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

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **MCB Group Limited** (the "Company" and the "Public Interest Entity") and its subsidiaries (the "Group") set out on pages 210 to 317, which comprise the consolidated and separate statements of financial position as at 30 June 2023, and the consolidated and separate statements of profit or loss, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2023, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Basis for opinion

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are not credit impaired	
IFRS 9 requires the Group to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • **Model estimations** - the Group has used the Run-off triangle model to estimate ECLs for the Retail portfolio, which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). For the Wholesale portfolio, statistical models were employed for estimating the PD and LGD. The PD and LGD models used are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach.	Our audit procedures included amongst others: • Inspecting the minutes of the Risk Monitoring Committee, Audit Committee and the Board of Directors to ensure that there are governance controls in place in relation to assessment of the ECL; • Using specialist team in performing certain procedures; • 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 backstop used in the methodology; • Assessing the appropriateness of the macro-economic forecasts used;

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

Key audit matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are not credit impaired (Cont'd)	
• **Significant Increase in Credit Risk ('SICR')** - Determining the criteria for significant increase in credit risk 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 Group has used a range of future economic conditions. 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.	• Independently assessing the probability of default, loss given default and exposure at default assumptions; • Testing the accuracy and completeness of ECL by reperformance; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9.
Provision for expected credit losses - Loans and advances to customers which are credit impaired	
Provision for expected credit losses on credit-impaired loans and advances to customers involve the use of assumptions which are 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 the provision for expected credit losses on credit-impaired loans and advances to customers. The most significant judgements are: - whether impairment events have occurred; - valuation of collateral and future cash flows; and - management judgements and assumptions used. The details of the provisions for expected credit losses on credit-impaired loans and advances to customers are disclosed in Note 6(b)(iv) to the consolidated and separate financial statements. Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for expected credit losses, this item is considered as a key audit matter.	Our audit procedures included amongst others: • Obtaining audit evidence in respect of key controls over the processes for impairment events identification of impaired assets and impairment assessment; • Inspecting the minutes of the Risk Monitoring Committee, Audit Committee and the Board of Directors 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 recalculating the ECL, on a sample basis, based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level. Where collaterals were used, we assessed, on a sample basis, the reasonableness of the time taken into account to realise those collaterals and the objectivity and qualifications of the respective independent appraisers.

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

Key audit matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Loans and advances to customers which are credit impaired (Cont'd)	
	• Performing a risk-based test of loans and advances to customers to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9.

Other information

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

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

The other information does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

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

Responsibilities of directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

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

Financial Reporting Act 2004

Corporate Governance Report

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

Use of this report

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

Deloitte.

Deloitte
Chartered Accountants

Agrawal.

Vishal Agrawal, FCA
Licensed by FRC

28 September 2023

Consolidated and Separate Statements of financial position

as at 30 June 2023

		GROUP		COMPANY	
		2023	2022	2023	2022
	Notes	RS'M	RS'M	RS'M	RS'M
ASSETS					
Cash and cash equivalents	4	**120,570**	73,294	**1,593**	1,188
Derivative financial instruments	5	**1,283**	477	**-**	-
Loans to and placements with banks	6(a)	**13,780**	23,375	**-**	-
Loans and advances to customers	6(b)	**349,285**	325,613	**-**	-
Investment securities	7	**267,472**	239,684	**608**	440
Investments in associates and joint venture	8	**13,169**	12,356	**154**	147
Investments in subsidiaries	9	**-**	-	**13,426**	13,401
Investment properties	10	**5,139**	4,799	**-**	-
Goodwill and other intangible assets	11	**2,799**	2,488	**-**	-
Property, plant and equipment	12	**7,534**	7,329	**232**	225
Deferred tax assets	13	**3,124**	2,181	**-**	-
Post employee benefit asset	20	**455**	-	**-**	-
Other assets	14	**45,371**	36,532	**2,433**	1,764
Total assets		**829,981**	728,128	**18,446**	17,165
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits from banks	15(a)	**10,352**	6,979	**-**	-
Deposits from customers	15(b)	**587,414**	518,677	**-**	-
Derivative financial instruments	5	**1,285**	536	**-**	-
Other borrowed funds	16	**87,657**	94,995	**1,616**	-
Debt securities	17	**15,760**	3,848	**2,001**	4,008
Subordinated liabilities	18	**8,172**	1,793	**1,113**	1,109
Preference shares	19	**2,300**	3,396	**2,300**	3,396
Current tax liabilities		**3,135**	1,295	**1**	-
Deferred tax liabilities	13	**478**	386	**-**	-
Post employee benefit liability	20	**-**	460	**-**	-
Other liabilities	21	**20,333**	14,721	**2,632**	1,635
Total liabilities		**736,886**	647,086	**9,663**	10,148
Shwareholders' equity					
Stated capital	22	**4,907**	3,109	**4,907**	3,109
Retained earnings		**71,323**	61,612	**3,891**	3,872
Other components of equity		**13,533**	13,191	**(15)**	36
Equity attributable to the equity holders of the parent		**89,763**	77,912	**8,783**	7,017
Non-controlling interests		**3,332**	3,130	**-**	-
Total equity		**93,095**	81,042	**8,783**	7,017
Total equity and liabilities		**829,981**	728,128	**18,446**	17,165
CONTINGENT LIABILITIES (NET)	23	**125,670**	126,118		

These financial statements were approved by the Board of Directors and authorised for issue on 28 September 2023.

Jean Michel NG TSEUNG
Director
Group Chief Executive

Didier HAREL
Director
Chairperson-Board of Directors

San T SINGARAVELLOO
Director
Chairperson-Audit Committee

The notes on pages 220 to 317 form part of these financial statements.
Auditor's report on pages 204 to 208.

Consolidated and Separate Statements of profit or loss

for the year ended 30 June 2023

	Notes	GROUP		COMPANY	
		2023	2022	2023	2022
		RS'M	RS'M	RS'M	RS'M
Interest income using the effective interest method	24	**33,924**	18,455	**17**	1
Interest expense	25	**(14,134)**	(3,264)	**(339)**	(129)
Net interest income		**19,790**	15,191	**(322)**	(128)
Fee and commission income	26	**9,673**	8,364	**-**	-
Fee and commission expense	27	**(3,067)**	(2,514)	**-**	-
Net fee and commission income		**6,606**	5,850	**-**	-
Profit arising from dealing in foreign currencies		**3,383**	2,130	**70**	1
Net gain/(loss) from equity financial instruments carried at fair value through profit or loss		**614**	(518)	**-**	-
Net gain from other financial instruments carried at fair value	28	**290**	160	**-**	-
Dividend income	29	**182**	113	**4,756**	4,100
Other operating income		**927**	919	**-**	-
		5,396	2,804	**4,826**	4,101
Operating income		**31,792**	23,845	**4,504**	3,973
Non-interest expense					
Salaries and human resource costs	30(a)	**(5,957)**	(4,972)	**(144)**	(93)
Depreciation of property, plant and equipment	12	**(897)**	(855)	**(2)**	(1)
Amortisation of intangible assets	11	**(652)**	(525)	**-**	-
Other	30(b)	**(3,751)**	(2,780)	**(60)**	(71)
		(11,257)	(9,132)	**(206)**	(165)
Operating profit before impairment		**20,535**	14,713	**4,298**	3,808
Net impairment of financial assets	31	**(3,644)**	(3,481)	**-**	-
Operating profit		**16,891**	11,232	**4,298**	3,808
Share of profit of associates		**867**	799	**-**	-
Profit before tax		**17,758**	12,031	**4,298**	3,808
Income tax expense	32	**(3,445)**	(2,070)	**(1)**	-
Profit for the year		**14,313**	9,961	**4,297**	3,808
Profit for the year attributable to:					
Ordinary equity holders of the parent		**14,133**	9,637	**4,297**	3,648
Preference shareholders	19	**-**	160	**-**	160
Non-controlling interests		**180**	164	**-**	-
		14,313	9,961	**4,297**	3,808
Earnings per share:					
Basic (Rs)	34(a)	**57.67**	40.14		
Diluted (Rs)	34(b)	**57.66**	40.13		

The notes on pages 220 to 317 form part of these financial statements.
Auditor's report on pages 204 to 208.

Consolidated and Separate Statements of comprehensive income

for the year ended 30 June 2023

	Note	GROUP		COMPANY	
		2023	2022	2023	2022
		RS'M	RS'M	RS'M	RS'M
Profit for the year		**14,313**	9,961	**4,297**	3,808
Other comprehensive income/(expense):					
Items that will not be reclassified to profit or loss:					
Net fair value gain/(loss) on equity instruments		**108**	(73)	**(57)**	(27)
Remeasurement of defined benefit pension plan, net of deferred tax	32(b)	**(224)**	(1,529)	**-**	-
Share of other comprehensive income of associates		**84**	242	**-**	-
		(32)	(1,360)	**(57)**	(27)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**365**	(20)	**-**	-
Reclassification adjustments on disposal of investments at fair value		**-**	7	**-**	-
Net fair value (loss)/gain on debt instruments		**(73)**	(23)	**6**	-
Share of other comprehensive income of associates		**-**	2	**-**	-
		292	(34)	**6**	-
Other comprehensive income/(expense) for the year		**260**	(1,394)	**(51)**	(27)
Total comprehensive income for the year		**14,573**	8,567	**4,246**	3,781
Total comprehensive income attributable to:					
Ordinary equity holders of the parent		**14,331**	8,150	**4,246**	3,621
Preference shareholders		**-**	160	**-**	160
Non-controlling interests		**242**	257	**-**	-
		14,573	8,567	**4,246**	3,781

The notes on pages 220 to 317 form part of these financial statements.
Auditor’s report on pages 204 to 208.

Consolidated Statement of changes in equity

for the year ended 30 June 2023

		Attributable to equity holders of the parent							
		Stated Capital	Retained Earnings	Capital Reserve	Translation Reserve	Statutory Reserve	Total	Non-Controlling Interests	Total Equity
	Notes	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP									
At 1 July 2021		**2,776**	**57,746**	**2,754**	**1,555**	**8,061**	**72,892**	**2,904**	**75,796**
Profit for the year		-	9,797	-	-	-	9,797	164	9,961
Other comprehensive (expense)/income for the year		-	(1,506)	24	(5)	-	(1,487)	93	(1,394)
Total comprehensive income/(expense) for the year		-	8,291	24	(5)	-	8,310	257	8,567
Dividends to ordinary shareholders	33	-	(3,462)	-	-	-	(3,462)	(32)	(3,494)
Dividends to preference shareholders		-	(160)	-	-	-	(160)	-	(160)
Shares issued under the Scrip Dividend Scheme	22	247	-	-	-	-	247	-	247
Issue of shares following the exercise of Group Employee Share Options Scheme	22	86	-	-	-	-	86	-	86
Transactions with owners		333	(3,622)	-	-	-	(3,289)	(32)	(3,321)
Share of other movements in reserves of associate		-	93	(94)	-	-	(1)	1	-
Transfer to statutory reserve		-	(896)	-	-	896	-	-	-
At 30 June 2022		**3,109**	**61,612**	**2,684**	**1,550**	**8,957**	**77,912**	**3,130**	**81,042**
Profit for the year		**-**	**14,133**	**-**	**-**	**-**	**14,133**	**180**	**14,313**
Other comprehensive (expense)/income for the year		**-**	**(168)**	**3**	**363**	**-**	**198**	**62**	**260**
Total comprehensive income for the year		**-**	**13,965**	**3**	**363**	**-**	**14,331**	**242**	**14,573**
Dividends to ordinary shareholders	33	**-**	**(4,278)**	**-**	**-**	**-**	**(4,278)**	**(40)**	**(4,318)**
Issue of shares following conversion of preference shares into ordinary shares	22	**1,096**	**-**	**-**	**-**	**-**	**1,096**	**-**	**1,096**
Shares issued under the Scrip Dividend Scheme	22	**634**	**-**	**-**	**-**	**-**	**634**	**-**	**634**
Issue of shares following the exercise of Group Employee Share Options Scheme	22	**68**	**-**	**-**	**-**	**-**	**68**	**-**	**68**
Transactions with owners		**1,798**	**(4,278)**	**-**	**-**	**-**	**(2,480)**	**(40)**	**(2,520)**
Share of other movements in reserves of associate		**-**	**32**	**(32)**	**-**	**-**	**-**	**-**	**-**
Transfer to statutory reserve		**-**	**(8)**	**-**	**-**	**8**	**-**	**-**	**-**
At 30 June 2023		**4,907**	**71,323**	**2,655**	**1,913**	**8,965**	**89,763**	**3,332**	**93,095**

The notes on pages 220 to 317 form part of these financial statements.
Auditor's report on pages 204 to 208.

Separate Statement of changes in equity

for the year ended 30 June 2023

COMPANY	Notes	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Total Equity RS'M
At 1 July 2021		**2,776**	**3,686**	**63**	**6,525**
Profit for the year		-	3,808	-	3,808
Other comprehensive expense for the year		-	-	(27)	(27)
Total comprehensive income/(expense) for the year		-	3,808	(27)	3,781
Dividends to ordinary shareholders	33	-	(3,462)	-	(3,462)
Dividends to preference shareholders	33	-	(160)	-	(160)
Shares issued under the Scrip Dividend Scheme	22	247	-	-	247
Issue of shares following the exercise of Group Employee Share Options Scheme	22	86	-	-	86
Transactions with owners		333	(3,622)	-	(3,289)
At 30 June 2022		**3,109**	**3,872**	**36**	**7,017**
Profit for the year		**-**	**4,297**	**-**	**4,297**
Other comprehensive expense for the year		**-**	**-**	**(51)**	**(51)**
Total comprehensive income/(expense) for the year		**-**	**4,297**	**(51)**	**4,246**
Dividends to ordinary shareholders	33	**-**	**(4,278)**	**-**	**(4,278)**
Issue of shares following conversion of preference shares into ordinary shares	22	**1,096**	**-**	**-**	**1,096**
Shares issued under the Scrip Dividend Scheme	22	**634**	**-**	**-**	**634**
Issue of shares following the exercise of Group Employee Share Options Scheme	22	**68**	**-**	**-**	**68**
Transactions with owners		**1,798**	**(4,278)**	**-**	**(2,480)**
At 30 June 2023		**4,907**	**3,891**	**(15)**	**8,783**

The notes on pages 220 to 317 form part of these financial statements.
Auditor's report on pages 204 to 208.

