

11. DEFERRED TAX ASSETS

	Balance as at 1 July RS'M	Exchange adjustments RS'M	Recognised in Statement of profit or loss RS'M	Recognised in Statement of comprehensive income RS'M	Balance as at 30 June RS'M
2021					
Provisions and post retirement benefits	320	-	(12)	(315)	(7)
Provisions for credit impairment	916	2	534	-	1,452
Accelerated tax depreciation	(227)	-	(29)	-	(256)
At 30 June 2021	1,009	2	493	(315)	1,189
2020					
Provisions and post retirement benefits	304	-	(84)	100	320
Provisions for credit impairment	318	9	589	-	916
Accelerated tax depreciation	(282)	-	55	-	(227)
At 30 June 2020	340	9	560	100	1,009
2019					
Provisions and post retirement benefits	246	-	(25)	83	304
Provisions for credit impairment	383	-	(65)	-	318
Accelerated tax depreciation	(247)	-	(35)	-	(282)
At 30 June 2019	382	-	(125)	83	340

The applied deferred tax rate for the year 30 June 2021 is 13%. (2020: 13%, 2019: 17% and 3%)

	2021	2020	2019
	RS'M	RS'M	RS'M
12. OTHER ASSETS			
Mandatory balances with Central Bank	21,990	19,821	18,609
Prepayments and other receivables	1,126	813	612
Credit card clearing	152	155	99
Non-banking assets acquired in satisfaction of debts *	79	60	61
Impersonal and other accounts	3,808	1,510	2,597
	27,155	22,359	21,978

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

13. DEPOSITS

	2021 RS'M	2020 RS'M	2019 RS'M
(a) Deposits from banks			
Demand deposits	16,955	4,484	3,452
Money market deposits with remaining term to maturity:			
Up to 3 months	2,570	1,447	2,507
Over 3 months and up to 6 months	1,663	1,430	1,417
Over 6 months and up to 1 year	427	201	-
Over 1 year and up to 5 years	41	38	-
	4,701	3,116	3,924
	21,656	7,600	7,376
(b) Deposits from customers			
(i) Retail customers			
Demand deposits	46,602	40,815	29,881
Savings deposits	169,830	152,765	132,280
Time deposits with remaining term to maturity:			
Up to 3 months	3,419	4,532	4,564
Over 3 months and up to 6 months	1,673	2,125	2,229
Over 6 months and up to 1 year	3,302	4,596	4,405
Over 1 year and up to 5 years	9,320	10,257	11,720
Over 5 years	8	49	36
	17,722	21,559	22,954
	234,154	215,139	185,115
(ii) Corporate customers			
Demand deposits	193,036	120,215	96,873
Savings deposits	6,145	5,077	5,444
Time deposits with remaining term to maturity:			
Up to 3 months	12,598	12,777	9,421
Over 3 months and up to 6 months	2,315	3,403	2,403
Over 6 months and up to 1 year	4,131	2,677	1,602
Over 1 year and up to 5 years	1,326	4,522	5,923
Over 5 years	-	-	31
	20,370	23,379	19,380
	219,551	148,671	121,697
(iii) Government			
Demand deposits	54	44	36
Savings deposits	69	154	153
	123	198	189
	453,828	364,008	307,001

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

14. OTHER BORROWED FUNDS

(a) Other borrowed funds comprise the following:

	2021	2020	2019
	RS'M	RS'M	RS'M
Borrowings from banks:			
in Mauritius	24,158	17,535	12,068
abroad	50,468	33,282	43,338
	74,626	50,817	55,406
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	2	448	22

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

(b) Remaining term to maturity:

On demand or within a period not exceeding 1 year	43,844	43,556	24,135
Within a period of more than 1 year but not exceeding 3 years	17,154	352	23,929
Within a period of more than 3 years	13,628	6,909	7,342
	74,626	50,817	55,406

15. SUBORDINATED LIABILITY

Subordinated liability comprises the following:

	2021	2020	2019
	RS'M	RS'M	RS'M
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 3.5% (2020: 5.2% and 2019: 5.8%) (Level 3)	1,013	1,040	1,068
Repayment of USD 4.5M during the year (2020: USD 3.8M, 2019: USD 1.5M)	(179)	(137)	(51)
Adjustment	41	110	23
	875	1,013	1,040

The carrying amount of the subordinated liability is not materially different from its fair value.

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

16 POST EMPLOYEE BENEFIT (ASSET)/ LIABILITY

	2021 Rs'M	2020 Rs'M	2019 Rs'M
Post employee benefit (asset)/liability			
(a) Staff superannuation fund (defined benefit section)	(1,344)	1,041	301
(b) Residual retirement gratuities	126	129	59
	(1,218)	1,170	360
(a) Staff superannuation fund (defined benefit section)			
	2021 Rs'M	2020 Rs'M	2019 Rs'M
Reconciliation of net defined benefit (asset)/liability			
Opening balance	1,041	301	152
Amount recognised in statement of profit or loss	255	261	211
Amount recognised in statement of comprehensive income	(2,407)	715	487
Less capital injection	-	-	(317)
Less employer contributions	(233)	(236)	(232)
Closing balance	(1,344)	1,041	301
Reconciliation of fair value of plan assets			
Opening balance	7,555	7,688	7,193
Interest income	241	459	462
Capital injection	-	-	317
Employer contributions	233	236	232
Transfer of assets	(45)	-	-
Benefits paid	(322)	(310)	(294)
Return on plan assets above/(below) interest income	1,290	(518)	(222)
Closing balance	8,952	7,555	7,688
Reconciliation of present value of defined benefit obligation			
Opening balance	8,596	7,989	7,345
Current service cost	229	230	219
Interest expense	270	471	454
Past service cost	(3)	19	-
Transfer of assets	(45)	-	-
Benefits paid	(322)	(310)	(294)
Liability experience gain	-	(13)	-
Liability (gain)/loss due to change in financial assumptions	(1,117)	210	265
Closing balance	7,608	8,596	7,989
Components of amount recognised in statement of profit or loss			
Current service cost	229	230	219
Past service cost	(3)	19	-
Net interest on net defined benefit	29	12	(8)
Total	255	261	211
Analysed as follows:			
The Mauritius Commercial Bank Limited (see note 27(a))	223	228	184
Other members of The MCB Group Limited	32	33	27
	255	261	211
Components of amount recognised in other statement of comprehensive income			
Return on plan assets (above)/below interest income	(1,290)	518	222
Liability experience gain	-	(13)	-
Liability (gain)/loss due to change in financial assumptions	(1,117)	210	265
Total	(2,407)	715	487

16 POST EMPLOYEE BENEFIT (ASSET)/ LIABILITY (CONTINUED)
(a) Staff superannuation fund (defined benefit section) (continued)

	2021	2020	2019
Allocation of plan assets at end of year	%	%	%
Equity - Local quoted	32	30	34
Equity - Local unquoted	1	1	1
Debt - Overseas quoted	1	1	2
Debt - Local quoted	12	12	8
Debt - Local unquoted	5	5	11
Property - Local	5	6	4
Investment funds	37	31	34
Cash and other	7	14	6
Total	100	100	100
Allocation of plan assets at end of year	%	%	%
Reporting entity's own transferable financial instruments	10	8	9
Property occupied by reporting entity	6	6	3
Other assets used by reporting entity	3	4	2
Principal assumptions used at end of year			
Discount rate	5.0%	3.2%	6.0%
Rate of salary increases	2.5%	1.0%	3.5%
Rate of pension increases	1.0%	0.5%	3.3%
Average retirement age (ARA)	63	63	63
Average life expectancy for:			
Male at ARA	17.3 years	17.3 years	17.3 years
Female at ARA	21.7 years	21.7 years	21.7 years
Sensitivity analysis on defined benefit obligation at end of year	2021	2020	2019
	Rs'M	Rs'M	Rs'M
Increase due to 1% decrease in discount rate	1,301	1,617	1,487
Decrease due to 1% increase in discount rate	1,027	1,254	1,169

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

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

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

For this year's exercise, a projection of the liabilities at 30 June 2020 one year forward has been done while allowing for actual cash flows during the year ended 30 June 2021. Following the sale of ICPS Ltd during the year, the Defined Benefit (DB) Section's share of assets for ICPS Ltd to be transferred from MCB Ltd to ICPS Ltd has been estimated to Rs 45M. The release of the liabilities as agreed with the buyer in respect of DB members under ICPS Ltd resulted in a negative past service cost of Rs 3M. This amount relates to the difference between the past service reserve held for these members and the assets transferred as at the date of disposal.

The Bank sponsors a defined benefit pension plan for some of its employees which is self-administered and funded separately from the Bank. The Bank has recognised a total net defined benefit asset of Rs 1,344M as at 30 June 2021 for the plan (a defined benefit liability for 2020: Rs 1,041M and 2019 : Rs 301M).

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

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.

16 POST EMPLOYEE BENEFIT (ASSET)/ LIABILITY (CONTINUED)**(a) Staff superannuation fund (defined benefit section) (continued)**

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

There has been no plan amendment, curtailment or settlement during the year, except for the past service cost recognised in respect of the transfer of employees under ICPS Ltd.

Future cash flows

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

Expected employer contribution for the next year (Rs'M):	238
Weighted average duration of the defined benefit obligation:	15 years

Defined Contribution Cash Balance (DCCB)

As from 1 July 2015, the Bank has introduced a Defined Contribution Cash Balanced Scheme "DCCB" for its employees. Its contributions for DC employees towards pensions and expenses are expensed to the income statement and amounted to Rs 118M for the year ended 30 June 2021 (2020: Rs 103M, 2019: Rs 83M).