Consolidated and Separate Statements of cash flows
for the year ended 30 June 2023

	Notes	GROUP 2023 RS'M	GROUP 2022 RS'M	COMPANY 2023 RS'M	COMPANY 2022 RS'M
Operating activities					
Net cash flows from trading activities	36	**15,785**	31,772	**3,714**	4,413
Net cash flows from other operating activities	37	**22,916**	(63,231)	**1,616**	-
Dividends received from associates		**501**	457	**-**	-
Dividends paid to ordinary shareholders	33	**(2,734)**	(3,765)	**(2,734)**	(3,765)
Dividends paid to preference shareholders	19	**-**	(160)	**-**	(160)
Dividends paid to non-controlling interests in subsidiaries		**(40)**	(32)	**-**	-
Income tax paid		**(2,408)**	(2,247)	**-**	-
Net cash flows from operating activities		**34,020**	(37,206)	**2,596**	488
Investing activities					
Net refund of subordinated loan by associate		**-**	346	**-**	-
Investment in associate and joint venture		**(11)**	-	**(7)**	-
Purchase of property, plant and equipment		**(1,134)**	(1,079)	**(9)**	-
Purchase of intangible assets		**(957)**	(999)	**-**	-
Proceeds from sale of property, plant and equipment		**46**	82	**-**	-
Net subordinated loan granted to subsidiaries		**-**	-	**(25)**	(176)
Net investment in securities		**(204)**	-	**(218)**	202
Net cash flows from investing activities		**(2,260)**	(1,650)	**(259)**	26
Financing activities					
Employee share options exercised	22	**68**	86	**68**	86
Issue of debt securities	17	**13,506**	-	**-**	-
Refund of floating rate notes		**(2,000)**	-	**(2,000)**	-
Repayment of lease liabilities		**(126)**	(72)	**-**	-
Net issue/(refund) of subordinated liabilities	18	**6,285**	(225)	**-**	-
Net cash flows from financing activities		**17,733**	(211)	**(1,932)**	86
Increase/(Decrease) in cash and cash equivalents		**49,493**	(39,067)	**405**	600
Net cash and cash equivalents at 1 July		**70,774**	108,768	**1,188**	588
Effect of foreign exchange rate changes		**142**	1,073	**-**	-
Net cash and cash equivalents at 30 June	4	**120,409**	70,774	**1,593**	1,188

The notes on pages 220 to 317 form part of these financial statements.
Auditor's report on pages 204 to 208.

General information

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

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

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

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Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

The Group 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. The directors further have a reasonable expectation that the Group has adequate resources to continue in operational existence in the foreseeable future.

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

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

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

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

New and amended standards adopted by the Group

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 July 2022, and have not been applied in preparing these financial statements. None of these is expected to have a significant and material effect on the financial statements of the Group in the current reporting period. For this financial year, the following has been adopted:

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

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

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

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

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

New and amended standards adopted by the Group (Cont'd)

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

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

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

The following changes are effective for annual reporting periods beginning on or after 1 January 2022:
IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

New and revised standards in issue but not yet effective

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

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

Amendments to IAS 8 - Definition of Accounting Estimates

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

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

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

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

Amendments to IFRS 16 sale and leaseback transaction with variable payments that do not depend on an index or rate

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that related to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for reporting periods beginning on or after 1 January 2024.

These amendments will be applied in the financial statements for the annual periods beginning on the respective dates. The Group has not yet considered the potential impact of the application of these amendments on the financial statements.

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(b) Basis of consolidation and equity accounting

(1) Subsidiaries

(i) Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

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

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

(ii) Separate financial statements of the Company

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

(iii) Transactions with non-controlling interests

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

Disposal of subsidiaries

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

1. Significant accounting policies (Cont'd)

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

(2) Associates and joint venture

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

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

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

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

If there is objective evidence that the Group's net investment in an associate or joint venture is impaired, the requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group transacts with an associate or joint venture, profits and losses resulting from the transactions are recognised in the financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate or joint venture. 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 or joint venture to bring the accounting policies used in line with those adopted by the Group. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

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

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(c) Foreign currency translation

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

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

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not subsequently retranslated.

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

(d) Derivative financial instruments

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

(e) Offsetting financial instruments

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

(f) Interest income

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

- 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.

- 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).

1. Significant accounting policies (Cont'd)

(f) Interest income (Cont'd)

The Effective Interest Rate (EIR) 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.

(g) Fees, commissions and other income

Fees and commissions

The Group recognises fee and commission income charged for services provided by the Group as and when performance obligations are satisfied, for example, on completion of the underlying transaction. Where the contractual arrangements also result in the Group recognising financial instruments in scope of IFRS 9, such financial instruments are initially recognised at fair value in accordance with IFRS 9 before applying the provisions of IFRS 15. 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. When it is unlikely that a loan is drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

Other income

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

(h) Sale and repurchase agreements

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

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

(i) Investments, other financial assets and financial liabilities

Recognition and measurement

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

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVPL), transaction costs that are incremental and directly attributable to the acquisition of the financial asset or financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. 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) 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.

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

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

Recognition and measurement (Cont'd)

(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

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

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

Amortised cost and effective interest rate

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

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

FVOCI

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

FVPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. The Group may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognized in profit or loss. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented in net gain from other financial instruments carried at fair value in the year in which it arises. A gain or loss on an equity investment elected to be measured at FVPL is presented in net gain from equity financial instruments carried at fair value through profit or loss.

1. Significant accounting policies (Cont'd)

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

Debt instruments

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

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

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

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

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

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

Equity instruments

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

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

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

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

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

Modification of loans

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

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

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

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

(iv) Significant change in the interest rate.

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

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

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

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-months ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

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

Where modification does not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment, the Group performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-months ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

1. Significant accounting policies (Cont'd)

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

Derecognition other than on a modification

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

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

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

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

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

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

Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

(i) Classification and subsequent measurement

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

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives financial instruments, financial liabilities held-for-trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit and loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability) and partially in statement of profit or loss (the remaining amount of change in the fair value of the liability). This is applicable unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in statement of profit or loss;

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

- Financial guarantee contracts and loan commitments

(ii) Derecognition

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

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

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

Financial Liabilities (Cont'd)

(ii) Derecognition (Cont'd)

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

Financial guarantee contracts and loan commitments

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

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

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

For loan commitments and financial guarantee contracts, the ECL is computed as follows:

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down.
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

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

(j) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

1. Significant accounting policies (Cont'd)

(j) Impairment of financial assets (Cont'd)

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-months or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.
The Group considers the following as constituting an event of default:

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

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

Credit impaired

A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occured. It is credit impaired and is in Stage 3 when contractual payments or accounts in excess are past due by more than 90 days and/or other quantitaive and qualitative factors indicate that the obligator is unlikely to honour its credit obligations.

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

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

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

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-months ECL. The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(j) Impairment of financial assets (Cont'd)

Significant increase in credit risk (Cont'd)

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

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

Measurement of ECL

The key inputs used for measuring ECL are:
- probability of default (PD)
- loss given default (LGD)
- exposure at default (EAD)

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

Write off Policy

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

1. Significant accounting policies (Cont'd)

(k) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Investment properties comprise hotel property that is occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

For the purpose of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is:

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- In the case of investment property held under a lease, increased by the carrying amount of any liability to the head lessor that has been recognised in the statement of financial position as a finance lease obligation.

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

(l) Goodwill

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

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

(m) Property, plant and equipment

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

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

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

Land and work in progress are not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with effect of any changes in estimate accounted for on a prospective basis.

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.

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(n) Intangible Assets

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

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

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

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

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(o) Leases

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

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

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

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

1. Significant accounting policies (Cont'd)

(o) Leases (Cont'd)

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

The right-of-use assets are included as part of Property, plant and equipment in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment'.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other non-interest expense" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

Finance leases

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

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

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

Finance leases (Cont'd)

(i) Recognition and initial measurement

When assets are leased out under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the Group, and thus the lease payment receivable is treated by the Group as repayment of principal and interest income to reimburse and reward the lessor for its investment and services.

Initial direct costs such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, but excluding general overheads, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable; there is no need to add them separately.

(ii) Subsequent measurement

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

Operating leases

Assets leased out under operating leases are included in plant and equipment in the statement of financial position. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Assets classified as operating leases are depreciated over their useful lives on a basis consistent with similar fixed assets.

(q) Cash and cash equivalents

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

(r) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(s) Deposits from banks and customers

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

1. Significant accounting policies (Cont'd)

(t) Employee benefits

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

(i) Defined contribution plans

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

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

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

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

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

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

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

(ii) Defined benefit plans

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

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

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

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

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

(iii) Gratuity on retirement

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

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(t) Employee benefits (Cont'd)

(iv) Termination Benefits

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

(u) Current and deferred income tax

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

(i) Current income tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period and includes the Corporate Social Responsibility charge and Bank levy via The Mauritius Commercial Bank Limited. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority.The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

(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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

1. Significant accounting policies (Cont'd)

(v) Borrowings

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

(w) Dividend declared and unpaid

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

(x) Acceptances

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

(y) Operating segments

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

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

(z) Stated capital

(i) Ordinary shares are classified as equity.

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

(aa) Borrowing costs

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

Other borrowing costs are expensed.

(ab) Impairment of non-financial assets

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

(ac) Share-based payments

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

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(ac) Share-based payments (Cont'd)

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

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

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

(ad) Earnings per share

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

2. Critical accounting estimates and judgements

As part of the process of preparing the financial statement of the Group, management is called upon to make judgement, estimates and assumptions. This affect the reported amount of revenues, expenses, assets, liabilities and the disclosures. 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.

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

(a) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(b) Significant increase in credit risk

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

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

(c) 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.

(d) Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values should be first calculated with reference to observable inputs where these are available. Only where these are unavailable that the Group employs less observable inputs. Unobservable input are used where observable or less observable input are unavailable.

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

(e) 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 management 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.

(f) Deferred Tax

Deferred tax is recognised to the extent that it is probable that future taxable income will be available against which unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Recognition of deferred tax assets depends on management's intention of the Group to generate future taxable profits which will be used against temporary differences and to obtain tax benefit thereon. The outcome of their actual utilisation may be different.

(g) Provision and Contingencies

Provision is recognised in the financial statements when the Group has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation. A reliable estimate is required to be made. Management makes various assumptions in order to determine whether to recognise a provision and its amount thereafter. For potential litigation and claims, management relies on the advise of the Group's legal department and counsel.

Notes to the financial statements
for the year ended 30 June 2023

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

(h) Measurement of expected credit loss

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 Group in above areas is set out in the Risk and Capital Management report.

(i) Significant influence in Banque Française Commerciale Ocean Indien

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

(j) Leases

The adoption of IFRS 16 requires significant judgement and estimate. Critical judgement like the determination of whether an extension or termination option will be exercised. Other key assumption and estimate are:

- Determination of the appropriate rate to discount the lease payments
- Estimating the lease term
- Assessing whether the right of use is impaired

(k) Property valuation

In arriving at the fair value of the properties, which was determined on an income approach basis, the directors in consultation with the independent valuers had to make assumptions and estimates that were mainly based on market conditions existing at 30 June 2023. Should these assumptions and estimates change, or not be met, the valuation as adopted in the financial statements will be affected.

(l) Impairment of goodwill

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

3. Financial risk management

(a) Financial risk management

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

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

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

More information on the credit risk profile and policies of the Group is provided in the Risk and capital management report.

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

(b) Credit risk

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

Credit related commitments

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

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

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

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality

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

At 30 June 2023

	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	56,177	174	56,003	807	609	198	1,027	308	120	719
Wholesale	762,525	3,972	758,553	18,464	3,289	15,175	10,767	7,517	1,995	3,250
Total	818,702	4,146	814,556	19,271	3,898	15,373	11,794	7,825	2,115	3,969
Retail										
Housing loans	36,852	48	36,804	437	314	123	511	153	26	358
Small and medium enterprise	9,445	33	9,412	118	84	34	200	55	25	145
Unsecured and revolving	5,557	88	5,469	126	121	5	98	74	12	24
Other secured loans	4,323	5	4,318	126	90	36	218	26	57	192
Total retail	56,177	174	56,003	807	609	198	1,027	308	120	719
Wholesale										
Sovereign	288,634	110	288,524	-	-	-	285	28	26	257
Financial institutions	85,668	847	84,821	-	-	-	-	-	-	-
Project finance	5,618	93	5,525	70	35	35	410	408	17	2
Energy & Commodities	179,799	532	179,267	4,848	911	3,937	890	733	13	157
Corporate	202,806	2,390	200,416	13,546	2,343	11,203	9,182	6,348	1,939	2,834
Total wholesale	762,525	3,972	758,553	18,464	3,289	15,175	10,767	7,517	1,995	3,250

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 (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

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

At 30 June 2023

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Total Wholesale									
2	73,352	-	-	1	-	-	73,351	-	-
3	1,505	-	-	-	-	-	1,505	-	-
4	19,540	-	-	1	-	-	19,539	-	-
5	32,164	-	-	7	-	-	32,157	-	-
6	3,978	-	-	1	-	-	3,977	-	-
7	17,975	-	-	8	-	-	17,967	-	-
8	202,687	-	-	28	-	-	202,659	-	-
9	35	-	-	-	-	-	35	-	-
10	6,470	-	-	-	-	-	6,470	-	-
11	29,548	121	-	63	-	-	29,485	121	-
12	58,873	564	-	231	88	-	58,642	476	-
13	118,331	1,780	-	611	88	-	117,720	1,692	-
14	58,986	3,074	-	578	278	-	58,408	2,796	-
15	114,788	2,935	-	1,259	368	-	113,529	2,567	-
16	12,594	4,562	-	430	1,117	-	12,164	3,445	-
17	7,589	3,505	-	475	744	-	7,114	2,761	-
18	2,042	1,386	-	102	513	-	1,940	873	-
19	2,068	537	-	177	93	-	1,891	444	-
20	-	-	10,767	-	-	7,517	-	-	3,250
Total	762,525	18,464	10,767	3,972	3,289	7,517	758,553	15,175	3,250
Sovereign									
2	73,352	-	-	1	-	-	73,351	-	-
4	15,546	-	-	1	-	-	15,545	-	-
8	198,648	-	-	28	-	-	198,620	-	-
13	213	-	-	-	-	-	213	-	-
19	875	-	-	80	-	-	795	-	-
20	-	-	285	-	-	28	-	-	257
Total	288,634	-	285	110	-	28	288,524	-	257

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2023

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Financial Institutions									
3	1,505	-	-	-	-	-	1,505	-	-
4	105	-	-	-	-	-	105	-	-
5	32,164	-	-	7	-	-	32,157	-	-
6	2,044	-	-	1	-	-	2,043	-	-
7	17,975	-	-	8	-	-	17,967	-	-
8	4,039	-	-	-	-	-	4,039	-	-
9	35	-	-	-	-	-	35	-	-
10	6,344	-	-	-	-	-	6,344	-	-
11	2,391	-	-	7	-	-	2,384	-	-
12	262	-	-	1	-	-	261	-	-
13	1,419	-	-	10	-	-	1,409	-	-
15	3,708	-	-	36	-	-	3,672	-	-
16	4,675	-	-	244	-	-	4,431	-	-
17	7,143	-	-	440	-	-	6,703	-	-
18	1,859	-	-	93	-	-	1,766	-	-
Total	85,668	-	-	847	-	-	84,821	-	-