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

16 POST EMPLOYEE BENEFIT (ASSET)/ LIABILITY (CONTINUED)
(b) Residual retirement gratuities

Amounts recognised in the financial statements at end of year

	2021 Rs'M	2020 Rs'M	2019 Rs'M
Reconciliation of net defined benefit liability			
Opening balance	129	59	51
Amount recognised in statement of profit or loss	13	14	7
Amount recognised in statement of comprehensive income	(16)	56	1
Closing balance	126	129	59

Reconciliation of present value of defined benefit obligation

Opening balance	129	59	51
Current service cost	11	11	4
Interest expense	4	3	3
Past service cost	(2)	-	-
Liability experience loss	1	47	-
Liability (gain)/loss due to change in financial assumptions	(17)	9	1
Closing balance	126	129	59

Components of amount recognised in statement of profit or loss

Current service cost	11	11	4
Past service cost	(2)	-	-
Net interest on net defined benefit liability	4	3	3
Total (see note 27(a))	13	14	7

Components of amount recognised in other statement of comprehensive income

Liability experience loss	1	47	-
Liability (gain)/loss due to change in financial assumptions	(17)	9	1
Total	(16)	56	1

Principal assumptions used at end of year

Discount rate	5.0%	3.2%	6.0%
Rate of salary increases	2.5%	1.0%	3.5%
Rate of pension increases	1.0%	0.5%	3.3%
Average retirement age (ARA)	63	63	63

Sensitivity analysis on defined benefit obligation at end of year

	2021 Rs'M	2020 Rs'M	2019 Rs'M
Increase due to 1% decrease in discount rate	42	42	27
Decrease due to 1% increase in discount rate	32	33	19

The Bank has also recognised a net defined benefit liability of Rs 126M as at 30 June 2021 (2020: Rs 129M, 2019: Rs 59M) for all employees whose pension benefits are not expected to fully offset the company's retirement gratuity obligations under the Workers' Rights Act (WRA) 2019 and who are therefore entitled to residual retirement gratuities under the Workers' Rights Act (WRA) 2019.

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

The negative past service cost element of Rs 2M in the Residual Retirement note is in respect of residual retirement gratuities for employees of ICPS Ltd, who have been transferred out of MCB Group.

Future cash flows

The funding policy is to pay benefits out of the reporting entity's cashflow as and when due:

Expected employer contribution for the next year (Rs'M):	16
Weighted average duration of the defined benefit obligation:	23 years

Note: Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants dated 15 September 2021.

17. OTHER LIABILITIES

	2021 RS'M	2020 RS'M	2019 RS'M
Allowances for credit impairment on off balance sheet exposures (17 (a))	389	235	309
Lease liabilities (17 (b))	139	109	-
Impersonal, other accounts and deferred income	6,295	5,476	5,902
Proposed dividend (see note 30)	2,000	-	1,548
	8,823	5,820	7,759

(a) Allowances for credit impairment on off balance sheet exposures

	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2020	232	-	3	235
Provision for credit impairment for the year	176	-	-	176
Provision released during the year	(133)	-	(3)	(136)
Changes in models/risk parameters	114	-	-	114
At 30 June 2021	389	-	-	389
At 1 July 2019	309	-	-	309
Provision for credit impairment for the year	11	-	3	14
Provision released during the year	(243)	-	-	(243)
Changes in models/risk parameters	155	-	-	155
At 30 June 2020	232	-	3	235
At 1 July 2018	276	-	-	276
Provision for credit impairment for the year	316	2	33	351
Provision released during the year	(254)	(2)	(33)	(289)
Changes in models/risk parameters	(29)	-	-	(29)
At 30 June 2019	309	-	-	309

(b) The lease liabilities can be analysed as follows:

	2021 RS'M	2020 RS'M
Over 6 months and up to 1 year	14	43
Over 1 year and up to 5 years	125	66
	139	109

18. FURTHER DISCLOSURES WITH ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

Adoption of IFRS 16 leases

This note explains the impact of the adoption of IFRS 16 Leases on the Bank's financial statements. The Bank has adopted 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.

On adoption of IFRS 16, the Bank 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 1 July 2019. The lessee's borrowing rate applied to the lease liabilities on 1 July 2019 was 5.6%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Bank 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 1 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 Bank 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 Bank 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 Bank 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

	2021 RS'M	2020 RS'M
Amounts in statement of financial position		
Opening Balance	106	-
Recognition of right-of-use assets	-	151
Addition, net of other adjustments	89	-
Depreciation of right-of-use assets	(59)	(45)
Carrying amount of right-of-use assets	<u>136</u>	<u>106</u>
Lease liabilities	139	109
Amounts in statement of profit or loss		
Interest on lease liabilities	6	8
Expenses related to short term leases	3	2
Expenses relating to low value leases	6	12
Expenses relating to variable leases	10	6
Amounts recognised in statement of cash flows		
Cash payment for reduction of the outstanding lease liabilities	60	42
Interest payments	6	8
Total outflow for lease	<u>66</u>	<u>50</u>

19. STATED CAPITAL AND RESERVES

(a) Stated capital

	Number of shares	RS'M
At 30 June 2019 and 30 June 2020	687,960,247	6,880
Rights issue	200,000,000	2,000
At 30 June 2021	887,960,247	8,880

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

Rights Issue

End of June 2021, the Board has approved a rights issue of Rs 2.0 billion subscribed by its sole shareholder with the view to support the Bank's international expansion.

(b) Reserves

(i) Capital reserve

The capital reserve represents the cumulative net change in the fair value of financial assets FVOCI until the financial instruments are derecognised or impaired.

(ii) Statutory reserve

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

(iii) General banking reserve

The Bank makes an appropriation to a general banking reserve for unforeseen risks and future losses.

(iv) Translation Reserve

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

20. CONTINGENT LIABILITIES

(a) Instruments

Guarantees on account of customers

Letters of credit and other obligations on account of customers

Other contingent items

	2021 RS'M	2020 RS'M	2019 RS'M
Guarantees on account of customers	25,519	23,554	20,377
Letters of credit and other obligations on account of customers	92,105	36,938	44,400
Other contingent items	5,709	1,550	1,751
	123,333	62,042	66,528

(b) Commitments

Loans and other facilities, including undrawn credit facilities

	5,215	6,356	5,140
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(c) Tax assessments

	-	98	90
	128,548	68,496	71,758

21. INTEREST INCOME

	2021	2020	2019
	RS'M	RS'M	RS'M
Interest income using the effective interest method:			
Loans to and placements with banks	577	875	1,089
Loans and advances to customers	11,061	12,968	12,787
Investments at amortised cost	3,891	3,691	2,514
Investments at fair value through other comprehensive income	99	350	270
	15,628	17,884	16,660
Investments at fair value through profit or loss	131	370	774
Other	149	94	15
	15,908	18,348	17,449

22. INTEREST EXPENSE

Deposits from banks	16	65	101
Deposits from customers	883	3,147	3,769
Subordinated liability	31	52	59
Other borrowed funds	1,136	1,612	1,267
Leases	6	8	-
	2,072	4,884	5,196

23. FEE AND COMMISSION INCOME

Retail and private banking fees	873	666	686
Corporate banking fees	882	938	875
Guarantee fees	381	335	264
Interbank transaction fees	75	56	63
Cards and other related fees	1,686	1,755	1,793
Trade finance fees	944	528	631
Others	93	143	121
	4,934	4,421	4,433

24. FEE AND COMMISSION EXPENSE

Interbank transaction fees	24	17	16
Cards and other related fees	786	863	840
Corporate banking and trade finance fees	199	190	174
Others	59	7	40
	1,068	1,077	1,070

25. NET GAIN FROM FINANCIAL INSTRUMENTS

CARRIED AT FAIR VALUE

Net (loss)/gain from financial instruments	(159)	412	88
Net gain from Investment securities	562	501	563
	403	913	651

	2021 RS'M	2020 RS'M	2019 RS'M
26. DIVIDEND INCOME			
Quoted investments	23	25	31
Unquoted investments	13	11	13
Subsidiary	-	-	15
	36	36	59
27. NON - INTEREST EXPENSE			
(a) Salaries and human resource costs			
Wages and salaries	2,529	2,407	2,465
Defined benefit plan	223	228	184
Defined contribution plan	156	132	106
Residual retirement gratuities	13	14	7
Compulsory social security obligations	107	78	70
Equity settled share-based payments	7	11	4
Other personnel expenses	754	759	691
	3,789	3,629	3,527
(b) Other non-interest expense			
Legal and professional fees	398	384	321
Rent, repairs, maintenance and security costs	358	316	321
Software licensing and other information technology costs	544	406	312
Electricity, water and telephone charges	265	243	232
Advertising, marketing costs and sponsoring	79	156	249
Postage, courier and stationery costs	156	149	145
Insurance costs	129	98	97
Others	133	139	111
<i>of which short term leases</i>	3	2	-
<i>of which low value leases</i>	6	12	-
<i>of which variable leases</i>	10	6	-
	2,062	1,891	1,788
28. NET IMPAIRMENT OF FINANCIAL ASSETS			
Net allowance for credit impairment			
Cash and cash equivalents	41	(2)	6
Loans and advances			
Loans to and placements with banks	246	(49)	(74)
Loans and advances to customers	4,431	4,738	1,483
Investment securities			
Amortised cost	(1)	260	59
Fair value through other comprehensive income	(1)	10	(5)
Off balance sheet exposures	154	(74)	33
	4,870	4,883	1,502
Bad debts written off for which no provisions were made	-	-	1
Recoveries of advances written off	(269)	(65)	(48)
	4,601	4,818	1,455

29. INCOME TAX EXPENSE

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

	2021	2020	2019
	RS'M	RS'M	RS'M
Income tax based on the adjusted profit	1,185	1,136	769
Deferred tax	(493)	(423)	125
Effect of change in tax rate	-	(137)	-
Special levy on banks	556	563	510
Corporate social responsibility contribution	107	104	86
(Over)/under provision in previous years	-	(13)	25
Provision for tax assessment	-	-	163
Charge for the year	1,355	1,230	1,678

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

Profit before tax	8,751	8,639	10,443
Less share of profit of associates	(337)	(444)	(242)
	8,414	8,195	10,201

Tax calculated at applicable tax rates	1,027	1,012	1,530
Effect of change in tax rate	-	(137)	-
Impact of:			
Income not subject to tax	(570)	(511)	(110)
Expenses not deductible for tax purposes	235	212	224
Tax credits	-	-	(750)
Special levy on banks	556	563	510
Corporate social responsibility contribution	107	104	86
(Over)/under provision in previous years	-	(13)	25
Provision for tax assessment	-	-	163
Tax charge	1,355	1,230	1,678

Corporate social responsibility (CSR) tax

Corporate Social Responsibility (CSR) tax was legislated by the Government of Mauritius in July 2009. The Bank is entitled 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 Bank is liable to pay a special levy as a percentage of its leviable income from residents excluding Global Business Licence holders.

Applicable tax rates

As from 1 July 2019, the Segment A and Segment B regime has been abolished for income tax purposes and a new tax regime is applicable for the banking sector. The Bank 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 meeting prescribed conditions.

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

Remeasurement of defined benefit pension plan and retirement residual gratuities	(2,423)	771	487
Deferred tax charge/(credit)	315	(100)	(83)
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	(2,108)	671	404

30. DIVIDENDS
Dividends in cash

Paid on 10 December 2019 at Rs 2.70 per share (2019: Rs 2.05)	-	1,857	1,410
Paid on 5 July 2021 at Rs 2.91 per share	2,000	-	1,548
	2,000	1,857	2,958

31. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to the ordinary equity holder of the Bank by the weighted average number of ordinary shares outstanding during the year.

	2021	2020	2019
	RS'M	RS'M	RS'M
Profit for the year	7,396	7,409	8,765
Weighted average number of ordinary shares (thousands)	689,056	687,960	687,960
Earnings per share (Rs)	10.73	10.77	12.74

32. COMMITMENTS

(a) Capital commitments

	2021 RS'M	2020 RS'M	2019 RS'M
Expenditure contracted for but not incurred	152	129	137
Expenditure approved by the Board but not contracted for	135	173	143

(b) Securities pledged

The Bank 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.

	2021 RS'M	2020 RS'M	2019 RS'M
Government of Mauritius & Bank of Mauritius bonds with Bank of Mauritius	6,413	5,800	5,014
Government of Mauritius & Bank of Mauritius bonds with other financial institutions	46,961	9,087	1,800
	53,374	14,887	6,814

33. NET CASH FLOWS FROM TRADING ACTIVITIES

	2021 RS'M	2020 RS'M	2019 RS'M
Continuing operations			
Operating profit	8,414	8,195	10,201
Increase in other assets	(6,014)	(378)	(3,094)
Increase/(decrease) in other liabilities	1,950	(404)	830
Net decrease/(increase) in derivative financial instruments	407	(276)	(72)
Net (increase)/decrease in investment securities at fair value through profit or loss	(5,883)	3,419	7,208
Capital injection in Superannuation Fund	-	-	(317)
Additional/(release) of provision for employee benefits	22	25	(21)
Additional provision for residual retirement gratuities	13	14	7
Charge/(release) for credit impairment:			
Loans and advances	4,677	4,689	1,409
Investment securities	(1)	260	59
Cash and cash equivalents	41	(2)	6
Off balance sheet	154	(74)	33
Investment fair valued through other comprehensive income	(1)	10	(5)
Exchange profit	(646)	(2,622)	(456)
Depreciation of property, plant and equipment	556	511	436
Amortisation of intangible assets	321	229	173
Loss/(profit) on disposal of property, plant and equipment	3	2	(3)
Loss on scrapped intangible assets	-	22	-
Profit on disposal of investment securities	113	(195)	(8)
	4,126	13,425	16,386

34. NET CASH FLOWS FROM OTHER OPERATING ACTIVITIES

	2021	2020	2019
	RS'M	RS'M	RS'M
Net increase in deposits	103,876	57,231	28,845
Net increase in loans and advances	(56,166)	(16,667)	(28,843)
Purchase of investment at fair value through other comprehensive income	(36,560)	(63,849)	(39,503)
Proceeds from sale of investment at fair value through other comprehensive income	49,861	67,686	21,140
Net increase in investment securities at amortised cost	(54,541)	(24,352)	(22,899)
Net increase/(decrease) in other borrowed funds	24,255	(5,015)	41,196
	30,725	15,034	(64)

35. RELATED PARTY TRANSACTIONS

	Ultimate Holding Company *	Holding Company*	Entities under common control (including defined benefit plan)	Entities in which the Bank holds more than a 10% interest	Directors and Key Management Personnel (including parent)	Enterprises in which Directors and Key Management Personnel have significant interest (including parent)
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Cash equivalents, Loans and Advances						
Balances at 30 June 2021	-	-	4,254	571	263	421
Net movements during the year	-	-	1,026	(772)	(41)	88
Balances at 30 June 2020	-	-	3,228	1,343	304	333
Net movements during the year	-	-	(701)	(833)	13	(39)
Balances at 30 June 2019	-	-	3,929	2,176	291	372
Net movements during the year	(1)	-	(72)	782	41	(282)
Balances at 1 July 2018	1	-	4,001	1,394	250	654
Deposits						
Balance at year end:						
30 June 2021	588	-	4,779	151	392	405
30 June 2020	141	20	5,423	231	329	406
30 June 2019	58	99	5,245	138	235	278
Amounts due from/(to)						
Balance at year end:						
30 June 2021	1	(2,000)	128	2	-	-
30 June 2020	2	-	73	2	-	-
30 June 2019	2	(1,548)	107	2	-	-
Off Balance sheet items						
Balance at year end:						
30 June 2021	-	-	2,169	714	-	192
30 June 2020	-	-	2,397	161	-	5
30 June 2019	-	-	1,727	629	-	3
Interest income						
For the year ended:						
30 June 2021	-	-	118	12	2	14
30 June 2020	2	-	120	15	6	15
30 June 2019	-	-	164	17	7	20
Interest expense						
For the year ended:						
30 June 2021	-	-	3	1	2	-
30 June 2020	-	-	35	3	4	-
30 June 2019	-	-	59	4	7	-
Other income						
For the year ended:						
30 June 2021	1	-	128	144	3	2
30 June 2020	2	-	175	8	2	4
30 June 2019	1	-	175	185	3	2
Non-interest expense						
For the year ended:						
30 June 2021	-	-	139	-	-	-
30 June 2020	-	-	155	-	-	-
30 June 2019	-	-	105	-	-	-

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.

* The Directors regard MCB Investment Holding Limited as its holding company and MCB Group Limited as its ultimate holding company. The figures for 'Amounts due from/(to)' include the Interim Dividend payable to MCB Investment Holding Limited of Rs 2,000M for 2020/2021 and Rs NIL for 2019/2020.

35. RELATED PARTY TRANSACTIONS (continued)

The Bank introduced a Transfer Pricing policy applicable as from 1 January 2021 with its related entities in line with best practice and has gradually migrated to the new policy with support services being mainly categorised as 'low value services'.

Prior to 1 January 2021, the Bank had entered into management contracts with its foreign banking related entities and was charging fees based on operating income. These fees also included in 'Other income' represent the invoicing of administrative and support services provided by the Bank.

Gross amounts claimed, net of withholding tax, in the local jurisdiction under the above policies/contracts, were as follows :

MCB Seychelles	Rs 35M
MCB Madagascar	Rs 18M
MCB Maldives	Rs 8M

The figures for 'Other income' from Ultimate Holding Company, Holding Company and Entities under common control, include (where applicable) dividend income and reimbursable expenses charged to these entities in respect of notional rental of office space and provision of support, administrative and other assistance.

The FY 2020/2021 figure for 'Entities in which the bank holds more than 10% interest' includes dividend income and an annual amount in respect of management fees charged to Banque Française Commerciale Océan Indien ('BFCOI').

During the year, 80,345 share options were exercised under the Group Employee Share Option scheme by Key Management Personnel, including Executive Directors amounting to Rs 17M (FY 2019/2020: 125,905 share options for Rs 37M; FY 2018/2019: 74,120 share options for Rs 20M).

Key Management Personnel compensation

Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :

	2021	2020	2019
	RS'M	RS'M	RS'M
Salaries and short term employee benefits	124	134	108
Post employment benefits	11	8	7
	135	142	115

36. EVENT AFTER REPORTING DATE

Syndicated Facility

In September 2021, the Bank has secured a syndicated medium term facility of USD 1 billion arranged by a consortium of six international banks. The facility comprises two tranches, with Tranche A for an amount of USD 400 million with a tenor of 2 years and Tranche B for the remaining amount of USD 600 million with a tenor of 3 years.

A first disbursement of USD 500 million is expected before the end of September 2021 to settle an existing syndicated borrowing contracted in March 2019. The remainder is expected to be disbursed by end of December 2021 to finance its ongoing cross border activities in line with its strategic expansion in the region and beyond.

37. Additional disclosures as required by the Bank of Mauritius

Under the Guideline on Segmental Reporting under a Single Banking Licence Regime, the Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure into two segments; Segment A (Seg A) and Segment B (Seg B).

Segment B activity is essentially directed to the provision of international financial services that gives rise to "foreign source income".

Segment B assets will generally consist of placements with and advances to foreign financial institutions, notably associates and overseas correspondents, GBL holders and other non-residents.

However, the liabilities employed to support such assets may come from deposits, borrowings and funds deposited by non-residents, GBL holders and residents.

Segment A activity relates to all banking business other than Segment B activity.

Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

Statement of financial position as at 30 June 2021

	Note	2021			2020			2019		
		TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
ASSETS										
Cash and cash equivalents		101,154	23,475	77,679	68,128	30,514	37,614	45,398	19,651	25,747
Derivative financial instruments	37(a)	1,035	98	937	997	95	902	269	42	227
Loans to and placements with banks	37(b)	40,869	39	40,830	19,353	6,113	13,240	20,754	8,274	12,480
Loans and advances to customers	37(c)	256,750	140,314	116,436	226,777	127,924	98,853	213,398	127,228	86,170
Investment securities	37(d)	183,560	144,971	38,589	135,915	114,322	21,593	116,398	93,528	22,870
Investment in subsidiary	37(e)	118	-	118	118	-	118	118	-	118
Investments in associates	37(e)	5,820	-	5,820	4,984	-	4,984	4,079	-	4,079
Intangible assets	37(f)	1,462	1,462	-	1,014	1,014	-	805	805	-
Property, plant and equipment	37(g)	5,211	5,211	-	5,219	5,219	-	4,964	4,964	-
Deferred tax assets		1,189	386	803	1,009	627	382	340	279	61
Post employee benefit asset		1,218	1,218	-	-	-	-	-	-	-
Other assets	37(h)	27,155	24,203	2,952	22,359	21,896	463	21,978	21,537	441
Total assets		625,541	341,377	284,164	485,873	307,724	178,149	428,501	276,308	152,193
LIABILITIES AND SHAREHOLDER'S EQUITY										
Deposits from banks	37(i)	21,656	223	21,433	7,600	195	7,405	7,376	144	7,232
Deposits from customers	37(j)	453,828	286,950	166,878	364,008	259,315	104,693	307,001	222,210	84,791
Derivative financial instruments	37(a)	1,406	198	1,208	961	77	884	509	57	452
Other borrowed funds	37(k)	74,626	24,158	50,468	50,817	17,535	33,282	55,406	12,068	43,338
Subordinated liability	37(l)	875	-	875	1,013	-	1,013	1,040	-	1,040
Current tax liabilities		1,031	933	98	1,270	1,010	260	899	696	203
Post employee benefit liability		-	-	-	1,170	1,170	-	360	360	-
Other liabilities	37(m)	8,823	8,729	94	5,820	5,727	93	7,759	7,600	159
Total liabilities		562,245	321,191	241,054	432,659	285,029	147,630	380,350	243,135	137,215
Shareholder's equity										
Stated capital		8,880	8,880	-	6,880	6,880	-	6,880	6,880	-
Retained earnings		45,343	45,343	-	38,949	38,949	-	33,819	33,819	-
Other components of equity		9,073	8,575	498	7,385	7,028	357	7,452	7,358	94
Total equity		63,296	62,798	498	53,214	52,857	357	48,151	48,057	94
Total equity and liabilities		625,541	383,989	241,552	485,873	337,886	147,987	428,501	291,192	137,309
CONTINGENT LIABILITIES	37(n)	128,548	23,085	105,463	68,496	19,981	48,515	71,758	20,016	51,742

37. Additional disclosures as required by the Bank of Mauritius (continued)

Statement of profit or loss for the year ended 30 June 2021

	Note	2021			2020			2019		
		TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
Interest income	37(o)	15,908	10,007	5,901	18,348	11,468	6,880	17,449	11,098	6,351
Interest expense	37(p)	(2,072)	(1,031)	(1,041)	(4,884)	(2,892)	(1,992)	(5,196)	(3,650)	(1,546)
Net interest income		13,836	8,976	4,860	13,464	8,576	4,888	12,253	7,448	4,805
Fee and commission income	37(q)	4,934	2,547	2,387	4,421	2,526	1,895	4,433	2,657	1,776
Fee and commission expense	37(r)	(1,068)	(511)	(557)	(1,077)	(696)	(381)	(1,070)	(708)	(362)
Net fee and commission income		3,866	2,036	1,830	3,344	1,830	1,514	3,363	1,949	1,414
Other income										
Profit arising from dealing in foreign currencies		1,567	1,146	421	1,322	917	405	1,216	863	353
Net gain/(loss) from financial instruments carried at fair value	37(s)	403	(353)	756	913	478	435	651	313	338
Dividend income	37(t)	36	27	9	36	27	9	59	36	23
Net (loss)/gain on sale of financial instruments fair valued through other comprehensive income		(113)	-	(113)	195	-	195	8	-	8
Other operating income/(expense)		148	19	129	(1)	(9)	8	30	24	6
Operating income		2,041	839	1,202	2,465	1,413	1,052	1,964	1,236	728
Non-interest expense										
Salaries and human resource costs	37(u)	(3,789)	(3,172)	(617)	(3,629)	(3,142)	(487)	(3,527)	(3,011)	(516)
Depreciation of property, plant and equipment		(556)	(518)	(38)	(511)	(481)	(30)	(436)	(415)	(21)
Amortisation of intangible assets		(321)	(296)	(25)	(229)	(209)	(20)	(173)	(157)	(16)
Other	37(v)	(2,062)	(1,898)	(164)	(1,891)	(1,719)	(172)	(1,788)	(1,581)	(207)
Operating profit before impairment		13,015	5,967	7,048	13,013	6,268	6,745	11,656	5,469	6,187
Net impairment of financial assets	37(w)	(4,601)	(1,286)	(3,315)	(4,818)	(3,477)	(1,341)	(1,455)	(821)	(634)
Operating profit		8,414	4,681	3,733	8,195	2,791	5,404	10,201	4,648	5,553
Share of profit of associates		337	-	337	444	-	444	242	-	242
Profit before tax		8,751	4,681	4,070	8,639	2,791	5,848	10,443	4,648	5,795
Income tax expense	37(x)	(1,355)	(1,258)	(97)	(1,230)	(970)	(260)	(1,678)	(1,470)	(208)
Profit for the year		7,396	3,423	3,973	7,409	1,821	5,588	8,765	3,178	5,587

37. Additional disclosures as required by the Bank of Mauritius (continued)

Statement of comprehensive income for the year ended 30 June 2021

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
Profit for the year	7,396	3,423	3,973	7,409	1,821	5,588	8,765	3,178	5,587
Other comprehensive income/(expense):									
Items that will not be reclassified to profit or loss:									
Net fair value gain/(loss) on equity instruments	111	111	-	(191)	(191)	-	(69)	(69)	-
Reclassification adjustments on disposal of investments at fair value	(1)	(1)	-	-	-	-	-	-	-
Remeasurement of defined benefit pension plan, net of deferred tax	2,108	2,108	-	(671)	(671)	-	(404)	(404)	-
	2,218	2,218	-	(862)	(862)	-	(473)	(473)	-
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translating foreign operations	576	-	576	368	-	368	23	-	23
Reclassification adjustments on disposal of investments at fair value	-	-	-	-	-	-	(25)	(25)	-
Net fair value (loss)/gain on debt instruments	(108)	2	(110)	5	18	(13)	82	(6)	88
	468	2	466	373	18	355	80	(31)	111
Other comprehensive income/(expense) for the year	2,686	2,220	466	(489)	(844)	355	(393)	(504)	111
Total comprehensive income for the year	10,082	5,643	4,439	6,920	977	5,943	8,372	2,674	5,698

37. Additional disclosures as required by the Bank of Mauritius (continued)

(a) Derivative financial instruments

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
(i) Fair value assets									
Currency forwards	143	69	74	143	83	60	62	35	27
Interest rate swaps	733	3	730	725	4	721	200	4	196
Currency swaps	158	26	132	127	8	119	6	3	3
Others	1	-	1	2	-	2	1	-	1
	1,035	98	937	997	95	902	269	42	227
(ii) Fair value liabilities									
Currency forwards	98	46	52	62	20	42	35	8	27
Interest rate swaps	895	-	895	806	-	806	249	-	249
Currency swaps	413	152	261	93	57	36	224	49	175
Others	-	-	-	-	-	-	1	-	1
	1,406	198	1,208	961	77	884	509	57	452

(b) Loans to and placements with banks

(i) Loans to and placements with banks									
in Mauritius	39	39	-	6,114	6,114	-	10,261	10,261	-
outside Mauritius	119,815	1,000	118,815	50,887	-	50,887	38,306	-	38,306
	119,854	1,039	118,815	57,001	6,114	50,887	48,567	10,261	38,306
Less:									
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	(78,728)	(1,000)	(77,728)	(37,626)	-	(37,626)	(27,747)	(1,986)	(25,761)
	41,126	39	41,087	19,375	6,114	13,261	20,820	8,275	12,545
Less allowances for credit impairment	(257)	-	(257)	(22)	(1)	(21)	(66)	(1)	(65)
	40,869	39	40,830	19,353	6,113	13,240	20,754	8,274	12,480
(ii) Remaining term to maturity									
Up to 3 months	29,577	39	29,538	9,901	434	9,467	9,207	49	9,158
Over 3 months and up to 6 months	5,248	-	5,248	3,163	-	3,163	2,037	306	1,731
Over 6 months and up to 1 year	1,014	-	1,014	6,008	5,680	328	3,090	2,271	819
Over 1 year and up to 5 years	4,965	-	4,965	-	-	-	6,219	5,649	570
Over 5 years	322	-	322	303	-	303	267	-	267
	41,126	39	41,087	19,375	6,114	13,261	20,820	8,275	12,545

(iii) Allowances for credit impairment

Provision at 1 July 2020

 Provision for credit impairment for the year
 Financial assets that have been derecognised
 Changes in models/risk parameters

Provision at 30 June 2021

 Interest in suspense
Provision and interest in suspense at 30 June 2021
Provision at 1 July 2019

 Provision for credit impairment for the year
 Provision released during the year
 Financial assets that have been derecognised

Provision at 30 June 2020

 Interest in suspense
Provision and interest in suspense at 30 June 2020
At 1 July 2018

 Exchange adjustment
 Provision for credit impairment for the year
 Provision released during the year
 Financial assets that have been derecognised

Provision at 30 June 2019

 Interest in suspense
Provision and interest in suspense at 30 June 2019

TOTAL	SEG A		SEG B		Lifetime expected credit loss (credit impaired) RS'M
	Total	12 months expected credit loss	Total	12 months expected credit loss	
RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
10	1	1	9	9	-
147	-	-	147	146	1
(11)	(1)	(1)	(10)	(10)	-
110	-	-	110	110	-
256	-	-	256	255	1
1	-	-	1	-	1
257	-	-	257	255	2
59	1	1	58	58	-
4	-	-	4	4	-
(6)	-	-	(6)	(6)	-
(47)	-	-	(47)	(47)	-
10	1	1	9	9	-
12	-	-	12	-	12
22	1	1	21	9	12
132	-	-	132	101	31
1	-	-	1	-	1
48	1	1	47	47	-
(81)	-	-	(81)	(57)	(24)
(41)	-	-	(41)	(33)	(8)
59	1	1	58	58	-
7	-	-	7	-	7
66	1	1	65	58	7