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2023

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Project Finance									
13	4,193	-	-	34	-	-	4,159	-	-
14	113	-	-	1	-	-	112	-	-
15	507	70	-	11	35	-	496	35	-
16	236	-	-	6	-	-	230	-	-
17	386	-	-	32	-	-	354	-	-
18	183	-	-	9	-	-	174	-	-
20	-	-	410	-	-	408	-	-	2
Total	5,618	70	410	93	35	408	5,525	35	2
Energy & Commodities									
4	3,889	-	-	-	-	-	3,889	-	-
6	1,934	-	-	-	-	-	1,934	-	-
11	3,383	-	-	2	-	-	3,381	-	-
12	10,009	-	-	10	-	-	9,999	-	-
13	44,741	1,367	-	81	68	-	44,660	1,299	-
14	29,564	-	-	60	-	-	29,504	-	-
15	81,885	888	-	291	99	-	81,594	789	-
16	4,394	-	-	88	-	-	4,306	-	-
17	-	1,569	-	-	358	-	-	1,211	-
18	-	1,024	-	-	386	-	-	638	-
20	-	-	890	-	-	733	-	-	157
Total	179,799	4,848	890	532	911	733	179,267	3,937	157

Notes to the financial statements

for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2023

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Corporate									
10	126	-	-	-	-	-	126	-	-
11	23,774	121	-	54	-	-	23,720	121	-
12	48,602	564	-	220	88	-	48,382	476	-
13	67,765	413	-	486	20	-	67,279	393	-
14	29,309	3,074	-	517	278	-	28,792	2,796	-
15	28,688	1,977	-	921	234	-	27,767	1,743	-
16	3,289	4,562	-	92	1,117	-	3,197	3,445	-
17	60	1,936	-	3	386	-	57	1,550	-
18	-	362	-	-	127	-	-	235	-
19	1,193	537	-	97	93	-	1,096	444	-
20	-	-	9,182	-	-	6,348	-	-	2,834
Total	202,806	13,546	9,182	2,390	2,343	6,348	200,416	11,203	2,834

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

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

At 30 June 2022

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

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

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

At 30 June 2022

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2022

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Financial Institutions									
3	388	-	-	-	-	-	388	-	-
4	23	-	-	-	-	-	23	-	-
5	3,405	-	-	3	-	-	3,402	-	-
6	2,492	-	-	2	-	-	2,490	-	-
7	4,731	-	-	8	-	-	4,723	-	-
8	3,683	-	-	2	-	-	3,681	-	-
9	309	-	-	1	-	-	308	-	-
10	11,486	-	-	1	-	-	11,485	-	-
11	1,402	-	-	3	-	-	1,399	-	-
12	478	-	-	3	-	-	475	-	-
13	2,822	-	-	31	-	-	2,791	-	-
14	3	-	-	-	-	-	3	-	-
15	8,882	-	-	189	-	-	8,693	-	-
16	7,406	-	-	261	-	-	7,145	-	-
18	1,470	-	-	11	-	-	1,459	-	-
19	5	-	-	-	-	-	5	-	-
Total	**48,985**	**-**	**-**	**515**	**-**	**-**	**48,470**	**-**	**-**

Notes to the financial statements

for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2022

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Project Finance									
12	2,746	-	-	29	-	-	2,717	-	-
13	2,731	-	-	15	-	-	2,716	-	-
14	2,212	-	-	60	-	-	2,152	-	-
15	149	-	-	3	-	-	146	-	-
16	523	-	-	43	-	-	480	-	-
17	-	421	-	-	85	-	-	336	-
18	176	-	-	22	-	-	154	-	-
Total	**8,537**	**421**	**-**	**172**	**85**	**-**	**8,365**	**336**	**-**
Energy & Commodities									
3	4,919	-	-	-	-	-	4,919	-	-
4	7,762	-	-	-	-	-	7,762	-	-
5	6,275	-	-	1	-	-	6,274	-	-
12	29,790	-	-	54	-	-	29,736	-	-
13	31,630	-	-	24	-	-	31,606	-	-
14	80,781	1,756	-	165	88	-	80,616	1,668	-
15	28,731	-	-	49	-	-	28,682	-	-
16	2,426	-	-	49	-	-	2,377	-	-
17	894	2,218	-	16	269	-	878	1,949	-
20	-	-	1,647	-	-	754	-	-	893
Total	**193,208**	**3,974**	**1,647**	**358**	**357**	**754**	**192,850**	**3,617**	**893**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2022

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Corporate									
10	140	-	-	1	-	-	139	-	-
11	8,780	66	-	81	1	-	8,699	65	-
12	44,463	81	-	293	2	-	44,170	79	-
13	25,522	35	-	288	1	-	25,234	34	-
14	62,392	1,432	-	1,145	136	-	61,247	1,296	-
15	25,457	3,567	-	1,058	315	-	24,399	3,252	-
16	4,294	3,610	-	269	922	-	4,025	2,688	-
17	-	1,350	-	-	326	-	-	1,024	-
18	3	907	-	1	197	-	2	710	-
19	-	941	-	-	302	-	-	639	-
20	-	-	9,455	-	-	3,203	-	-	6,252
Total	**171,051**	**11,989**	**9,455**	**3,136**	**2,202**	**3,203**	**167,915**	**9,787**	**6,252**

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Restructured financial assets

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

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

	2023	2022
	RS'M	RS'M
Amortised cost before restructure	**12**	24
Net modification gain or loss	**8**	3
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	**4**	7

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:

	2023	2022
	RS'M	RS'M
Property	**104**	101

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

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

	GROUP	
	2023	2022
	RS'M	RS'M
Derivative financial instruments	**1,283**	477
Investment securities	**2,420**	2,077

Credit risk for the Company is negligible and managed through the Group's policies and processes.

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Collateral held and other credit enhancements

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

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

In the event of default, the Group has the ability to call on the different types of collaterals which in turn are driven by portfolio, product or counterparty type. The Group considers that it is sufficiently collaterised against its impaired book.

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

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

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

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

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral. There was no change in the Group's collateral policy during the year.

Sensitivity analysis

As part of IFRS 9, the Group needs to convert the Through The Circle (TTC) PDs to Point In Time (PIT) PDs.

This conversion of TTC PDs to PIT PDs entailed the inclusion of forward-looking scenarios for both wholesale and retail portfolios.

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

<u>Wholesale Portfolio</u>

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)

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Sensitivity analysis (Cont'd)

Retail Portfolio

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

(a)	SME	Ln (GDP at basic prices) Average Lending rate
(b)	Housing	Ln (GDP at basic prices) Unemployment rate for the year
(c)	Secured	Ln (GDP at market prices) Average lending rate
(d)	Unsecured	Ln (GDP at basic prices) Average CPI Average lending rate

Credit concentration of risk by industry sectors

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

	GROUP	
	2023	2022
	RS'M	RS'M
Agriculture and fishing	**532**	342
Manufacturing	**541**	9,787
Tourism	**4,342**	13,413
Transport	**2,527**	242
Construction	**7,112**	6,431
Financial and business services	**13,725**	8,784
Traders	**161,134**	220,054
of which Petroleum and Energy products	***141,050***	*191,280*
Global Business Licence holders	**405**	8,193
Others	**8,226**	8,808
	198,544	276,054

Refer to the risk and capital management report for further details on concentration risk management.

3. Financial risk management (Cont'd)

(c) Market risk

Market risk refers to the potential of market price fluctuations, such as those in interest rates, equity prices, foreign exchange rates and market credit spreads, impacting a Group's income or the valuation of its financial instrument holdings. The primary objective of market risk management is to proficiently handle and regulate these exposures within acceptable benchmarks, all while optimizing returns from risk-associated endeavors.

The formulation of market risk management policies within the Group lies under the jurisdiction of the Board Risk Monitoring Committee. The execution of these policies and the oversight of this risk category are entrusted to both the Risk Business Unit (BU) and the Asset and Liability Committee (ALCO). Central to the supervision and control of market risk activities are the Market Risk Business Unit (MRBU) and the Assets and Liabilities Management Unit (ALM Unit). These units play a pivotal role in the ongoing monitoring and regulation of market risk activities.

The MRBU is devoted to ensuring the effective adherence to market risk policies and guidelines, as well as maintaining a vigilant watch over predetermined limits. Similarly, the ALM Unit concentrates on monitoring the interest rate risk in the banking book. Their collective efforts contribute to a comprehensive approach to risk management within the Group.

(i) Investment price risk

Investment price risk pertains to the vulnerability of an investment's value to shifts in market prices. This risk emanates from a multitude of factors, including the interplay of supply and demand, prevailing economic conditions, geopolitical occurrences and prevailing market sentiment. The Group designates a portion of its investments under the categories of Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL).

The table below summarises the impact of increases/decreases in fair value of the investments on the Group's equity. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	GROUP	
	2023	2022
	RS'M	RS'M
Financial assets at fair value through other comprehensive income	**178**	243
Financial assets at fair value through profit or loss	**451**	379
	629	622

(ii) Currency risk

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

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

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

VaR Analysis - Foreign Exchange Risk

	GROUP			
	As at 30 June	Average	Maximum	Minimum
2023 (RS'M)	**(28)**	**(36)**	**(49)**	**(21)**
2022 (RS'M)	(29)	(35)	(53)	(18)

Notes to the financial statements

for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

GROUP At 30 June 2023	EURO RS'M	USD RS'M	GBP RS'M	MUR RS'M	OTHER RS'M	TOTAL RS'M
Financial assets						
Cash and cash equivalents	11,215	36,869	6,038	54,156	5,365	113,643
Derivative financial instruments	446	242	-	526	-	1,214
Loans to and placements with banks	310	14,596	-	2	(28)	14,880
Loans and advances to customers	30,092	187,422	379	127,749	296	345,938
Investment securities	11,988	81,314	4,247	150,269	2	247,820
Other financial assets	2,963	4,835	510	24,426	351	33,085
	57,014	325,278	11,174	357,128	5,986	756,580
Less allowances for credit impairment						(17,525)
						739,055
Subsidiaries, net of eliminations						52,730
Total						791,785
Financial liabilities						
Deposits from banks	943	13,535	449	784	41	15,752
Deposits from customers	49,556	208,505	6,621	277,689	5,215	547,586
Derivative financial instruments	456	242	-	518	-	1,216
Other borrowed funds	3,370	80,867	288	(118)	15	84,422
Debt securities	-	13,759	-	2,001	-	15,760
Subordinated liabilities	-	7,113	-	1,059	-	8,172
Preference shares	-	-	-	2,300	-	2,300
Other financial liabilities	243	629	55	3,006	26	3,959
	54,568	324,650	7,413	287,239	5,297	679,167
Subsidiaries, net of eliminations						41,919
Total						721,086
Net on-balance sheet position	2,446	628	3,761	69,889	689	77,413
Less allowances for credit impairment						(17,525)
Subsidiaries, net of eliminations						10,811
						70,699
Off balance sheet net notional position	9,196	18,099	5,156	-	1,746	34,197
Credit commitments	4,655	108,353	153	20,370	1,542	135,073
Subsidiaries						15,781

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items (Cont'd)

COMPANY

At 30 June 2023	EURO	USD	MUR	TOTAL
	RS'M	RS'M	RS'M	RS'M
Financial assets				
Cash and cash equivalents	1,064	479	50	1,593
Investment securities	14	388	206	608
Other financial assets	7	6	2,420	2,433
Total	1,085	873	2,676	4,634
Financial liabilities				
Other borrowed funds	-	-	1,616	1,616
Debt securities	-	-	2,001	2,001
Subordinated liabilities	-	-	1,113	1,113
Preference shares	-	-	2,300	2,300
Other financial liabilities	-	-	2,632	2,632
Total	-	-	9,662	9,662
Net on-balance sheet position	1,085	873	(6,986)	(5,028)
				(5,028)

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items (Cont'd)

GROUP

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

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items (Cont'd)

COMPANY

At 30 June 2022

	EURO	USD	MUR	TOTAL
	RS'M	RS'M	RS'M	RS'M
Financial assets				
Cash and cash equivalents	526	532	130	1,188
Investment securities	-	240	200	440
Other financial assets	14	-	1,750	1,764
Total	540	772	2,080	**3,392**
Financial liabilities				
Debt securities	-	-	4,008	4,008
Subordinated liabilities	-	-	1,109	1,109
Preference shares	-	-	3,396	3,396
Other financial liabilities	-	-	1,635	1,635
Total	-	-	10,148	**10,148**
Net on-balance sheet position	540	772	(8,068)	(6,756)
				(6,756)

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk

Interest rate risk in the banking book encompasses the potential adverse effects on earnings resulting from fluctuations in market interest rates. This risk primarily affects non-traded assets and liabilities, specifically encompassing loans, deposits, and financial instruments held without the intent of trading. To effectively manage this risk, the Asset and Liability Management Business Unit, situated within the Finance Strategic Business Unit employs a variety of strategies.

Net interest income (NII) sensitivity stands as a key metric, evaluating the anticipated changes in net interest income across diverse interest rate scenarios, while holding all other economic factors constant. ALCO oversees the fluctuations in net interest income sensitivity.

The calculations of NII sensitivity assume uniform interest rate movements across all maturities within the 'up-shock' scenario. In contrast, the 'down-shock' scenario assumes a floor at zero for rates, except when market rates are already negative, as seen in the Euro case.

The below table delineates the carrying amount of the Group's financial instruments, categorized by the earlier of contractual repricing or maturity dates.

Interest Rate Risk Earnings Impact Analysis

The Group is exposed to interest rate risk (IRR), primarily manifested as repricing risk. To effectively measure and oversee this particular risk, the Group employs an interest rate risk gap analysis, illustrated below. One of the methodologies utilized involves the Bank of Mauritius (BOM) framework, which incorporates a 200 basis point parallel shift in interest rates. This framework provides insights into estimating the potential one-year earnings impact based on a static balance sheet scenario.