37. Additional disclosures as required by the Bank of Mauritius (continued)

(c) Loans and advances to customers

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
Retail customers:									
Credit cards	821	804	17	794	782	12	1,250	1,212	38
Mortgages	32,177	31,020	1,157	30,802	29,638	1,164	29,676	28,492	1,184
Other retail loans	10,118	9,280	838	10,761	9,985	776	11,188	10,707	481
Corporate customers	123,015	105,708	17,307	110,051	92,911	17,140	105,598	90,105	15,493
Governments	244	-	244	459	-	459	611	-	611
Entities outside Mauritius	103,395	-	103,395	83,678	-	83,678	71,497	-	71,497
	269,770	146,812	122,958	236,545	133,316	103,229	219,820	130,516	89,304
Less:									
Allowances for credit impairment	(13,020)	(6,498)	(6,522)	(9,768)	(5,392)	(4,376)	(6,422)	(3,288)	(3,134)
	256,750	140,314	116,436	226,777	127,924	98,853	213,398	127,228	86,170

(i) Remaining term to maturity

Up to 3 months	81,354	40,541	40,813	62,014	35,060	26,954	64,783	35,165	29,618
Over 3 months and up to 6 months	4,856	3,717	1,139	4,425	3,782	643	6,168	2,017	4,151
Over 6 months and up to 1 year	15,557	4,348	11,209	13,471	3,525	9,946	5,730	2,121	3,609
Over 1 year and up to 5 years	78,673	23,340	55,333	70,248	20,898	49,350	59,451	23,752	35,699
Over 5 years	89,330	74,866	14,464	86,387	70,051	16,336	83,688	67,461	16,227
	269,770	146,812	122,958	236,545	133,316	103,229	219,820	130,516	89,304

(ii) Credit concentration of risk by industry sectors

Agriculture and fishing	5,115	5,115	-	7,536	6,892	644	7,863	7,863	-
Manufacturing	909	909	-	947	947	-	7,912	2,570	5,342
of which EPZ	61	61	-	33	33	-	1,215	1,215	-
Tourism	17,818	14,074	3,744	13,541	11,463	2,078	17,305	14,222	3,083
Transport	9,046	16	9,030	7,254	16	7,238	7,467	78	7,389
Construction	11,223	11,223	-	9,482	9,482	-	11,299	11,299	-
Financial and business services	64,024	9,544	54,480	64,823	9,773	55,050	31,745	9,673	22,072
Traders	99,865	3,293	96,572	68,866	2,847	66,019	57,088	3,731	53,357
Global Business Licence holders	10,217	-	10,217	10,090	-	10,090	10,584	-	10,584
Others	8,961	906	8,055	8,112	2,152	5,960	6,674	748	5,926
	227,178	45,080	182,098	190,651	43,572	147,079	157,937	50,184	107,753

37. Additional disclosures as required by the Bank of Mauritius (continued)

(c) Loans and advances to customers (continued)

(iii) Allowances for credit impairment

	TOTAL		SEG A			SEG B			
	Total	Total	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Provision at 1 July 2020	8,126	4,267	1,051	1,877	1,339	3,859	630	1,575	1,654
Exchange adjustment	95	-	-	-	-	95	-	-	95
Transfer to 12 months ECL	-	-	226	(132)	(94)	-	65	(51)	(14)
Transfer to lifetime ECL not credit impaired	-	-	(100)	134	(34)	-	(59)	59	-
Transfer to lifetime ECL credit impaired	-	-	(25)	(102)	127	-	(19)	(51)	70
Provision for credit impairment for the year	5,375	2,916	605	825	1,486	2,459	421	939	1,099
Provision released during the year	(1,765)	(1,537)	(521)	(744)	(272)	(228)	(124)	(76)	(28)
Financial assets that have been derecognised	(738)	(423)	(68)	(236)	(119)	(315)	(72)	(196)	(47)
Write offs	(1,479)	(324)	-	-	(324)	(1,155)	-	-	(1,155)
Changes in models/risk parameters	1,559	442	141	301	-	1,117	526	591	-
Provision at 30 June 2021	11,173	5,341	1,309	1,923	2,109	5,832	1,368	2,790	1,674
Interest in suspense	1,847	1,157	-	-	1,157	690	-	-	690
Provision and interest in suspense at 30 June 2021	13,020	6,498	1,309	1,923	3,266	6,522	1,368	2,790	2,364
Provision at 1 July 2019	4,470	1,903	775	216	912	2,567	556	425	1,586
Exchange adjustment	173	-	-	-	-	173	-	-	173
Transfer to 12 months ECL	-	-	104	(29)	(75)	-	4	(1)	(3)
Transfer to lifetime ECL not credit impaired	-	-	(129)	139	(10)	-	(66)	66	-
Transfer to lifetime ECL credit impaired	-	-	(24)	(9)	33	-	-	-	-
Provision for credit impairment for the year	5,272	3,338	164	1,565	1,609	1,934	187	1,119	628
Provision released during the year	(771)	(465)	(293)	(30)	(142)	(306)	(201)	(51)	(54)
Financial assets that have been derecognised	(623)	(145)	(76)	(6)	(63)	(478)	(94)	(38)	(346)
Write offs	(1,255)	(925)	-	-	(925)	(330)	-	-	(330)
Changes in models /risk parameters	860	561	530	31	-	299	244	55	-
Provision at 30 June 2020	8,126	4,267	1,051	1,877	1,339	3,859	630	1,575	1,654
Interest in suspense	1,642	1,125	-	-	1,125	517	-	-	517
Provision and interest in suspense at 30 June 2020	9,768	5,392	1,051	1,877	2,464	4,376	630	1,575	2,171
At 1 July 2018	4,665	2,235	902	314	1,019	2,430	631	471	1,328
Exchange adjustment	31	-	-	-	-	31	-	-	31
Transfer to 12 months ECL	-	-	166	(75)	(91)	-	5	(3)	(2)
Transfer to lifetime ECL not credit impaired	-	-	(53)	73	(20)	-	(2)	2	-
Transfer to lifetime ECL credit impaired	-	-	(11)	(158)	169	-	(1)	(104)	105
Provision for credit impairment for the year	3,565	1,915	533	235	1,147	1,650	458	229	963
Provision released during the year	(1,245)	(775)	(550)	(79)	(146)	(470)	(311)	(109)	(50)
Financial assets that have been derecognised	(480)	(163)	(84)	(27)	(52)	(317)	(114)	(9)	(194)
Write offs	(1,709)	(1,114)	-	-	(1,114)	(595)	-	-	(595)
Changes in models /risk parameters	(357)	(195)	(128)	(67)	-	(162)	(110)	(52)	-
Provision at 30 June 2019	4,470	1,903	775	216	912	2,567	556	425	1,586
Interest in suspense	1,952	1,385	-	-	1,385	567	-	-	567
Provision and interest in suspense at 30 June 2019	6,422	3,288	775	216	2,297	3,134	556	425	2,153

37. Additional disclosures as required by the Bank of Mauritius (continued)

(c) Loans and advances to customers (continued)

(iv) Allowances for credit impairment by industry sectors

	SEG A						SEG B					
	2021						2021					
	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision
RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	
Agriculture and fishing	6,558	585	124	13	887	1,024	821	579	3	-	294	297
Manufacturing	9,739	496	101	271	277	649	3,163	1	63	-	1	64
<i>of which EPZ</i>	2,040	158	22	152	138	312	-	-	-	-	-	-
Tourism	21,361	694	218	915	136	1,269	8,651	-	240	711	-	951
Transport	2,687	72	29	2	64	95	5,443	-	20	173	-	193
Construction	14,730	1,249	227	14	851	1,092	2,635	-	50	-	-	50
Financial and business services	25,661	309	184	191	128	503	26,857	770	453	57	575	1,085
Traders	19,685	637	222	54	389	665	43,585	1,016	180	461	878	1,519
Personal	40,348	1,142	137	38	422	597	1,912	81	13	3	40	56
<i>of which credit cards</i>	764	21	13	1	18	32	15	-	-	-	-	-
<i>of which housing</i>	31,020	726	52	16	229	297	1,157	71	2	2	31	35
Professional	1,269	129	10	5	76	91	100	2	1	-	2	3
Foreign governments	-	-	-	-	-	-	244	-	-	-	-	-
Global Business Licence holders	-	-	-	-	-	-	19,770	1,809	208	1,216	568	1,992
Others	4,774	69	57	420	36	513	9,777	129	137	169	6	312
	146,812	5,382	1,309	1,923	3,266	6,498	122,958	4,387	1,368	2,790	2,364	6,522

	TOTAL					
	2021					
	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision
RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	
Agriculture and fishing	7,379	1,164	127	13	1,181	1,321
Manufacturing	12,902	497	164	271	278	713
<i>of which EPZ</i>	2,040	158	22	152	138	312
Tourism	30,012	694	458	1,626	136	2,220
Transport	8,130	72	49	175	64	288
Construction	17,365	1,249	277	14	851	1,142
Financial and business services	52,518	1,079	637	248	703	1,588
Traders	63,270	1,653	402	515	1,267	2,184
Personal	42,260	1,223	150	41	462	653
<i>of which credit cards</i>	779	21	13	1	18	32
<i>of which housing</i>	32,177	797	54	18	260	332
Professional	1,369	131	11	5	78	94
Foreign governments	244	-	-	-	-	-
Global Business Licence holders	19,770	1,809	208	1,216	568	1,992
Others	14,551	198	194	589	42	825
	269,770	9,769	2,677	4,713	5,630	13,020

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

37. Additional disclosures as required by the Bank of Mauritius (continued)

(c) Loans and advances to customers (continued)

(iv) Allowances for credit impairment by industry sectors

	SEG A						SEG B					
	2020						2020					
	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision
RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	
Agriculture and fishing	5,511	616	24	243	654	921	798	545	2	-	235	237
Manufacturing	9,826	473	88	200	211	499	3,794	-	5	-	-	5
<i>of which EPZ</i>	2,126	139	11	121	94	226	-	-	-	-	-	-
Tourism	16,201	243	178	984	44	1,206	7,049	-	103	554	-	657
Transport	1,971	185	49	1	134	184	5,527	998	46	60	1,293	1,399
Construction	14,528	1,327	176	12	515	703	2,305	-	52	-	-	52
Financial and business services	24,308	440	86	135	44	265	26,115	825	156	31	167	354
Traders	15,519	671	128	85	221	434	28,128	1,407	64	201	377	642
Personal	39,622	1,545	268	105	538	911	1,882	98	56	4	32	92
<i>of which credit cards</i>	744	26	21	2	18	41	10	1	-	-	1	1
<i>of which housing</i>	29,638	964	62	30	283	375	1,164	75	2	3	14	19
Professional	1,126	140	12	35	77	124	72	2	1	2	2	5
Foreign governments	-	-	-	-	-	-	459	-	-	-	-	-
Global Business Licence holders	-	-	-	-	-	-	19,211	114	96	643	64	803
Others	4,704	82	42	77	26	145	7,889	1	49	80	1	130
	133,316	5,722	1,051	1,877	2,464	5,392	103,229	3,990	630	1,575	2,171	4,376

	TOTAL					
	2020					
	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision
RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	
Agriculture and fishing	6,309	1,161	26	243	889	1,158
Manufacturing	13,620	473	93	200	211	504
<i>of which EPZ</i>	2,126	139	11	121	94	226
Tourism	23,250	243	281	1,538	44	1,863
Transport	7,498	1,183	95	61	1,427	1,583
Construction	16,833	1,327	228	12	515	755
Financial and business services	50,423	1,265	242	166	211	619
Traders	43,647	2,078	192	286	598	1,076
Personal	41,504	1,643	324	109	570	1,003
<i>of which credit cards</i>	754	27	21	2	19	42
<i>of which housing</i>	30,802	1,039	64	33	297	394
Professional	1,198	142	13	37	79	129
Foreign governments	459	-	-	-	-	-
Global Business Licence holders	19,211	114	96	643	64	803
Others	12,593	83	91	157	27	275
	236,545	9,712	1,681	3,452	4,635	9,768

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

37. Additional disclosures as required by the Bank of Mauritius (continued)

(c) Loans and advances to customers (continued)

(iv) Allowances for credit impairment by industry sectors (continued)

	SEG A						SEG B					
	2019						2019					
	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision
RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	
Agriculture and fishing	7,969	573	10	93	328	431	593	484	1	-	122	123
Manufacturing	9,834	586	79	79	184	342	1	1	-	-	1	1
<i>of which EPZ</i>	2,964	510	3	13	149	165	-	-	-	-	-	-
Tourism	15,217	18	206	1	7	214	6,221	135	113	16	156	285
Transport	1,460	165	5	-	84	89	6,137	885	25	-	927	952
Construction	15,521	1,922	154	4	857	1,015	502	-	12	-	-	12
Financial and business services	20,645	153	94	7	81	182	21,110	955	154	3	348	505
Traders	14,097	374	138	21	167	326	26,521	1,259	54	88	178	320
Personal	39,603	1,178	49	9	497	555	1,637	115	2	1	54	57
<i>of which credit cards</i>	1,144	27	4	-	22	26	34	1	-	-	-	-
<i>of which housing</i>	28,492	689	19	4	258	281	1,184	66	1	-	15	16
Professional	884	112	3	1	67	71	164	95	-	-	55	55
Foreign governments	-	-	-	-	-	-	611	-	-	-	-	-
Global Business Licence holders	-	-	-	-	-	-	17,858	168	153	295	311	759
Others	5,286	96	37	1	25	63	7,949	1	42	22	1	65
	130,516	5,177	775	216	2,297	3,288	89,304	4,098	556	425	2,153	3,134

	TOTAL					
	2019					
	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision
RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	
Agriculture and fishing	8,562	1,057	11	93	450	554
Manufacturing	9,835	587	79	79	185	343
<i>of which EPZ</i>	2,964	510	3	13	149	165
Tourism	21,438	153	319	17	163	499
Transport	7,597	1,050	30	-	1,011	1,041
Construction	16,023	1,922	166	4	857	1,027
Financial and business services	41,755	1,108	248	10	429	687
Traders	40,618	1,633	192	109	345	646
Personal	41,240	1,293	51	10	551	612
<i>of which credit cards</i>	1,178	28	4	-	22	26
<i>of which housing</i>	29,676	755	20	4	273	297
Professional	1,048	207	3	1	122	126
Foreign governments	611	-	-	-	-	-
Global Business Licence holders	17,858	168	153	295	311	759
Others	13,235	97	79	23	26	128
	219,820	9,275	1,331	641	4,450	6,422

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

37. Additional disclosures as required by the Bank of Mauritius (continued)

(d) Investment securities

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
Amortised cost	155,282	125,538	29,744	100,741	100,354	387	76,388	76,050	338
Fair value through other comprehensive income	7,914	1,752	6,162	20,694	1,572	19,122	21,851	1,718	20,133
Fair value through profit or loss	20,722	18,018	2,704	14,839	12,746	2,093	18,258	15,859	2,399
	183,918	145,308	38,610	136,274	114,672	21,602	116,497	93,627	22,870
Less:									
Allowances for credit impairment on investment securities	(358)	(337)	(21)	(359)	(350)	(9)	(99)	(99)	-
	183,560	144,971	38,589	135,915	114,322	21,593	116,398	93,528	22,870

Credit impaired investments at fair value through other comprehensive income amounted to Rs 101M/Provision Rs 2M in 2021 (2020: Rs 90M/Provision Rs 10M, 2019: NIL)

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
(i) Amortised cost									
Government of Mauritius & Bank of Mauritius bonds	103,843	103,843	-	72,143	72,143	-	49,895	49,895	-
Treasury bills	7,415	167	7,248	7,084	7,084	-	8,498	8,498	-
Foreign bonds	22,000	-	22,000	387	-	387	338	-	338
Notes	21,643	21,147	496	20,803	20,803	-	17,348	17,348	-
Indexed linked note	381	381	-	324	324	-	309	309	-
	155,282	125,538	29,744	100,741	100,354	387	76,388	76,050	338

Allowances for credit impairment on investment securities

	2021					2020					2019				
	TOTAL RS'M	12 months expected credit loss RS'M	Seg A RS'M	Seg B RS'M	Lifetime expected credit loss (not credit impaired) RS'M	TOTAL RS'M	12 months expected credit loss RS'M	Seg A RS'M	Seg B RS'M	Lifetime expected credit loss (not credit impaired) RS'M	TOTAL RS'M	12 months expected credit loss RS'M	Seg A RS'M	Seg B RS'M	Lifetime expected credit loss (not credit impaired) RS'M
At 1 July 2020															
Transfer to 12 month ECL	-	133	-	-	(133)	-	-	-	-	-	-	-	-	-	-
Provision for credit impairment for the year	37	22	-	-	-	222	-	-	-	214	8	-	-	-	-
Provision released during the year	(129)	(87)	-	-	(42)	(12)	(12)	-	-	-	-	-	-	-	-
Financial assets that have been derecognised	(13)	(8)	-	-	(5)	(5)	(5)	-	-	-	-	-	-	-	-
Changes in models/risk parameters	104	88	-	-	19	55	45	-	-	9	1	-	-	-	-
At 30 June 2021	359	231	106	21	-	359	83	267	9	-	-	-	-	-	-
At 1 July 2019															
Transfer to lifetime ECL not credit impaired	-	(44)	-	-	44	-	-	-	-	-	-	-	-	-	-
Provision for credit impairment for the year	222	-	-	-	214	222	-	-	-	8	-	-	-	-	-
Provision released during the year	(12)	(12)	-	-	-	(12)	(12)	-	-	-	-	-	-	-	-
Financial assets that have been derecognised	(5)	(5)	-	-	-	(5)	(5)	-	-	-	-	-	-	-	-
Changes in models/risk parameters	55	45	-	-	9	55	45	-	-	9	1	-	-	-	-
At 30 June 2020	359	83	267	9	-	359	83	267	9	-	-	-	-	-	-
At 1 July 2018															
Provision for credit impairment for the year	78	77	-	-	-	78	77	-	-	1	-	-	-	-	-
Financial assets that have been derecognised	(40)	(39)	-	-	-	(40)	(39)	-	-	(1)	-	-	-	-	-
Changes in models/risk parameters	21	21	-	-	-	21	21	-	-	-	-	-	-	-	-
At 30 June 2019	99	99	-	-	-	99	99	-	-	-	-	-	-	-	-

(ii) Fair value through other comprehensive income by levels

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
Quoted - Level 1									
Official list: shares	797	797	-	684	684	-	860	860	-
Bonds	6,182	726	5,456	19,141	656	18,485	20,201	625	19,576
	6,979	1,523	5,456	19,825	1,340	18,485	21,061	1,485	19,576
Unquoted - Level 2									
Investment fund	677	-	677	625	-	625	545	-	545
Unquoted - Level 3									
Shares	258	229	29	244	232	12	245	233	12
	7,914	1,752	6,162	20,694	1,572	19,122	21,851	1,718	20,133

(iii) Fair value through profit or loss by levels

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
Quoted - Level 1									
Foreign bonds	1	-	1	1	-	1	733	-	733
Foreign shares	2,703	-	2,703	2,092	-	2,092	1,666	-	1,666
	2,704	-	2,704	2,093	-	2,093	2,399	-	2,399
Unquoted - Level 2									
Government of Mauritius & Bank of Mauritius bonds	1,251	1,251	-	893	893	-	864	864	-
Treasury bills	16,767	16,767	-	11,853	11,853	-	14,995	14,995	-
	18,018	18,018	-	12,746	12,746	-	15,859	15,859	-
	20,722	18,018	2,704	14,839	12,746	2,093	18,258	15,859	2,399