	GROUP	
	2023	2022
	RS'M	RS'M
Impact on Earnings	**1,813**	328

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

GROUP

At 30 June 2023

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing*	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Financial assets								
Cash and cash equivalents	111,666	905	-	1	-	-	1,071	113,643
Derivative financial instruments	6	-	-	-	-	-	1,208	1,214
Loans to and placements with banks	1,560	9,893	3,015	-	101	311	-	14,880
Loans and advances to customers	204,015	50,507	34,247	15,026	19,993	10,948	11,202	345,938
Investment securities	27,171	14,343	23,158	38,439	71,298	66,941	6,470	247,820
Other financial assets	-	-	-	-	-	-	33,085	33,085
	344,418	75,648	60,420	53,466	91,392	78,200	53,036	756,580
Less allowances for credit impairment								(17,525)
								739,055
Subsidiaries, net of eliminations								52,730
Total								791,785
Financial liabilities								
Deposits from banks	9,645	1,065	3,938	1,104	-	-	-	15,752
Deposits from customers	284,367	12,545	9,785	17,136	9,340	634	213,779	547,586
Derivative financial instruments	-	-	-	-	2	-	1,214	1,216
Other borrowed funds	1,047	49,199	19,323	2,003	12,492	50	308	84,422
Debt securities	-	-	-	-	-	15,567	193	15,760
Subordinated liabilities	6,696	1,386	-	-	-	-	90	8,172
Preference shares	-	-	-	-	-	-	2,300	2,300
Other financial liabilities	-	-	-	-	-	-	3,959	3,959
	301,755	64,195	33,046	20,243	21,834	16,251	221,843	679,167
Subsidiaries, net of eliminations								41,919
Total								721,086
On balance sheet interest sensitivity gap	42,663	11,453	27,374	33,223	69,558	61,949	(168,807)	77,413
Less allowances for credit impairment								(17,525)
Subsidiaries, net of eliminations								10,811
								70,699

COMPANY

At 30 June 2023

	Up to 1 month	1-3 months	Over 3 years	Non-interest bearing *	Total
	RS'M	RS'M	RS'M	RS'M	RS'M
Financial assets					
Cash and cash equivalents	643	950	-	-	1,593
Investment securities	-	-	186	422	608
Other financial assets	2,430	-	-	3	2,433
Total	3,073	950	186	425	4,634
Financial liabilities					
Other borrowed funds	-	1,616	-	-	1,616
Debt securities	-	-	2,001	-	2,001
Subordinated liabilities	-	1,113	-	-	1,113
Preference shares	-	-	-	2,300	2,300
Other financial liabilities	2,632	-	-	-	2,632
Total	2,632	2,729	2,001	2,300	9,662
On balance sheet interest sensitivity gap	441	(1,779)	(1,815)	(1,875)	(5,028)

* Includes interest receivable

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis (Cont'd)

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

COMPANY At 30 June 2022	Up to 1 month	6-12 months	1-3 years	Over 3 years	Non-interest bearing *	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Financial assets						
Cash and cash equivalents	1,188	-	-	-	-	1,188
Investment securities	-	-	-	-	440	440
Other financial assets	1,750	-	-	-	14	1,764
Total	2,938	-	-	-	454	**3,392**
Financial liabilities						
Debt securities	8	2,000	-	2,000	-	4,008
Subordinated liabilities	-	-	1,109	-	-	1,109
Preference shares	-	-	-	-	3,396	3,396
Other financial liabilities	1,635	-	-	-	-	1,635
Total	1,643	2,000	1,109	2,000	3,396	**10,148**
On balance sheet interest sensitivity gap	1,295	(2,000)	(1,109)	(2,000)	(2,942)	(6,756)

* Includes interest receivable

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk

Liquidity risk entails the risk of being unable to procure readily available funds to satisfy immediate or near-term obligations in a cost-efficient manner. The Group recognizes the indispensable nature of skillfully managing liquidity, not only to foster market confidence but also to ensure the enduring viability of its operations.

In order to effectively navigate liquidity and funding risk, the Group has established a robust internal framework that synergizes Risk, Finance, and Treasury Management functions, all of which operate under the vigilant oversight of the Asset and Liability Committee (ALCO). The Group has implemented a series of key strategies to proficiently manage liquidity risk:

- Proactively forecast future cash flows and devise plans to address both routine operational necessities as well as diverse potential scenarios and contingencies.
- Oversee day-to-day liquidity by closely monitoring intra-day liquidity dynamics and projecting future cash flows, thereby guaranteeing the capability to meet all outgoing fund requirements.
- Uphold a reserve of liquid assets that can be promptly mobilized in situations of unanticipated cash outflows.
- Foster a diversified and stable funding foundation to fortify the Group's financial resilience.
- Rigorously monitor a set of early warning indicators that signal potential liquidity stress.
- Maintain a comprehensive Contingency Funding Plan to address liquidity emergencies.

The table provides a breakdown of financial assets and liabilities according to their remaining contractual maturities as of the end of the reporting period. The Group also holds financial assets and financial liabilities for which the expected cash flows are significantly different from the contractual cash flows. The most common examples of such instruments are the current deposits from customers which are largely repayable on demand are not expected to be withdrawn immediately but to remain stable or increase. Similarly, retail mortgage loans might have a longer average contractual maturity but the average expected maturity could be lower since customers may take advantage of early repayment options.

The amounts disclosed in the following table are undiscounted.

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities

GROUP At 30 June 2023	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Financial assets								
Cash and cash equivalents	112,981	-	-	1	-	-	671	113,653
Derivative financial instruments	-	-	-	-	-	-	1,202	1,202
Loans to and placements with banks	1,543	7,217	2,043	87	4,125	311	-	15,326
Loans and advances to customers	101,393	28,896	30,570	22,595	86,502	131,743	11,738	413,437
Investment securities	27,002	11,963	20,319	36,595	80,441	86,949	4,836	268,105
Other financial assets	-	-	-	-	-	-	33,085	33,085
	242,919	48,076	52,932	59,278	171,068	219,003	51,532	844,808
Less allowances for credit impairment								(17,525)
								827,283
Subsidiaries, net of eliminations								52,730
Total								880,013
Financial liabilities								
Deposits from banks	9,902	808	3,949	1,159	45	-	-	15,863
Deposits from customers	483,153	13,933	11,963	20,801	17,507	4,321	-	551,678
Derivative financial instruments	-	1	1	2	5	-	1,204	1,213
Other borrowed funds	2,478	26,683	10,937	2,935	43,792	4,662	(118)	91,369
Debt securities	2,010	27	561	596	2,390	16,049	193	21,826
Subordinated liabilities	1,119	297	-	6,696	-	-	(63)	8,049
Preference shares	-	-	-	-	-	-	2,300	2,300
Other financial liabilities	-	-	-	-	-	-	3,959	3,959
Lease liabilities	-	-	-	-	-	-	*200*	*200*
	498,662	41,749	27,411	32,189	63,739	25,032	7,475	696,257
Subsidiaries, net of eliminations								41,919
Total								738,176
Net liquidity gap	(255,743)	6,327	25,521	27,089	107,329	193,971	44,057	148,551
Less allowances for credit impairment								(17,525)
Subsidiaries, net of eliminations								10,811
								141,837
Off balance sheet net notional position	6,576	3,615	5,141	29,647	48,950	10,708	-	104,637
Credit commitments	5,425	10,808	6,359	1,678	2,799	373,184	-	400,253
COMPANY								
At 30 June 2023								
Financial assets								
Cash and cash equivalents	1,593	-	-	-	-	-	-	1,593
Investment securities	187	2	4	7	29	27	421	677
Other financial assets	-	-	-	-	-	-	2,433	2,433
Total	1,780	2	4	7	29	27	2,854	4,703
Financial liabilities								
Other borrowed funds	1,624	6	-	-	-	-	-	1,630
Debt securities	2,010	27	18	53	214	214	-	2,536
Subordinated liabilities	1,119	1	-	-	-	-	-	1,120
Preference shares	-	-	-	-	-	-	2,300	2,300
Other financial liabilities	-	-	-	-	-	-	2,632	2,632
Total	4,753	34	18	53	214	214	4,932	10,218
Net liquidity gap	(2,973)	(32)	(14)	(46)	(185)	(187)	(2,078)	(5,515)

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities (Cont'd)

GROUP At 30 June 2022	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Financial assets								
Cash and cash equivalents	14,505	12	-	-	-	-	50,117	64,634
Derivative financial instruments	-	-	-	-	-	-	438	438
Loans to and placements with banks	4,429	6,092	3,443	8,642	2,069	264	(34)	24,905
Loans and advances to customers	105,865	23,319	22,492	21,230	65,706	111,169	11,875	361,656
Investment securities	4,762	12,047	22,123	15,689	89,745	93,423	4,123	241,912
Other financial assets	-	-	-	-	-	-	25,302	25,302
	129,561	41,470	48,058	45,561	157,520	204,856	91,821	718,847
Less allowances for credit impairment								(12,742)
								706,105
Subsidiaries, net of eliminations								48,359
Total								**754,464**
Financial liabilities								
Deposits from banks	6,060	3,426	-	1,826	45	-	-	11,357
Deposits from customers	507,072	7,367	4,451	6,939	8,594	3,523	520	538,466
Derivative financial instruments	-	1	1	2	8	8	487	507
Other borrowed funds	11,613	3,166	11,766	1,376	62,866	8,190	145	99,122
Debt securities	-	-	-	2,008	-	1,840	-	3,848
Subordinated liabilities	-	349	-	-	1,467	-	-	1,816
Preference shares	-	-	-	-	-	-	3,396	3,396
Other financial liabilities	-	-	-	-	-	-	2,537	2,537
Lease liabilities	-	-	-	-	-	-	*163*	*163*
	524,745	14,309	16,218	12,151	72,980	13,561	7,085	661,049
Subsidiaries, net of eliminations								38,817
Total								**699,866**
Net liquidity gap	(395,184)	27,161	31,840	33,410	84,540	191,295	84,736	57,798
Less allowances for credit impairment								(12,742)
Subsidiaries, net of eliminations								9,542
								54,598
Off balance sheet net notional position	155	6,033	301	361	1,527	330,475	-	338,852
Credit commitments	10,428	17,844	29,273	40,677	7,337	14,882	-	120,441

COMPANY At 30 June 2022	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	Total
Financial assets								
Cash and cash equivalents	1,188	-	-	-	-	-	-	1,188
Investment securities	-	-	-	-	-	-	440	440
Other financial assets	-	-	-	-	-	-	1,765	1,765
Total	1,188	-	-	-	-	-	2,205	**3,393**
Financial liabilities								
Debt securities	4,021	38	25	56	214	321	-	4,675
Subordinated liabilities	1,112	9	6	17	4	-	-	1,148
Preference shares	-	-	-	-	-	-	3,396	3,396
Other financial liabilities	-	-	-	-	-	-	1,635	1,635
Total	5,133	47	31	73	218	321	5,031	**10,854**
Net liquidity gap	(3,945)	(47)	(31)	(73)	(218)	(321)	(2,826)	(7,461)

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(d) Fair value estimation

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

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

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

Specific techniques used to value financial instruments include:

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

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

(e) Capital risk management

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

3. Financial risk management (Cont'd)

(f) Financial instruments by category:

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
		Designated	Mandatory	Debt instrument	Equity instrument	
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP						
At 30 June 2023						
Financial assets						
Cash and cash equivalents	120,570	-	-	-	-	120,570
Derivative financial instruments	-	-	1,283	-	-	1,283
Loans to and placements with banks	13,780	-	-	-	-	13,780
Loans and advances to customers	349,285	-	-	-	-	349,285
Investment securities	254,896	9,013	-	910	2,653	267,472
Other financial assets	39,395	-	-	-	-	39,395
Total	777,926	9,013	1,283	910	2,653	791,785
Financial liabilities						
Deposits from banks	10,352	-	-	-	-	10,352
Deposits from customers	587,414	-	-	-	-	587,414
Derivative financial instruments	-	-	1,285	-	-	1,285
Other borrowed funds	87,657	-	-	-	-	87,657
Debt securities	15,760	-	-	-	-	15,760
Subordinated liabilities	8,172	-	-	-	-	8,172
Preference shares	2,300	-	-	-	-	2,300
Other financial liabilities	8,146	-	-	-	-	8,146
Total	719,801	-	1,285	-	-	721,086
Net on-balance sheet position	58,125	9,013	(2)	910	2,653	70,699

	Amortised cost	Fair value through other comprehensive income		Total
		Debt instrument	Equity instrument	
	RS'M	RS'M	RS'M	RS'M
COMPANY				
At 30 June 2023				
Financial assets				
Cash and cash equivalents	1,593	-	-	1,593
Investment securities	-	186	422	608
Other financial assets	2,433	-	-	2,433
Total	4,026	186	422	4,634
Financial liabilities				
Other borrowed funds	1,616	-	-	1,616
Debt securities	2,001	-	-	2,001
Subordinated liabilities	1,113	-	-	1,113
Preference shares	2,300	-	-	2,300
Other financial liabilities	2,632	-	-	2,632
Total	9,662	-	-	9,662
Net on-balance sheet position	(5,636)	186	422	(5,028)

Notes to the financial statements

for the year ended 30 June 2023

3. Financial risk management (Cont'd)

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

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

	Amortised cost	Fair value through other comprehensive income	Total
		Equity instrument	
	RS'M	RS'M	RS'M
COMPANY			
At 30 June 2022			
Financial assets			
Cash and cash equivalents	1,188	-	1,188
Investment securities	-	440	440
Other financial assets	1,764	-	1,764
Total	**2,952**	**440**	**3,392**
Financial liabilities			
Debt securities	4,008	-	4,008
Subordinated liabilities	1,109	-	1,109
Preference shares	3,396	-	3,396
Other financial liabilities	1,635	-	1,635
Total	**10,148**	**-**	**10,148**
Net on-balance sheet position	**(7,196)**	**440**	**(6,756)**

3. Financial risk management (Cont'd)

(g) Fair values of financial assets and liabilities

The fair values of those financial assets and liabilities not presented on the Group's and the Company's statements of financial position at fair values are not materially different from their carrying amounts.

(i) Loans and advances to banks and to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Deposits at amortised cost

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and debt securities issued and not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(iii) Debt securities in issue

Fair values of other debt securities in issue are based on quoted prices where available, or where the instruments are short dated, the carrying amount approximates their fair value.

(iv) Subordinated liabilities

Fair values for loan capital are based on quoted market rates for the issuer concerned or issuers with similar terms and conditions.

Notes to the financial statements
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4. Cash and cash equivalents

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Cash in hand	**3,342**	3,447	**1,593**	1,188
Foreign currency notes and coins	**245**	285	**-**	-
Unrestricted balances with Central Banks*	**5,401**	56,212	**-**	-
Balances due in clearing	**408**	364	**-**	-
Treasury bills	**46,402**	200	**-**	-
Money market placements	**13,538**	3,306	**-**	-
Balances with banks abroad	**51,294**	8,721	**-**	-
Interbank loans	**-**	815	**-**	-
	120,630	73,350	**1,593**	1,188
Allowances for credit impairment (12 months expected credit loss)	**(60)**	(56)	**-**	-
	120,570	73,294	**1,593**	1,188

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

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

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

(i) Allowances for credit impairment

	GROUP
	12 months expected credit loss
	RS'M
At 1 July 2022	**56**
Provision for credit impairment for the year	**84**
Provision released during the year	**(28)**
Changes in models/risk parameters	**(52)**
At 30 June 2023	**60**
At 1 July 2021	64
Provision for credit impairment for the year	31
Provision released during the year	(73)
Changes in models/risk parameters	34
At 30 June 2022	56

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

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Cash and cash equivalents as per above	**120,630**	73,350	**1,593**	1,188
Other borrowed funds (note 16)	**(221)**	(2,576)	**-**	-
Net cash and cash equivalents	**120,409**	70,774	**1,593**	1,188
Change in year	**49,635**	(37,994)	**405**	600
Effect of foreign exchange rate changes	**(142)**	(1,073)	**-**	-
Increase /(Decrease) in cash and cash equivalents as per the statements of cash flows	**49,493**	(39,067)	**405**	600

5. Derivative financial instruments

The Group utilises the following derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk:

- Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.
- Currency swaps and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, or interest rates, or a combination of all these.