37. Additional disclosures as required by the Bank of Mauritius (continued)

(e) Investments in subsidiary and associates

(i) Investment in subsidiary

The Bank's interest in its subsidiary is as follows:

	Country of incorporation	Holding %	2021			2020			2019		
			TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
MCB Madagascar SA	Madagascar	80.00	118	-	118	118	-	118	118	-	118

Movement in investment in subsidiary is as follows:

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
At 30 June	118	-	118	118	-	118	118	-	118

(ii) Investments in associates

The Bank's interest in its associates is as follows:

	Country of incorporation	Holding %
Banque Française Commerciale Océan Indien	Reunion	49.99
Société Générale Moçambique	Mozambique	35.00

Movements in investments in associates

	SEGMENT B			
	BFCOI RS'M	SG Moçambique RS'M	Subordinated loan to BFCOI RS'M	Total RS'M
At 1 July 2018	3,233	250	413	3,896
Share of profit of associates	241	1	-	242
Share of other movements in associates	2	21	-	23
Dividend received from associates	(173)	-	-	(173)
Increase in shareholding	-	98	-	98
Adjustments	(9)	-	2	(7)
At 30 June 2019	3,294	370	415	4,079
Share of profit of associates	438	6	-	444
Share of other movements in associates	392	(24)	-	368
Increase in shareholding	-	50	-	50
Adjustments	-	-	43	43
At 30 June 2020	4,124	402	458	4,984
Share of profit of associates	331	6	-	337
Share of other movements in associates	526	50	-	576
Dividend received from associates	(134)	-	-	(134)
Adjustments	(7)	6	58	57
At 30 June 2021	4,840	464	516	5,820

37. Additional disclosures as required by the Bank of Mauritius (continued)

(f) Intangible assets

	Computer Software RS'M	Work in progress RS'M	Total RS'M
Cost			
At 1 July 2018	2,834	158	2,992
Additions	78	276	354
Scrap/Impairment	(1,810)	-	(1,810)
Transfer	351	(351)	-
At 30 June 2019	1,453	83	1,536
Additions	56	462	518
Scrap/Impairment	(700)	(22)	(722)
Transfer	265	(265)	-
At 30 June 2020	1,074	258	1,332
Additions	153	564	717
Scrap/Impairment	(1)	-	(1)
Transfer	356	(356)	-
At 30 June 2021	1,582	466	2,048
Accumulated Amortisation			
At 1 July 2018	2,448	-	2,448
Scrap/Impairment	(1,810)	-	(1,810)
Amortisation adjustment	(80)	-	(80)
Charge for the year	173	-	173
At 30 June 2019	731	-	731
Scrap/Impairment	(700)	-	(700)
Amortisation adjustment	58	-	58
Charge for the year	229	-	229
At 30 June 2020	318	-	318
Scrap/Impairment	(1)	-	(1)
Amortisation adjustment	(52)	-	(52)
Charge for the year	321	-	321
At 30 June 2021	586	-	586
Net book values - Segment A			
At 30 June 2021	996	466	1,462
At 30 June 2020	756	258	1,014
At 30 June 2019	722	83	805

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

37. Additional disclosures as required by the Bank of Mauritius (continued)

(g) Property, plant and equipment

	Land and buildings RS'M	Computer and other equipment RS'M	Furniture, fittings and vehicles RS'M	Work in progress RS'M	Right-of-use Assets (Land buildings) RS'M	Total RS'M
Cost						
At 1 July 2018	4,552	3,314	831	14	-	8,711
Additions	4	270	11	137	-	422
Scrap/Disposals	(3)	(708)	(11)	-	-	(722)
Transfer	-	50	27	(77)	-	-
At 30 June 2019	4,553	2,926	858	74	-	8,411
Recognition of right-of-use assets on initial application of IFRS 16	-	-	-	-	151	151
Additions	83	215	16	275	-	589
Scrap	-	(77)	(11)	-	-	(88)
Disposals	-	(29)	(9)	-	-	(38)
Transfer	32	116	31	(179)	-	-
At 30 June 2020	4,668	3,151	885	170	151	9,025
Additions	9	248	3	179	90	529
Scrap	-	(60)	(17)	-	-	(77)
Disposals	(1)	(74)	(12)	-	-	(87)
Cancellation	-	-	-	-	(3)	(3)
Adjustment on re-measurement*	-	-	-	-	2	2
Transfer	39	123	38	(200)	-	-
At 30 June 2021	4,715	3,388	897	149	240	9,389
Accumulated depreciation						
At 1 July 2018	859	2,534	477	-	-	3,870
Charge for the year	74	309	53	-	-	436
Depreciation adjustment	-	(126)	(13)	-	-	(139)
Scrap/Disposal adjustment	(1)	(708)	(11)	-	-	(720)
At 30 June 2019	932	2,009	506	-	-	3,447
Charge for the year	76	334	56	-	45	511
Depreciation adjustment	-	(39)	9	-	-	(30)
Scrap adjustment	-	(74)	(11)	-	-	(85)
Disposal adjustment	-	(29)	(8)	-	-	(37)
At 30 June 2020	1,008	2,201	552	-	45	3,806
Charge for the year	78	363	56	-	59	556
Depreciation adjustment	-	(16)	(10)	-	-	(26)
Scrap adjustment	-	(60)	(15)	-	-	(75)
Disposal adjustment	-	(73)	(10)	-	-	(83)
At 30 June 2021	1,086	2,415	573	-	104	4,178
Net book values - Segment A						
At 30 June 2021	3,629	973	324	149	136	5,211
At 30 June 2020	3,660	950	333	170	106	5,219
At 30 June 2019	3,621	917	352	74	-	4,964

Following the adoption of IFRS 16, the Bank has presented right-of-use assets within 'property, plant and equipment'.

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

The leases under Right-of-use Assets consist mainly of rental of space for ATMs and the lease terms are in the range of 1 to 5 years.

Moreover, the Bank does not have the possibility of acquiring the asset at the end of the lease.

* The Bank reviewed the discounting rate used upon adoption of IFRS 16 to measure the present value of the remaining lease payments from 5.6% to 4.1%.

37. Additional disclosures as required by the Bank of Mauritius (continued)

(h) Other assets

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
Mandatory balances with Central Bank	21,990	21,990	-	19,821	19,821	-	18,609	18,609	-
Prepayments & other receivables	1,126	993	133	813	713	100	612	472	140
Credit card clearing	152	152	-	155	155	-	99	99	-
Non-banking assets acquired in satisfaction of debts*	79	79	-	60	60	-	61	61	-
Impersonal & other accounts	3,808	989	2,819	1,510	1,147	363	2,597	2,296	301
	27,155	24,203	2,952	22,359	21,896	463	21,978	21,537	441

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

37. Additional disclosures as required by the Bank of Mauritius (continued)

(i) Deposits from banks

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
Demand deposits	16,955	223	16,732	4,484	195	4,289	3,452	144	3,308
Money market deposits with remaining term to maturity:									
Up to 3 months	2,570	-	2,570	1,447	-	1,447	2,507	-	2,507
Over 3 months and up to 6 months	1,663	-	1,663	1,430	-	1,430	1,417	-	1,417
Over 6 months and up to 1 year	427	-	427	201	-	201	-	-	-
Over 1 year and up to 5 years	41	-	41	38	-	38	-	-	-
	4,701	-	4,701	3,116	-	3,116	3,924	-	3,924
	21,656	223	21,433	7,600	195	7,405	7,376	144	7,232

(j) Deposits from customers

(i) Retail customers

Demand deposits	46,602	29,420	17,182	40,815	26,121	14,694	29,881	18,842	11,039
Savings deposits	169,830	160,437	9,393	152,765	143,869	8,896	132,280	124,523	7,757
Time deposits with remaining term to maturity:									
Up to 3 months	3,419	2,636	783	4,532	3,349	1,183	4,564	3,550	1,014
Over 3 months and up to 6 months	1,673	1,294	379	2,125	1,726	399	2,229	1,735	494
Over 6 months and up to 1 year	3,302	2,845	457	4,596	3,879	717	4,405	3,852	553
Over 1 year and up to 5 years	9,320	8,495	825	10,257	9,175	1,082	11,720	10,275	1,445
Over 5 years	8	7	1	49	47	2	36	26	10
	17,722	15,277	2,445	21,559	18,176	3,383	22,954	19,438	3,516
	234,154	205,134	29,020	215,139	188,166	26,973	185,115	162,803	22,312

(ii) Corporate customers

Demand deposits	193,036	67,625	125,411	120,215	57,503	62,712	96,873	46,566	50,307
Savings deposits	6,145	6,138	7	5,077	5,071	6	5,444	5,438	6
Time deposits with remaining term to maturity:									
Up to 3 months	12,598	4,124	8,474	12,777	3,768	9,009	9,421	1,871	7,550
Over 3 months and up to 6 months	2,315	637	1,678	3,403	1,533	1,870	2,403	1,446	957
Over 6 months and up to 1 year	4,131	2,091	2,040	2,677	1,884	793	1,602	943	659
Over 1 year and up to 5 years	1,326	1,078	248	4,522	1,192	3,330	5,923	2,923	3,000
Over 5 years	-	-	-	-	-	-	31	31	-
	20,370	7,930	12,440	23,379	8,377	15,002	19,380	7,214	12,166
	219,551	81,693	137,858	148,671	70,951	77,720	121,697	59,218	62,479

(iii) Government

Demand deposits	54	54	-	44	44	-	36	36	-
Savings deposits	69	69	-	154	154	-	153	153	-
	123	123	-	198	198	-	189	189	-
	453,828	286,950	166,878	364,008	259,315	104,693	307,001	222,210	84,791