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

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

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

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

	GROUP		
	Contractual/ Nominal Amount	Fair value assets	Fair value liabilities
	RS'M	RS'M	RS'M
Fair value through profit or loss - Level 2*			
Derivative Instruments			
At 30 June 2023			
Currency forwards	**21,263**	**470**	**473**
Interest rate swaps	**4,792**	**266**	**627**
Currency swaps	**14,994**	**43**	**47**
Warrants	**493**	**69**	**69**
Commodities	**4,643**	**63**	**63**
Others	**13,225**	**372**	**6**
	59,410	**1,283**	**1,285**
At 30 June 2022			
Currency forwards	10,499	244	255
Interest rate swaps	2,069	44	64
Currency swaps	11,476	123	164
Warrants	488	39	39
Commodities	2,209	14	14
Others	3,597	13	-
	30,338	477	536

*Refer to definition of Level 2 in note 7

The derivative financial instruments are classified as non-current assets or non-current liabilities.

Notes to the financial statements
for the year ended 30 June 2023

6. Loans

(a) Loans to and placements with banks

	GROUP	
	2023	2022
	RS'M	RS'M
(i) Loans to and placements with banks		
in Mauritius	**178**	952
outside Mauritius	**79,222**	35,738
	79,400	36,690
Less:		
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(64,832)**	(12,842)
	14,568	23,848
Less:		
Allowances for credit impairment	**(788)**	(473)
	13,780	23,375
(ii) Remaining term to maturity		
Up to 3 months	**8,096**	8,856
Over 3 months and up to 6 months	**2,139**	2,753
Over 6 months and up to 1 year	**-**	8,651
Over 1 year and up to 5 years	**4,333**	3,588
	14,568	23,848

(iii) Reconciliation of gross carrying amount

	GROUP		
	12 months expected credit loss	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M
At 1 July 2022	**23,848**	**-**	**23,848**
New loans and placements with banks, originated or purchase	**12,496**	**-**	**12,496**
Loans and placements with banks derecognised or repaid	**(21,776)**	**-**	**(21,776)**
At 30 June 2023	**14,568**	**-**	**14,568**
At 1 July 2021	39,835	1	39,836
New loans and placements with banks, originated or purchase	21,008	-	21,008
Loans and placements with banks derecognised or repaid	(36,995)	(1)	(36,996)
At 30 June 2022	23,848	-	23,848

(iv) Allowances for credit impairment

At 1 July 2022	**473**	**-**	**473**
Provision for credit impairment for the year	**657**	**-**	**657**
Provision released during the year	**(76)**	**-**	**(76)**
Financial assets that have been derecognised	**(257)**	**-**	**(257)**
Changes in models/risk parameters	**(9)**	**-**	**(9)**
Provision at 30 June 2023	**788**	**-**	**788**
At 1 July 2021	255	1	256
Provision for credit impairment for the year	239	-	239
Provision released during the year	(45)	(1)	(46)
Financial assets that have been derecognised	(113)	-	(113)
Changes in models/risk parameters	137	-	137
Provision at 30 June 2022	473	-	473

There were no non performing loans (NPL) under Loans to and placements with banks in 2023 and 2022.

6. Loans (Cont'd)

(b) Loans and advances to customers

	GROUP	
	2023	2022
	RS'M	RS'M
(i) Loans and advances to customers		
Retail customers:		
Credit cards	**1,045**	972
Mortgages	**39,355**	35,683
Other retail loans	**12,338**	11,969
Corporate customers	**148,739**	135,743
Governments	**1,306**	1,314
Entities outside Mauritius	**164,982**	153,883
	367,765	339,564
Less:		
Allowances for credit impairment	**(18,480)**	(13,951)
	349,285	325,613

Finance lease receivable included in Group loans amounts to Rs 3,127M (2022:Rs 3,076M) net of unearned future finance income on finance leases of Rs 456M (2022:Rs 413M).

(ii) Remaining term to maturity

	2023	2022
Up to 3 months	**135,685**	133,874
Over 3 months and up to 6 months	**21,161**	14,322
Over 6 months and up to 1 year	**13,900**	8,631
Over 1 year and up to 5 years	**92,724**	89,695
Over 5 years	**104,295**	93,042
	367,765	339,564

(iii) Reconciliation of gross carrying amount

	GROUP			
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M	RS'M
At 1 July 2022	**305,292**	**17,759**	**16,513**	**339,564**
Exchange adjustment	**(530)**	**(29)**	**70**	**(489)**
Transfer to 12 months ECL	**2,580**	**(2,089)**	**(491)**	**-**
Transfer to lifetime ECL not credit impaired	**(4,015)**	**5,026**	**(1,011)**	**-**
Transfer to lifetime ECL credit impaired	**(2,079)**	**(634)**	**2,713**	**-**
New loans and advances to customers, originated or purchase	**198,761**	**6,619**	**1,216**	**206,596**
Loans and advances to customers derecognised or repaid (excluding write off)	**(168,591)**	**(6,977)**	**(2,047)**	**(177,615)**
Write offs	**-**	**-**	**(291)**	**(291)**
At 30 June 2023	**331,418**	**19,675**	**16,672**	**367,765**
At 1 July 2021	238,778	35,095	14,365	288,238
Exchange adjustment	1,493	110	167	1,770
Transfer to 12 months ECL	10,245	(9,504)	(741)	-
Transfer to lifetime ECL not credit impaired	(3,059)	3,662	(603)	-
Transfer to lifetime ECL credit impaired	(514)	(8,760)	9,274	-
New loans and advances to customers, originated or purchase	163,803	4,087	3,841	171,731
Loans and advances to customers derecognised or repaid (excluding write off)	(105,454)	(6,931)	(4,318)	(116,703)
Write offs	-	-	(5,472)	(5,472)
At 30 June 2022	305,292	17,759	16,513	339,564

Notes to the financial statements
for the year ended 30 June 2023

6. Loans (Cont'd)

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

(iv) Allowances for credit impairment

	GROUP			
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M	RS'M
At 1 July 2022	**3,461**	**3,091**	**5,217**	**11,769**
Exchange adjustment	**(5)**	**(2)**	**79**	**72**
Transfer to 12 months ECL	**403**	**(273)**	**(130)**	**-**
Transfer to lifetime ECL not credit impaired	**(70)**	**746**	**(676)**	**-**
Transfer to lifetime ECL credit impaired	**(40)**	**(110)**	**150**	**-**
Provision for credit impairment for the year	**1,605**	**2,208**	**4,932**	**8,745**
Provision released during the year	**(2,132)**	**(1,470)**	**(305)**	**(3,907)**
Financial assets that have been derecognised	**(572)**	**(298)**	**(182)**	**(1,052)**
Write offs	**-**	**-**	**(183)**	**(183)**
At 30 June 2023	**2,650**	**3,892**	**8,902**	**15,444**
Interest in suspense	**-**	**-**	**3,036**	**3,036**
Provision and interest in suspense at 30 June 2023	**2,650**	**3,892**	**11,938**	**18,480**
At 1 July 2021	2,873	4,851	4,501	12,225
Exchange adjustment	2	16	162	180
Transfer to 12 months ECL	1,124	(938)	(186)	-
Transfer to lifetime ECL not credit impaired	(150)	240	(90)	-
Transfer to lifetime ECL credit impaired	(12)	(1,178)	1,190	-
Provision for credit impairment for the year	1,891	571	5,064	7,526
Provision released during the year	(1,594)	(959)	(408)	(2,961)
Financial assets that have been derecognised	(361)	(300)	(879)	(1,540)
Write offs	-	-	(4,137)	(4,137)
Changes in models /risk parameters	(312)	788	-	476
At 30 June 2022	3,461	3,091	5,217	11,769
Interest in suspense	-	-	2,182	2,182
Provision and interest in suspense at 30 June 2022	3,461	3,091	7,399	13,951

6. Loans (Cont'd)

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

(v) Allowances for credit impairment by industry sectors

	GROUP					
	2023					
	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	**9,525**	**926**	**97**	**170**	**1,068**	**1,335**
Manufacturing	**17,253**	**213**	**159**	**187**	**193**	**539**
Tourism	**31,035**	**795**	**380**	**1,396**	**712**	**2,488**
Transport	**8,866**	**269**	**105**	**15**	**399**	**519**
Construction	**16,001**	**276**	**126**	**112**	**177**	**415**
Financial and business services	**50,205**	**325**	**450**	**225**	**253**	**928**
Traders	**121,468**	**1,070**	**576**	**883**	**1,096**	**2,555**
of which Petroleum and Energy products	***93,224***	**-**	***322***	***823***	**-**	***1,145***
Personal	**51,138**	**947**	**130**	**66**	**464**	**660**
of which credit cards	***1,025***	***33***	***9***	***3***	***29***	***41***
of which housing	***39,355***	***537***	***48***	***22***	***185***	***255***
Professional	**375**	**15**	**4**	**1**	**6**	**11**
Global Business Licence holders	**23,849**	**7,285**	**44**	**63**	**6,595**	**6,702**
Others	**38,050**	**1,515**	**579**	**774**	**975**	**2,328**
of which Energy and Commodities Asset Backed financing	***17,126***	***890***	***74***	***89***	***746***	***909***
	367,765	**13,636**	**2,650**	**3,892**	**11,938**	**18,480**

	GROUP					
	2022					
	Gross amount of loans	*Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	8,904	903	134	131	590	855
Manufacturing	22,923	514	210	211	279	700
Tourism	34,696	452	905	1,437	285	2,627
Transport	6,770	287	190	4	357	551
Construction	16,319	759	255	34	402	691
Financial and business services	29,594	277	337	169	143	649
Traders	112,343	1,425	537	223	1,330	2,090
of which Petroleum and Energy products	*89,865*	*856*	*173*	*190*	*654*	*1,017*
Personal	46,414	1,049	232	70	491	793
of which credit cards	*926*	*27*	*11*	*1*	*23*	*35*
of which housing	*35,683*	*678*	*99*	*28*	*216*	*343*
Professional	1,335	105	14	2	73	89
Global Business Licence holders	16,175	7,414	142	25	3,080	3,247
Others	44,091	1,146	505	785	369	1,659
of which Energy and Commodities Asset Backed financing	*16,041*	*807*	*97*	*168*	*183*	*448*
	339,564	14,331	3,461	3,091	7,399	13,951

*Non performing loans excludes interest in suspense.

Notes to the financial statements
for the year ended 30 June 2023

7. Investment securities

(a) Investment securities

	GROUP	
	2023	2022
	RS'M	RS'M
Investment in debt securities at amortised cost	**255,350**	227,630
Less:		
Allowances for credit impairment on investment in debt securities at amortised cost	**(454)**	(389)
	254,896	227,241
Investment in debt and equity securities measured at fair value through other comprehensive income	**3,563**	4,856
Investment in debt and equity securities measured at fair value through profit or loss	**9,013**	7,587
	267,472	239,684

As at 30 June 2023 and 2022, there were no credit impaired investments fair valued through other comprehensive income.

12 months ECL at 30 June 2023: MUR 0.2M (2022:MUR 2M)

Investment securities can be classified as:

Current	**96,884**	53,177
Non-current	**171,042**	186,896

(b) Investment in debt securities at amortised cost

	GROUP	
	2023	2022
	RS'M	RS'M
Government of Mauritius and Bank of Mauritius bonds	**107,008**	112,800
Treasury bills	**38,975**	24,869
Foreign bonds	**72,792**	55,855
Notes	**36,181**	33,722
Index linked note	**394**	384
	255,350	227,630

(i) Remaining term to maturity

	2023					
	Up to 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Government of Mauritius and Bank of Mauritius bonds	**7,980**	**5,530**	**13,324**	**56,582**	**23,592**	**107,008**
Treasury bills	**26,928**	**9,757**	**1,236**	**1,054**	**-**	**38,975**
Foreign bonds	**2,471**	**2,505**	**18,284**	**38,756**	**10,776**	**72,792**
Notes	**2,617**	**2,872**	**1,995**	**14,145**	**14,552**	**36,181**
Index linked note	**-**	**-**	**-**	**226**	**168**	**394**
	39,996	**20,664**	**34,839**	**110,763**	**49,088**	**255,350**

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

7. Investment securities (Cont'd)

(b) Investment in debt securities at amortised cost (Cont'd)

(ii) Reconciliation of gross carrying amount

	GROUP		
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Total
	RS'M	RS'M	RS'M
At 1 July 2022	**227,629**	**1**	**227,630**
Transfer to lifetime ECL not credit impaired	**(422)**	**422**	**-**
Investments originated or purchase	**79,232**	**15**	**79,247**
Investments derecognised or repaid (excluding write off)	**(51,502)**	**(9)**	**(51,511)**
Exchange adjustment	**(16)**	**-**	**(16)**
At 30 June 2023	**254,921**	**429**	**255,350**
At 1 July 2021	162,217	1,912	164,129
Transfer to 12 months ECL	1,504	(1,504)	-
Investments originated or purchase	89,273	-	89,273
Investments derecognised or repaid (excluding write off)	(25,947)	(407)	(26,354)
Exchange adjustment	582	-	582
At 30 June 2022	227,629	1	227,630

(iii) Allowances for credit impairment

	GROUP		
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Total
	RS'M	RS'M	RS'M
At 1 July 2022	**388**	**1**	**389**
Exchange adjustment	**(1)**	**-**	**(1)**
Transfer to lifetime ECL not credit impaired	**(5)**	**5**	**-**
Provision for credit impairment for the year	**320**	**62**	**382**
Provision released during the year	**(122)**	**(3)**	**(125)**
Financial assets that have been derecognised	**(31)**	**-**	**(31)**
Changes in models/risk parameters	**(160)**	**-**	**(160)**
At 30 June 2023	**389**	**65**	**454**
At 1 July 2021	265	106	371
Transfer to 12 months ECL	102	(102)	-
Exchange adjustment	1	-	1
Provision for credit impairment for the year	158	-	158
Provision released during the year	(107)	-	(107)
Financial assets that have been derecognised	(62)	(3)	(65)
Changes in models/risk parameters	31	-	31
At 30 June 2022	388	1	389

Notes to the financial statements
for the year ended 30 June 2023

7. Investment securities (Cont'd)

(c) Investment in debt and equity securities measured at fair value through other comprehensive income

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Quoted - Level 1				
Official list: shares (equity instrument)	1,213	1,245	-	-
Bonds (debt instrument)	311	1,662	186	-
Foreign shares	553	524	-	-
	2,077	3,431	186	-
Unquoted - Level 2				
Investment fund (debt instrument)	599	715	202	240
Shares (equity instrument)	150	121	-	-
	749	836	202	240
Unquoted - Level 3				
Preference shares (equity instrument)	-	-	200	200
Shares (equity instrument)	737	589	20	-
	737	589	220	200
	3,563	4,856	608	440

Reconciliation of level 3 fair value measurements

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
At 1 July	589	579	200	200
Additions	7	17	20	-
Movement in fair value	137	(7)	-	-
Exchange adjustments	4	-	-	-
At 30 June	737	589	220	200

(d) Investment in debt and equity securities measured at fair value through profit or loss

	GROUP	
	2023	2022
	RS'M	RS'M
Quoted - Level 1		
Local bonds	6	110
Local shares	987	1,221
Foreign bonds	136	-
Foreign shares	2,975	2,412
	4,104	3,743
Unquoted - Level 2		
Government of Mauritius & Bank of Mauritius bonds	1,021	196
Treasury bills	364	502
Investment funds	681	756
	2,066	1,454
Unquoted - Level 3		
Local shares	2,097	1,618
Foreign shares	534	259
Debt	212	513
	2,843	2,390
	9,013	7,587

7. Investment securities (Cont'd)

(d) Investment in debt and equity securities measured at fair value through profit or loss (Cont'd)

	GROUP	
	2023	2022
	RS'M	RS'M
Reconciliation of level 3 fair value measurements		
At 1 July	**2,390**	2,638
Additions	**567**	170
Disposals	**(384)**	(36)
Transfers	**-**	(66)
Movement in fair value	**270**	(316)
At 30 June	**2,843**	2,390

Fair value hierarchy

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

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

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

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

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

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

Unquoted shares - Level 3 investments

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

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

Notes to the financial statements
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8. Investments in associates and joint venture

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

	Nature of business	Principal place of business	Country of incorporation	Holding %	
				Direct	Indirect
2023					
Banque Française Commerciale Ocean Indien	**Banking & financial services**	**Réunion**	**Réunion**	**-**	**49.99**
Société Générale Moçambique, S.A	**Banking & financial services**	**Mozambique**	**Mozambique**	**-**	**35.00**
Promotion and Development Ltd	**Investment and property development**	**Mauritius**	**Republic of Mauritius**	**0.13**	**46.34**
Caudan Development Ltd	**Property development, investment and provision of security services**	**Mauritius**	**Republic of Mauritius**	**6.79**	**38.06**
Credit Guarantee Insurance Co Ltd	**Insurance services**	**Mauritius**	**Republic of Mauritius**	**40.00**	**-**
Kudos Pensions Ltd (Joint Venture)	**Pension administration**	**Mauritius**	**Republic of Mauritius**	**-**	**50.00**
2022					
Banque Française Commerciale Ocean Indien	Banking & financial services	Réunion	Réunion	-	49.99
Société Générale Moçambique, S.A	Banking & financial services	Mozambique	Mozambique	-	35.00
Promotion and Development Ltd	Investment and property development	Mauritius	Republic of Mauritius	0.13	46.34
Caudan Development Ltd	Property development, investment and provision of security services	Mauritius	Republic of Mauritius	6.29	38.06
Credit Guarantee Insurance Co Ltd	Insurance services	Mauritius	Republic of Mauritius	40.00	-

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

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

(iii) Banque Française Commerciale Ocean Indien, Société Générale Moçambique, S.A and Credit Guarantee Co Ltd are unquoted.

The other associates are quoted and the Group's interest in the quoted associates based on SEM bid price as at 30 June are as follows:
Promotion and Development Limited : Rs 1,761M (2022: Rs 1,810M)
Caudan Development Limited : Rs 411M (2022: Rs 754M)

	GROUP	
	2023	2022
	RS'M	RS'M
Group's share of net assets	**12,558**	11,786
Goodwill	**68**	57
Subordinated loans to associate	**543**	513
	13,169	12,356

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

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

Banque Française Commerciale Ocean Indien

(i) Summarised statement of financial position:

Current assets	**13,424**	11,607
Non current assets	**93,890**	88,224
Current liabilities	**23,905**	21,276
Non current liabilities	**73,715**	69,681

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

Revenue	**5,125**	4,853
Profit	**978**	801
Other comprehensive income	**109**	47
Total comprehensive income	**1,087**	848

(iii) Dividend received during the year

Dividend received during the year	**410**	383

8. Investments in associates and joint venture (Cont'd)

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

Promotion and Development Ltd

(i) Summarised statement of financial position:

	GROUP	
	2023	2022
	RS'M	RS'M
Current assets	372	254
Non current assets	17,346	16,788
Current liabilities	906	932
Non current liabilities	1,532	1,386
Non-controlling interest	1,303	1,268
(ii) Summarised statement of profit or loss and other comprehensive income:		
Revenue	728	603
Profit	633	630
Other comprehensive income	63	469
Total comprehensive income	696	1,099
(iii) Dividend received during the year	90	73

(c) Reconciliation of summarised financial information

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

	Opening net assets	Profit	Other comprehensive income	Other movements in reserves	Dividend	Closing net assets	Ownership interest	Interest in associates	Goodwill	Subordinated loan	Carrying value
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	%	RS'M	RS'M	RS'M	RS'M
2023											
Banque Française Commerciale Ocean Indien	8,874	978	109	553	(820)	9,694	49.99%	4,846	68	543	5,457
Promotion and Development Limited	13,456	633	63	20	(195)	13,977	46.47%	6,495	-	-	6,495
2022											
Banque Française Commerciale Ocean Indien	9,547	801	47	(775)	(746)	8,874	49.99%	4,436	57	513	5,006
Promotion and Development Limited	12,484	630	469	31	(158)	13,456	46.47%	6,253	-	-	6,253

Notes to the financial statements
for the year ended 30 June 2023

8. Investments in associates and joint venture (Cont'd)

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

	GROUP	
	2023	2022
	RS'M	RS'M
Carrying amount of interests	**1,217**	1,097
Share of profit	**84**	106
Share of other comprehensive income	**1**	3

AT COST

	COMPANY	
	2023	2022
	RS'M	RS'M
At 1 July	**147**	147
Additions	**7**	-
At 30 June	**154**	147

(e) Movement in investment in associates and joint venture

	GROUP	
	2023	2022
	RS'M	RS'M
At 1 July	**12,356**	12,525
Share of profits	**867**	799
Share of other comprehensive income	**85**	244
Net subordinated loan granted to associate	**-**	(346)
Dividends	**(501)**	(457)
Addition	**11**	-
Exchange and other movements	**351**	(409)
At 30 June	**13,169**	12,356

Investments in associates and joint venture are classified as non-current asset.

9. Investments in subsidiaries

(a) The Group has the following subsidiaries:

	Country of incorporation/ operation	Principal activities	Stated capital		Effective Holding 2023 %	Proportion of ownership interests held by non-controlling interests 2023 %	Effective Holding 2022 %	Proportion of ownership interests held by non-controlling interests 2022 %	Cost of Investment COMPANY 2023 RS'M	Cost of Investment COMPANY 2022 RS'M
BANKING										
Direct										
MCB Investment Holding Ltd	Republic of Mauritius	Activities of holding companies, without managing	**Rs'M**	**8,880**	**100.00**	**-**	100.00	-	**8,880**	8,880
Indirect										
The Mauritius Commercial Bank Limited	Republic of Mauritius	Banking & Financial services	**Rs'M**	**8,880**	**100.00**	**-**	100.00	-	**-**	-
MCB Seychelles Ltd	Seychelles	Banking & Financial services	**SRS'M**	**20**	**100.00**	**-**	100.00	-	**-**	-
The Mauritius Commercial Bank Limited (Madagascar) S.A	Madagascar	Banking & Financial services	**MGA'BN**	**14**	**90.00**	**10.00**	90.00	10.00	**-**	-
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	**MVR'M**	**150**	**100.00**	**-**	100.00	-	**-**	-
NON-BANKING FINANCIAL										
Direct										
MCB Equity Fund Ltd	Republic of Mauritius	Private Equity Fund	**Rs'M**	**2,084**	**100.00**	**-**	100.00	-	**2,084**	2,084
MCB Capital Markets Ltd	Republic of Mauritius	Investment Holding Company	**Rs'M**	**73**	**100.00**	**-**	100.00	-	**73**	73
MCB Factors Ltd	Republic of Mauritius	Factoring	**Rs'M**	**50**	**100.00**	**-**	100.00	-	**50**	50
MCB Microfinance Ltd	Republic of Mauritius	Credit Finance	**Rs'M**	**125**	**100.00**	**-**	100.00	-	**125**	125
MCB Real Assets Ltd*	Republic of Mauritius	Investment Holding Company	**Rs'M**	**-**	**100.00**	**-**	100.00	-	**-**	-
Indirect										
MCB Financial Advisers	Republic of Mauritius	Investment Advisory	**Rs'M**	**2**	**100.00**	**-**	100.00	-	**-**	-
MCB Registry and Securities Ltd	Republic of Mauritius	Share and Unit Registrar services	**Rs'M**	**12**	**100.00**	**-**	100.00	-	**-**	-
MCB Investment Management Co. Ltd	Republic of Mauritius	Investment Advisory and CIS Manager	**Rs'M**	**5**	**100.00**	**-**	100.00	-	**-**	-
MCB Capital Partners Ltd	Republic of Mauritius	Asset Management	**Rs'M**	**1**	**100.00**	**-**	100.00	-	**-**	-
MCB Stockbrokers Ltd	Republic of Mauritius	Investment Dealer	**Rs'M**	**1**	**100.00**	**-**	100.00	-	**-**	-
MCB Investment Services Ltd	Republic of Mauritius	Shared Services	**Rs'M**	**20**	**100.00**	**-**	100.00	-	**-**	-
MCB Investment Services (Rwanda) Ltd	Rwanda	Investment Advisory	**RWF**	**5**	**100.00**	**-**	100.00	-	**-**	-
MCB Structured Solutions Ltd*	Republic of Mauritius	Investment Product Structuring	**Rs'M**	**-**	**100.00**	**-**	100.00	-	**-**	-
CM Structured Products (1) Ltd*	Republic of Mauritius	Investment Product Structuring	**Rs'M**	**-**	**100.00**	**-**	100.00	-	**-**	-
CM Structured Products (2) Ltd	Republic of Mauritius	Investment Product Structuring	**Rs'M**	**24**	**100.00**	**-**	100.00	-	**-**	-
CM Structured Finance (1) Ltd	Republic of Mauritius	Investment Product Structuring	**Rs'M**	**69**	**100.00**	**-**	100.00	-	**-**	-
CM Structured Finance (2) Ltd	Republic of Mauritius	Investment Product Structuring	**Rs'M**	**14**	**100.00**	**-**	100.00	-	**-**	-
CM Diversified Credit Ltd	Republic of Mauritius	Investment Product Structuring	**Rs'M**	**173**	**100.00**	**-**	100.00	-	**-**	-
MCB Leasing Ltd*	Republic of Mauritius	Leasing	**Rs'M**	**-**	**57.73**	**42.27**	57.73	42.27	**-**	-

Notes to the financial statements

for the year ended 30 June 2023

9. Investments in subsidiaries (Cont'd)

(a) The Group has the following subsidiaries (Cont'd):

	Country of incorporation/ operation	Principal activities	Stated capital	Effective Holding 2023 %	Proportion of ownership interests held by non-controlling interests 2023 %	Effective Holding 2022 %	Proportion of ownership interests held by non-controlling interests 2022 %	Cost of Investment COMPANY 2023 RS'M	Cost of Investment COMPANY 2022 RS'M
OTHER INVESTMENTS									
Direct									
Fincorp Investment Ltd	Republic of Mauritius	Investment Company	RS'M 103	57.73	42.27	57.73	42.27	29	29
MCB Properties Ltd	Republic of Mauritius	Property ownership & development	RS'M 15	100.00	-	100.00	-	15	15
Blue Penny Museum	Republic of Mauritius	Philatelic museum	RS'M 14	99.63	0.37	99.63	0.37	13	13
MCB Group Corporate Services Ltd	Republic of Mauritius	Company secretarial services	RS'M 2	100.00	-	100.00	-	2	2
MCB Consulting Services Ltd	Republic of Mauritius	Consulting, advisory, support and maintenance services	USD'M 2	100.00	-	100.00	-	50	50
MCB Institute of Finance	Republic of Mauritius	To develop the financial know-how of professionals and students	RS'M 20	80.00	20.00	80.00	20.00	16	16
Mascareignes Properties Ltd*	Seychelles	Property rental	SRS'M -	100.00	-	100.00	-	-	-
MCB International Services Ltd*	Seychelles	Financial services	SRS'M -	100.00	-	100.00	-	-	-
Indirect									
Compagnie des Villages de Vacances de l'Isle de France	Republic of Mauritius	Real Estate Activities	Rs'M 825	93.39	6.61	93.39	6.61	-	-
EF Property Ltd*	Republic of Mauritius	Real Estate Activities	Rs'M -	100.00	-	100.00	-	-	-
								11,337	11,337
Subordinated loans to subsidiaries								2,089	2,064
								13,426	13,401

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

The fair value of the Company's interest in Fincorp Investment Ltd was Rs 934M at 30 June 2023 (2022: Rs 1,253M).

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

*The stated capital is less than Rs 1M.

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

9. Investments in subsidiaries (Cont'd)

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

	Profit attributable to non-controlling interests RS'M	Net assets attributable to non-controlling interests RS'M
GROUP		
2023	**152**	**3,179**
2022	138	2,997

(c) Summarised financial information of Fincorp Investment Ltd

	GROUP	
	2023	2022
(i) Summarised statement of financial position:	RS'M	RS'M
Total assets	**12,288**	11,431
Total liabilities	**4,767**	4,340
Total equity	**7,521**	7,091
(ii) Summarised statement of profit or loss and statement of comprehensive income:		
Profit	**360**	327
Other comprehensive income	**144**	253
Total comprehensive income	**504**	580
(iii) Summarised statement of cash flows:		
Net cash flows from operating activities	**574**	516
Investing activities	**(491)**	81
Financing activities	**(5)**	(568)
Taxation	**(7)**	(26)
Net increase in cash and cash equivalents	**71**	3

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

Investments in subsidiaries are classified as non-current assets.

Notes to the financial statements
for the year ended 30 June 2023

10. Investment properties

	GROUP	
	2023	2022
	RS'M	RS'M
At 1 July	**4,799**	5,032
Revaluation	**-**	204
Exchange adjustment	**335**	(437)
Modification of lease	**5**	-
Fair value of land and buildings at 30 June	**5,139**	4,799
Rental income	**381**	294

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

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

Valuation Process

The Company's policy is to fair value its investment property every year with a qualified independent valuer appointed every three years.