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

37. Additional disclosures as required by the Bank of Mauritius (continued)
(k) Other borrowed funds
(i) Other borrowed funds comprise the following:

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
Borrowings from banks:									
in Mauritius	24,158	24,158	-	17,535	17,535	-	12,068	12,068	-
abroad	50,468	-	50,468	33,282	-	33,282	43,338	-	43,338
	74,626	24,158	50,468	50,817	17,535	33,282	55,406	12,068	43,338

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

(ii) Remaining term to maturity:

On demand or within a period not exceeding 1 year	43,844	15,611	28,233	43,556	17,535	26,021	24,135	10,285	13,850
Within a period of more than 1 year but not exceeding 3 years	17,154	8,547	8,607	352	-	352	23,929	1,783	22,146
Within a period of more than 3 years	13,628	-	13,628	6,909	-	6,909	7,342	-	7,342
	74,626	24,158	50,468	50,817	17,535	33,282	55,406	12,068	43,338

(l) Subordinated liability

USD 30M subordinated debt maturing in August 2023 at an average interest rate of 3.5% (2020: 5.2% and 2019: 5.8%) (Level 3)	1,013	-	1,013	1,040	-	1,040	1,068	-	1,068
Repayment of USD 4.5M during the year (2020: USD 3.8M, 2019: USD 1.5M)	(179)	-	(179)	(137)	-	(137)	(51)	-	(51)
Adjustment	41	-	41	110	-	110	23	-	23
	875	-	875	1,013	-	1,013	1,040	-	1,040

(m) Other liabilities

Allowances for credit impairment on off balance sheet exposures	389	312	77	235	154	81	309	158	151
Lease liabilities	139	139	-	109	109	-	-	-	-
Impersonal, other accounts and deferred income	6,295	6,278	17	5,476	5,464	12	5,902	5,894	8
Proposed dividend	2,000	2,000	-	-	-	-	1,548	1,548	-
	8,823	8,729	94	5,820	5,727	93	7,759	7,600	159

(n) Contingent liabilities
(i) Instruments

Guarantees on account of customers	25,519	15,761	9,758	23,554	13,501	10,053	20,377	12,781	7,596
Letters of credit and other obligations on account of customers	92,105	2,681	89,424	36,938	2,377	34,561	44,400	3,224	41,176
Other contingent items	5,709	57	5,652	1,550	-	1,550	1,751	-	1,751
	123,333	18,499	104,834	62,042	15,878	46,164	66,528	16,005	50,523

(ii) Commitments

Loans and other facilities, including undrawn credit facilities	5,215	4,586	629	6,356	4,005	2,351	5,140	3,921	1,219
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(iii) Tax assessments

	-	-	-	98	98	-	90	90	-
	128,548	23,085	105,463	68,496	19,981	48,515	71,758	20,016	51,742

37. Additional disclosures as required by the Bank of Mauritius (continued)
(o) Interest income

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
Interest income using the effective interest method:									
Loans to and placements with banks	577	168	409	875	343	532	1,089	423	666
Loans and advances to customers	11,061	5,871	5,190	12,968	7,050	5,918	12,787	7,380	5,407
Investments at amortised cost	3,891	3,845	46	3,691	3,691	-	2,514	2,502	12
Investments at fair value through other comprehensive income	99	22	77	350	30	320	270	29	241
	15,628	9,906	5,722	17,884	11,114	6,770	16,660	10,334	6,326
Investments at fair value through profit or loss	131	100	31	370	352	18	774	753	21
Other	149	1	148	94	2	92	15	11	4
	15,908	10,007	5,901	18,348	11,468	6,880	17,449	11,098	6,351

(p) Interest expense

Deposits from banks	16	-	16	65	-	65	101	-	101
Deposits from customers	883	732	151	3,147	2,602	545	3,769	3,126	643
Subordinated liability	31	-	31	52	-	52	59	-	59
Other borrowed funds	1,136	293	843	1,612	282	1,330	1,267	524	743
Leases	6	6	-	8	8	-	-	-	-
	2,072	1,031	1,041	4,884	2,892	1,992	5,196	3,650	1,546

(q) Fee and commission income

Retail and private banking fees	873	517	356	666	430	236	686	432	254
Corporate banking fees	882	395	487	938	429	509	875	515	360
Guarantee fees	381	160	221	335	144	191	264	166	98
Interbank transaction fees	75	-	75	56	-	56	63	-	63
Cards and other related fees	1,686	1,181	505	1,755	1,364	391	1,793	1,409	384
Trade finance fees	944	272	672	528	127	401	631	106	525
Others	93	22	71	143	32	111	121	29	92
	4,934	2,547	2,387	4,421	2,526	1,895	4,433	2,657	1,776

(r) Fee and commission expense

Interbank transaction fees	24	1	23	17	-	17	16	-	16
Cards and other related fees	786	510	276	863	696	167	840	708	132
Corporate banking and trade finance fees	199	-	199	190	-	190	174	-	174
Others	59	-	59	7	-	7	40	-	40
	1,068	511	557	1,077	696	381	1,070	708	362

(s) Net gain/(loss) from financial instruments carried at fair value

Net (loss)/gain from financial instruments	(159)	(304)	145	412	371	41	88	166	(78)
Net gain from Investment securities	562	(49)	611	501	107	394	563	147	416
	403	(353)	756	913	478	435	651	313	338

(t) Dividend income

Income from quoted investments	23	14	9	25	17	8	31	25	6
Income from unquoted investments	13	13	-	11	10	1	13	11	2
Income from subsidiary	-	-	-	-	-	-	15	-	15
	36	27	9	36	27	9	59	36	23

37. Additional disclosures as required by the Bank of Mauritius (continued)
(u) Salaries and human resource costs

	2021			2020			2019		
	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M	TOTAL RS'M	Seg A RS'M	Seg B RS'M
Wages and salaries	2,529	2,109	420	2,407	2,079	328	2,465	2,085	380
Defined benefit plan	223	179	44	228	189	39	184	150	34
Defined contribution plan	156	146	10	132	123	9	106	99	7
Residual retirement gratuities	13	13	-	14	14	-	7	7	-
Compulsory social security obligations	107	91	16	78	69	9	70	62	8
Equity settled share-based payments	7	7	-	11	11	-	4	4	-
Other personnel expenses	754	627	127	759	657	102	691	604	87
	3,789	3,172	617	3,629	3,142	487	3,527	3,011	516

(v) Other non-interest expense

Legal and professional fees	398	314	84	384	270	114	321	213	108
Rent, repairs, maintenance and security costs	358	336	22	316	301	15	321	307	14
Software licensing and other information technology costs	544	518	26	406	388	18	312	293	19
Electricity, water and telephone charges	265	238	27	243	233	10	232	221	11
Advertising, marketing costs and sponsoring	79	66	13	156	126	30	249	205	44
Postage, courier and stationery costs	156	144	12	149	137	12	145	133	12
Insurance costs	129	118	11	98	91	7	97	87	10
Others	133	164	(31)	139	173	(34)	111	122	(11)
of which short term leases	3	3	-	2	2	-	-	-	-
of which low value leases	6	6	-	12	12	-	-	-	-
of which variable leases	10	10	-	6	6	-	-	-	-
	2,062	1,898	164	1,891	1,719	172	1,788	1,581	207

(w) Net impairment of financial assets
The impairment charge related to the Statement of Profit or Loss:

Allowance for credit impairment:									
Cash and cash equivalent	41	5	36	(2)	-	(2)	6	-	6
Loans and advances	4,408	1,138	3,270	4,624	3,229	1,395	1,362	726	636
Investment securities:									
Amortised cost	(1)	(13)	12	260	250	10	59	60	(1)
Fair value through other comprehensive income	(1)	(2)	1	10	2	8	(5)	(2)	(3)
Off balance sheet exposures	154	158	(4)	(74)	(4)	(70)	33	37	(4)
	4,601	1,286	3,315	4,818	3,477	1,341	1,455	821	634

(x) Income tax expense
Current tax expense

Current year	1,848	1,332	516	1,803	1,221	582	1,365	1,184	181
Under/(Over) provision in previous years	-	1	(1)	(13)	(3)	(10)	25	(15)	40
Provision for tax assessment	-	-	-	-	-	-	163	167	(4)
	1,848	1,333	515	1,790	1,218	572	1,553	1,336	217
Deferred tax	(493)	(75)	(418)	(423)	(314)	(109)	125	134	(9)
Effect of change in tax rate	-	-	-	(137)	66	(203)	-	-	-
Charge for the year	1,355	1,258	97	1,230	970	260	1,678	1,470	208

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

Profit before tax:	8,751	4,681	4,070	8,639	2,791	5,848	10,443	4,648	5,795
Less share of profit of associates	(337)	-	(337)	(444)	-	(444)	(242)	-	(242)
	8,414	4,681	3,733	8,195	2,791	5,404	10,201	4,648	5,553
Tax calculated at applicable tax rates of 15%/5%	1,027	579	448	1,012	493	519	1,530	697	833
Effect of change in tax rate	-	-	-	(137)	66	(203)	-	-	-
Impact of:									
Income not subject to tax	(570)	(118)	(452)	(511)	(357)	(154)	(110)	(74)	(36)
Expenses not deductible for tax purposes	235	133	102	212	104	108	224	159	65
Tax credits	-	-	-	-	-	-	(750)	(60)	(690)
Special levy on banks	556	556	-	563	563	-	510	510	-
Corporate Social Responsibility contribution	107	107	-	104	104	-	86	86	-
Under/(Over) provision in previous years	-	1	(1)	(13)	(3)	(10)	25	(15)	40
Provision for tax assessment	-	-	-	-	-	-	163	167	(4)
Tax charge	1,355	1,258	97	1,230	970	260	1,678	1,470	208

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

Remeasurement of defined benefit pension plan and retirement residual gratuities	(2,423)	(2,423)	-	771	771	-	487	487	-
Deferred tax charge/(credit)	315	315	-	(100)	(100)	-	(83)	(83)	-
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	(2,108)	(2,108)	-	671	671	-	404	404	-