Each year, management assesses whether there is a significant change in current market conditions which could cause the fair value of the investment property to differ materially from the carrying amount.
Every three years and upon observance of significant change in market conditions, management recommends the appointment of an independent external valuer, who is responsible for the external valuations of the Company's investment properties for the annual financial statements. Selection criteria for an independent valuer include market knowledge, reputation, independence, objectivity and whether professional standards are maintained.

No independent valuer was appointed for the current year.

An independent valuation exercise of the investment property was carried out in 2022 by Jones Lang LaSalle (Pty) Ltd ("JLL"), a professional service company specialising in real estate and offering a range of services such as hotel advisory, valuation services, property and project management. Based on the income approach using the discounted cash flow method and a number of assumptions including a discount rate of 9.40%, JLL determined that the fair value of the investment property at 30 June 2022 was EUR 103,770,000.

Discounted cash flow technique is a method of discounting the rental income based on expected net cash flows of the underlying hotel.

The Directors have reassessed the fair value of the investment property as at 30 June 2023 based on the following criteria:
- Consideration of current market conditions;
- Rolling forward the discounted cash flows used by the independent valuer JLL.

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

The land is leased from the Government of the Republic of Mauritius for a term expiring on 30 September 2069.

Direct operating expenses from the investment property that generated rental income during the year amounted to EUR 381,922 (2022: EUR 288,981). The expenses are reimbursable as they are recharged by the Company to Holiday Villages Management Services (Mauritius) Ltd (HVMS). The investment property has been classified within level 3 of the fair value hierarchy based on the following information:

	Valuation Technique	Significant Unobservable Inputs	Sensitivity
Hotel located in Pointe aux Canonniers	- Income Approach - Discounted Cash Flow	- Rent growth p.a. - Discount Rate - Terminal Yield	- 1.4% - 1.9% -9.57% -7.92%

Significant increases/(decreases) in estimated rent growth per annum in isolation would result in a significantly higher/(lower) fair value of the property.

Significant increases/(decreases) in the discount rate and terminal yield would result in a significantly lower/(higher) fair value.

11. Goodwill and other intangible assets

(a) Goodwill

	GROUP	
	2023	2022
	RS'M	RS'M
At 1 July	**392**	392
Adjustment	**11**	-
At 30 June	**403**	392

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

Goodwill is attributable to the following cash generating units:

	2023	2022
	RS'M	RS'M
Investment properties		
At 30 June	**386**	386

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

The management have reviewed the carrying values of goodwill at 30 June 2023 and are of the opinion that no impairment losses need to be recognised.

The recoverable amount of the above cash-generating unit (CGU) has been determined based on fair value less cost to sell, on the basis of a reassessment of the independent valuation performed by Jones LaSalle (Pty) Ltd in June 2022 as detailed in Note 10, and its value in use calculations.

The key assumptions for the value in use calculations are as follows:

(i) Cash flows are based on financial forecast approved by management covering a period of at least 5 years

(ii) The discount rates used are based on the Group's weighted average cost of capital, adjusted to reflect a risk premium specific to each business. The pre-tax discount rates applied are 9.01% (2022: 8.92%); and

(iii) The nominal long-term growth rates, which are based on historical growth rates and the growth prospects for businesses, do not exceed 5%.

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

Notes to the financial statements
for the year ended 30 June 2023

11. Goodwill and other intangible assets (Cont'd)

(b) Other intangible assets

	GROUP		
	Computer software	Work in progress	Total
	RS'M	RS'M	RS'M
Cost			
At 1 July 2021	**2,522**	**508**	**3,030**
Additions	143	856	999
Scrap/Impairment	-	(10)	(10)
Transfer	830	(830)	-
Exchange adjustment	58	1	59
At 30 June 2022	**3,553**	**525**	**4,078**
Additions	**45**	**912**	**957**
Scrap/Impairment	**(1)**	**-**	**(1)**
Transfer	**1,178**	**(1,178)**	**-**
Adjustment	**675**	**-**	**675**
Exchange adjustment	**(67)**	**(9)**	**(76)**
At 30 June 2023	**5,383**	**250**	**5,633**
Accumulated amortisation			
At 1 July 2021	**1,333**	**-**	**1,333**
Charge for the year	525	-	525
Amortisation adjustment	74	-	74
Exchange adjustment	50	-	50
At 30 June 2022	**1,982**	**-**	**1,982**
Scrap/Impairment	**(1)**	**-**	**(1)**
Charge for the year	**652**	**-**	**652**
Adjustment	**675**	**-**	**675**
Exchange adjustment	**(71)**	**-**	**(71)**
At 30 June 2023	**3,237**	**-**	**3,237**
Net book value			
At 30 June 2023	**2,146**	**250**	**2,396**
At 30 June 2022	1,571	525	2,096
Total			
At 30 June 2023			**2,799**
At 30 June 2022			2,488

Intangible assets are classified as non-current assets.

12. Property, plant and equipment

	GROUP					
	Land and buildings	Computer and other equipment	Furniture, fittings and vehicles*	Work in progress	Right-of-Use assets (Land and Buildings)	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Cost						
At 1 July 2021	**5,262**	**3,818**	2,392	**434**	**686**	**12,592**
Additions	138	249	487	205	216	1,295
Scrap/Disposals	(9)	(204)	(222)	-	-	(435)
Exchange adjustment	26	43	34	10	63	176
Cancellation	-	-	-	-	(80)	(80)
Transfer	221	60	146	(427)	-	-
At 30 June 2022	**5,638**	**3,966**	**2,837**	**222**	**885**	**13,548**
Additions	**21**	**310**	**619**	**184**	**182**	**1,316**
Scrap/Disposals	**-**	**(110)**	**(199)**	**(31)**	**(31)**	**(371)**
Exchange adjustment	**76**	**(8)**	**(18)**	**4**	**(131)**	**(77)**
Adjustment on remeasurement	**(32)**	**37**	**-**	**-**	**(58)**	**(53)**
Adjustment	**-**	**105**	**-**	**-**	**-**	**105**
Transfer	**42**	**76**	**49**	**(167)**	**-**	**-**
At 30 June 2023	**5,745**	**4,376**	**3,288**	**212**	**847**	**14,468**
Accumulated depreciation						
At 1 July 2021	**1,183**	**2,757**	**1,214**	**-**	**239**	**5,393**
Charge for the year	89	368	268	-	130	855
Scrap/Disposal adjustment	(7)	(160)	(133)	-	-	(300)
Exchange adjustment	6	32	16	-	22	76
Depreciation adjustment	-	182	13	-	-	195
At 30 June 2022	**1,271**	**3,179**	**1,378**	**-**	**391**	**6,219**
Charge for the year	**98**	**370**	**313**	**-**	**116**	**897**
Scrap/Disposal adjustment	**-**	**(107)**	**(120)**	**-**	**(23)**	**(250)**
Adjustment	**-**	**105**	**-**	**-**	**-**	**105**
Exchange adjustment	**33**	**(7)**	**(9)**	**-**	**(54)**	**(37)**
Transfer	**3**	**-**	**-**	**-**	**(3)**	**-**
At 30 June 2023	**1,405**	**3,540**	**1,562**	**-**	**427**	**6,934**
Net book value						
At 30 June 2023	**4,340**	**836**	**1,726**	**212**	**420**	**7,534**
At 30 June 2022	4,367	787	1,459	222	494	7,329

*Includes assets under operating lease with NBV of Rs 1,168M (2022: Rs 887M).

Notes to the financial statements
for the year ended 30 June 2023

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

	COMPANY		
	Land and buildings	Furniture, fittings and vehicles	Total
	RS'M	RS'M	RS'M
Cost			
At 1 July 2021 and 2022	**222**	**17**	**239**
Addition	**-**	**9**	**9**
At 30 June 2023	**222**	**26**	**248**
Accumulated depreciation			
At 1 July 2021	-	13	13
Charge for the year	-	1	1
At 30 June 2022	**-**	**14**	**14**
Charge for the year	**-**	**2**	**2**
At 30 June 2023	**-**	**16**	**16**
Net book value			
At 30 June 2023	**222**	**10**	**232**
At 30 June 2022	222	3	225

Property, plant and equipment are classified as non-current asset.
Following the adoption of IFRS 16, the Group has presented right-of-use assets within 'property, plant and equipment'.
The leases under Right-of-use Assets consist mainly of rental of space for ATMs and the lease terms are in the range of 1 to 5 years.
Moreover, the Group does not have the possibility of acquiring the asset at the end of the lease.

13. Deferred tax assets/(liabilities)

	GROUP					
	Balance as at 1 July	Effect of change in tax rate	Exchange adjustments	Recognised in Statements of profit or loss	Recognised in Statements of Comprehensive income	Balance as at 30 June
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
At 30 June 2023						
Deferred tax assets:						
Provisions and post retirement benefits	**195**	**28**	**-**	**166**	**39**	**428**
Provisions for credit impairment	**2,197**	**291**	**17**	**550**	**-**	**3,055**
Tax losses carried forward	**7**	**-**	**4**	**(4)**	**-**	**7**
Leases	**1**	**-**	**-**	**8**	**-**	**9**
Accelerated tax depreciation	**(219)**	**(43)**	**(14)**	**(99)**	**-**	**(375)**
	2,181	**276**	**7**	**621**	**39**	**3,124**
Deferred tax liabilities:						
Accelerated tax depreciation	**(636)**	**-**	**(41)**	**(35)**	**-**	**(712)**
Provisions for credit impairment	**20**	**-**	**-**	**(7)**	**-**	**13**
Tax losses carried forward	**199**	**-**	**11**	**(20)**	**-**	**190**
Leases	**31**	**-**	**1**	**(1)**	**-**	**31**
	(386)	**-**	**(29)**	**(63)**	**-**	**(478)**
At 30 June 2022						
Deferred tax assets:						
Provisions and post retirement benefits	(7)	-	-	(27)	229	195
Provisions for credit impairment	1,748	-	14	435	-	2,197
Tax losses carried forward	3	-	-	4	-	7
Leases	1	-	1	(1)	-	1
Accelerated tax depreciation	(226)	-	21	(14)	-	(219)
	1,519	-	36	397	229	2,181
Deferred tax liabilities:						
Accelerated tax depreciation	(548)	-	9	(97)	-	(636)
Fair value of investment property	(36)	-	-	36	-	-
Provisions for credit impairment	-	-	-	20	-	20
Tax losses carried forward	207	-	1	(9)	-	199
Leases	30	-	3	(2)	-	31
	(347)	-	13	(52)	-	(386)

Deferred tax assets are classified as non-current assets.

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14. Other assets

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Mandatory balances with Central Banks	34,984	27,896	-	-
Prepayments and other receivables	2,704	2,069	2,433	1,750
Credit Card Clearing	979	522	-	-
Non-banking assets acquired in satisfaction of debts*	104	101	-	-
Impersonal and other accounts	6,622	5,968	-	14
	45,393	36,556	2,433	1,764
Less allowances for credit impairment	(22)	(24)	-	-
	45,371	36,532	2,433	1,764

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

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

Allowances for credit impairment

	GROUP			
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M	RS'M
At 1 July 2022	10	6	8	24
Transfer to lifetime ECL not credit impaired	(5)	5	-	-
Provision for credit impairment for the year	1	1	1	3
Provision released during the year	(2)	(1)	-	(3)
Write off	-	-	(2)	(2)
At 30 June 2023	4	11	7	22
At 1 July 2021	10	6	(1)	15
Exchange adjustment	-	1	-	1
Transfer to lifetime ECL credit impaired	-	(6)	6	-
Provision for credit impairment for the year	-	5	8	13
Write off	-	-	(5)	(5)
At 30 June 2022	10	6	8	24

15. Deposits

	GROUP	
	2023	2022
	RS'M	RS'M
(a) Deposits from banks		
Demand deposits	**3,781**	2,173
Money market deposits with remaining term to maturity:		
Up to 3 months	**1,484**	3,006
Over 3 months and up to 6 months	**3,893**	-
Over 6 months and up to 1 year	**1,150**	1,800
Over 1 year and up to 5 years	**44**	-
	6,571	4,806
	10,352	6,979

Deposits from banks can be classified as:

Current	**10,308**	6,979
Non-current	**44**	-

Notes to the financial statements
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15. Deposits (Cont'd)

	GROUP	
	2023	2022
	RS'M	RS'M
(b) Deposits from customers		
(i) Retail customers		
Demand deposits	53,150	56,214
Savings deposits	205,569	195,567
Time deposits with remaining term to maturity:		
Up to 3 months	7,072	3,240
Over 3 months and up to 6 months	4,042	1,989
Over 6 months and up to 1 year	7,173	4,019
Over 1 year and up to 5 years	14,747	12,043
Over 5 years	30	6
	33,064	21,297
	291,783	273,078
(ii) Corporate customers		
Demand deposits	222,213	218,105
Savings deposits	7,108	6,497
Time deposits with remaining term to maturity:		
Up to 3 months	36,222	13,787
Over 3 months and up to 6 months	8,105	2,389
Over 6 months and up to 1 year	13,595	3,070
Over 1 year and up to 5 years	7,417	841
Over 5 years	-	1
	65,339	20,088
	294,660	244,690
(iii) Government		
Demand deposits	766	804
Savings deposits	56	59
Time deposits with remaining term to maturity:		
Up to 3 months	8	8
Over 3 months and up to 6 months	105	4
Over 1 year and up to 5 years	36	34
	149	46
	971	909
	587,414	518,677
Deposits from customers can be classified as:		
Current	565,184	505,752
Non-current	22,230	12,925

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

16. Other borrowed funds

Other borrowed funds comprise the following:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Borrowings from banks:				
in Mauritius	**20,266**	9,982	**1,616**	-
abroad	**67,391**	85,013	**-**	-
	87,657	94,995	**1,616**	-
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**221**	2,576	-	-

Remaining term to maturity:

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
On demand or within a period not exceeding 1 year	**40,181**	25,232	**1,616**	-
Within a period of more than 1 year but not exceeding 2 years	**42,268**	57,627	**-**	-
Within a period of more than 2 years but not exceeding 3 years	**20**	4	**-**	-
Within a period of more than 3 years	**5,188**	12,132	**-**	-
	87,657	94,995	**1,616**	-
Other borrowed funds can be classified as:				
Current	**40,181**	25,232	**1,616**	-
Non-current	**47,476**	69,763	**-**	-

17. Debt securities

Floating rate senior unsecured notes (Level 1)

		GROUP		COMPANY	
		2023	2022	2023	2022
		RS'M	RS'M	RS'M	RS'M
Rs 2.0 billion notes matured in January 2023 at an average interest rate of 1.92%		**-**	2,008	**-**	2,008
Rs 2.0 billion notes maturing in June 2028 at an average interest rate of 4.59% (2022: 2.77%) Market Price at 30 June 2023:Rs 1,000.00 (2022:Rs 1,000.00)	(i)	**2,001**	1,840	**2,001**	2,000
5-year senior unsecured notes maturing in 2028 at a fixed coupon rate of 7.95%	(ii)	**13,506**	-	**-**	-
Exchange adjustments and others		**253**	-	**-**	-
		15,760	3,848	**2,001**	4,008

(i) These notes are quoted on the Official Market of the Stock Exchange of Mauritius Ltd.

(ii) During the year, The Mauritius Commercial Bank Limited launched a Global Medium Term Note Programme, which enables the Bank to tap into the international bond market for up to USD 3 billion. This programme has earned a Baa3 rating from Moody's and was registered on the International Securities Market of the London Stock Exchange in October 2022. It aims at diversifying the funding sources of the Bank and support its overall growth strategy.

Under this programme, the Bank issued its first bond for a notional value of USD 300 million on 26 April 2023.

Notes to the financial statements
for the year ended 30 June 2023

18. Subordinated liabilities

		GROUP		COMPANY	
		2023	2022	2023	2022
		RS'M	RS'M	RS'M	RS'M
Floating rate subordinated notes maturing in August 2023 at an average interest rate of 5.09 % (2022:3.27%)	(i)	**1,113**	1,109	**1,113**	1,109
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 6.1% (2022 :3.5%)	(ii)	**684**	875	**-**	-
Repayment of USD 9M during the year (2022: USD 5.3M)	(ii)	**(404)**	(225)	**-**	-
USD 147M floating rate unsecured Tier 2 notes maturing on 30 March 2033 at an average interest rate of 8.6%	(iii)	**6,689**	-	**-**	-
Exchange adjustments and others		**90**	34	**-**	-
		8,172	1,793	**1,113**	1,109
Subordinated liabilities can be classified as:					
Current		**1,113**	-	**1,113**	-
Non-current		**7,059**	1,793	**-**	1,109

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

(ii) In 2013, The Mauritius Commercial Bank Limited secured USD 30 million through a 10-year amortizing subordinated debt arrangement with the African Development Bank. The remaining balance on the facility was settled in August 2023.

(iii) On 31 March 2023, The Mauritius Commercial Bank Limited successfully concluded its inaugural Basel III compliant Tier 2 bond issuance, amounting to USD 147 million. This bond was issued under the umbrella of a private placement agreement with the African Development Bank. With an original maturity span of 10 years, it features semi-annual amortization, which comes into play starting from the sixth year. This bond helps consolidate the capital of the Bank and provides the necessary buffer to support its growth strategy.

19. Preference shares

	Number of shares	RS'M
At 1 July 2021 & 2022	**339,622,500**	**3,396**
Conversion of preference shares	(109,649,208)	(1,096)
At 30 June 2023	**229,973,292**	**2,300**

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

Preference dividend

Subject to dividends being declared by the Board and to the applicable laws, the preference shareholders, at the close of the preference dividend record date, are entitled to a fixed annual non-cumulative dividend of MUR 0.47 per share. During the non-conversion period, dividends to preference shareholders have been recognised in the statement of changes in equity. At 1 July 2022, dividend is recognised as interest expense.

Conversion of preference shares into ordinary shares

In July 2023, MCB Group Limited has received requests from holders of Preference Shares to convert an aggregate of 44,503,612 Preference Shares into Ordinary Shares. In this context, the Board has approved the issue of 1,471,081 Ordinary Shares of the Company for a total consideration of Rs 445M.

20. Post employee benefit (asset)/liability

	GROUP	
	2023	2022
	RS'M	RS'M
Post employee benefits (asset)/liability:		
(a) Staff superannuation fund (defined benefit section)	(689)	278
(b) Residual retirement gratuities	234	182
	(455)	460
(a) Staff superannuation fund (defined benefit section)		
Reconciliation of net defined benefit (asset)/liability		
Opening balance	278	(1,344)
Amount recognised in statements of profit or loss (Note 30(a))	230	131
Amount recognised in statements of comprehensive income	234	1,716
Less employer contributions	(1,431)	(225)
Closing balance	(689)	278
Reconciliation of fair value of plan assets		
Opening balance	8,765	8,952
Interest income	492	443
Employer contributions	1,431	225
Benefits paid	(376)	(401)
Return on plan assets below interest income	(83)	(454)
Closing balance	10,229	8,765
Reconciliation of present value of defined benefit obligation		
Opening balance	9,043	7,608
Current service cost	253	203
Interest expense	469	371
Benefits paid	(376)	(401)
Liability experience loss	-	96
Liability loss due to change in financial assumptions	151	1,166
Closing balance	9,540	9,043
Components of amount recognised in statements of profit or loss		
Current service cost	253	203
Net interest on net defined benefit asset	(23)	(72)
Total	230	131
Components of amount recognised in statements of comprehensive income		
Return on plan assets below interest income	83	454
Liability experience loss	-	96
Liability loss due to change in financial assumptions	151	1,166
Total	234	1,716

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20. Post employee benefit (asset)/liability (Cont'd)

(a) Staff superannuation fund (defined benefit section) (Cont'd)

	GROUP	
	2023	2022
Allocation of plan assets at end of year	%	%
Equity - Local quoted	30	38
Equity - Local unquoted	1	1
Debt - Overseas quoted	1	-
Debt - Local quoted	13	11
Debt - Local unquoted	8	5
Property - Local	5	6
Investment funds	31	31
Cash and other	11	8
Total	100	100
Allocation of plan assets at end of year	%	%
Reporting entity's own transferable financial instruments	9	11
Property occupied by reporting entity	5	6
Other assets used by reporting entity	2	3
Principal assumptions used at end of year		
Discount rate	5.7%	5.3%
Rate of salary increases	4.2%	3.7%
Rate of pension increases	2.7%	2.2%
Average retirement age (ARA)	63	63
Average life expectancy for:		
Male at ARA	17.3 years	17.3 years
Female at ARA	21.7 years	21.7 years

	2023	2022
	RS'M	RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	1,718	1,628
Decrease due to 1% increase in discount rate	1,345	1,275
Increase due to 1% increase in salary increase rate	745	697
Decrease due to 1 % decrease in salary increase rate	629	597
Increase due to 1% increase in pension increase rate	897	850
Decrease due to 1 % decrease in pension increase rate	773	732

20. Post employee benefit (asset)/liability (Cont'd)

(a) Staff superannuation fund (defined benefit section) (Cont'd)

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

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

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

The Group sponsors a defined benefit pension plan for some of its employees which is self-administered and funded separately from the Group. The Group has recognised a total net defined benefit asset of Rs 689M as at 30 June 2023 for the defined benefit pension plan (2022: net defined liability of Rs 278M).

The liability loss due to change in financial assumptions amounting to Rs 151M is mainly due to the decrease in the net pre-retirement discount rate (the difference between the nominal discount rate and the salary increase rate) from 1.6% p.a. in 2022 to 1.5% p.a. in 2023 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 3.1% p.a. in 2022 to 3.0% p.a. in 2023.

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

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

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

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

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

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

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

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

Future cash flows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries:
Expected employer contribution for the next year: **Rs 324 M**
Weighted average duration of the defined benefit obligation: **16 years**

Defined Contribution Cash Balance (DCCB)

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

Consequently, all employees joining the Group 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.

Notes to the financial statements
for the year ended 30 June 2023

20. Post employee benefit (asset)/liability (Cont'd)

(b) Residual retirement gratuities

Amounts recognised in the financial statements at end of year

	GROUP	
	2023	2022
	RS'M	RS'M
Reconciliation of net defined benefit liability		
Opening balance	**182**	126
Amount recognised in statements of profit or loss (Note 30(a))	**48**	14
Amount recognised in statements of comprehensive income	**29**	42
Employer contribution	**(25)**	-
Closing balance	**234**	182
Reconciliation of present value of defined benefit obligation		
Opening balance	**182**	126
Current service cost	**27**	8
Interest expense	**21**	6
Other benefits paid	**(25)**	-
Liability experience loss/(gain)	**19**	(6)
Liability loss due to change in financial assumptions	**10**	48
Closing balance	**234**	182
Components of amount recognised in statements of profit or loss		
Current service cost	**27**	8
Net interest on net defined benefit liability	**21**	6
Total	**48**	14
Components of amount recognised in statements of comprehensive income		
Liability experience loss/(gain)	**19**	(6)
Liability loss due to change in financial assumptions	**10**	48
Total	**29**	42
Principal assumptions used at end of year		
Discount rate	**5.7%**	5.3%
Rate of salary increases	**4.2%**	3.7%
Rate of pension increases	**2.7%**	2.2%
Average retirement age (ARA)	**63**	63

	2023	2022
	RS'M	RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	**52**	59
Decrease due to 1% increase in discount rate	**42**	45
Increase due to 1% increase in salary increase rate	**47**	50
Decrease due to 1% decrease in salary increase rate	**38**	38
Increase due to 1% increase in pension increase rate	**5**	8
Decrease due to 1% decrease in pension increase rate	**5**	9

The Group has also recognised a net defined benefit liability of Rs 234M as at 30 June 2023 (2022: Rs 182M) for all employees whose pension benefits are not expected to fully offset the company's retirement gratuity obligations under the Workers' Rights Act (WRA) 2019 and who are therefore entitled to residual retirement gratuities under the Workers' Rights Act (WRA) 2019.

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

The liability experience loss of Rs 19M disclosed in the IAS 19 schedule 'Residual Retirement Gratuity' is due to the retirement gratuities paid to employees who retired during the year being higher than their past service reserve.

20. Post employee benefit (asset)/liability (Cont'd)

(b) Residual retirement gratuities (Cont'd)

The liability loss due to change in financial assumptions amounting to Rs 10M is mainly due to the decrease in the net pre-retirement discount rate (the difference between the nominal discount rate and the salary increase rate) from 1.6% p.a. in 2022 to 1.5% p.a. in 2023 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 3.1% p.a. in 2022 to 3.0% p.a. in 2023.

Future cash flows

The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.
Expected employer contribution for the next year: **Nil**
Weighted average duration of the defined benefit obligation: **22 years**

Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants dated 4 September 2023.

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

21. Other liabilities

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Impersonal, other accounts and deferred income	**12,533**	9,048	**537**	450
Structured products notes*	**4,187**	3,303	**-**	-
Proposed dividend	**2,095**	1,185	**2,095**	1,185
Lease liabilities	**992**	626	**-**	-
Allowances for credit impairment on off-balance sheet exposures	**490**	523	**-**	-
Others	**36**	36	**-**	-
	20,333	14,721	**2,632**	1,635

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

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

	GROUP	
	2023	2022
	RS'M	RS'M
Up to 3 months	**7**	1
Over 3 months and up to 6 months	**7**	2
Over 6 months and up to 1 year	**70**	11
Over 1 year and up to 5 years	**139**	218
Over 5 years	**423**	394
	646	626

Notes to the financial statements

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21. Other liabilities (Cont'd)

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

	GROUP		
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Total
	RS'M	RS'M	RS'M
At 1 July 2022	**521**	**2**	**523**
Exchange adjustment	**(1)**	**-**	**(1)**
Transfer to 12 months ECL	**2**	**(2)**	**-**
Provision for credit impairment for the year	**396**	**-**	**396**
Provision released during the year	**(369)**	**-**	**(369)**
Changes in models/risk parameters	**(59)**	**-**	**(59)**
At 30 June 2023	**490**	**-**	**490**
At 1 July 2021	423	1	424
Exchange adjustment	4	-	4
Provision for credit impairment for the year	451	1	452
Provision released during the year	(286)	-	(286)
Changes in models/risk parameters	(71)	-	(71)
At 30 June 2022	521	2	523

22. Stated capital and reserves

(a) Stated capital

	Number of shares	RS'M
At 1 July 2021	239,492,532	2,776
Issue of shares following the exercise of Group Employee Share Options Scheme	276,325	86
Issue of shares following the Scrip Dividend Scheme (Non-cash)	799,456	247
At 30 June 2022	**240,568,313**	**3,109**
Issue of shares following the exercise of Group Employee Share Options Scheme	**218,828**	**68**
Conversion of preference shares	**3,604,072**	**1,096**
Issue of shares following the Scrip Dividend Scheme (Non-cash)	**2,102,617**	**634**
At 30 June 2023	**246,493,830**	**4,907**

Fully paid ordinary shares carry one vote per share and the right to dividend.
The shares have no par value and rank 'pari passu' in all respects with the existing ordinary shares of the Company.

Scrip Dividend Scheme

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

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

(b) Reserves

(i) Capital reserve
The capital reserve represents the cumulative net change in:
(a) the fair value of investment securities until the securities are derecognised or impaired.
(b) revaluation surplus on land and factory buildings where applicable, until it is derecognised.

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

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

23. Contingent liabilities

		GROUP	
		2023	2022
		RS'M	RS'M
(a)	**Instruments**		
	Acceptances on account of customers	**287**	516
	Guarantees on account of customers	**53,013**	62,253
	Letters of credit and other obligations on account of customers (net)	**57,561**	48,601
	Other contingent items (net)	**1,473**	3,625
		112,334	114,995
(b)	**Commitments**		
	Loans and other facilities, including undrawn credit facilities	**13,307**	11,105
(c)	**Tax assessments**	**29**	18
		125,670	126,118

On 30 June 2023, the Group via The Mauritius Commercial Bank Limited and MCB Leasing Limited received income tax assessments against which they have objected.

Additional tax payable based on the notices of assessment amount to MUR 29M.

24. Interest income using the effective interest method

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Loans to and placements with banks	**3,631**	607	**-**	-
Loans and advances to customers	**22,514**	12,930	**7**	-
Investments at amortised cost	**7,688**	4,881	**3**	-
Investments at fair value through other comprehensive income	**53**	37	**-**	-
Other	**38**	-	**7**	1
	33,924	18,455	**17**	1

25. Interest expense

	GROUP 2023 RS'M	GROUP 2022 RS'M	COMPANY 2023 RS'M	COMPANY 2022 RS'M
Deposits from banks	**196**	23	**-**	-
Deposits from customers	**8,594**	1,454	**-**	-
Other borrowed funds	**4,615**	1,609	**38**	-
Debt securities	**320**	32	**128**	93
Subordinated liabilities	**233**	94	**56**	36
Preference shares *(Refer to Note 19)*	**117**	-	**117**	-
Lease liabilities	**59**	52	**-**	-
	14,134	3,264	**339**	129

Notes to the financial statements
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26. Fee and commission income

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Cards and other related fees	**4,109**	3,335	**-**	-
Trade finance fees	**1,460**	1,597	**-**	-
Transaction fees	**1,403**	1,185	**-**	-
Guarantee fees	**1,344**	969	**-**	-
Loan related fees	**548**	487	**-**	-
Private banking and wealth management fees	**409**	426	**-**	-
Investment management	**215**	220	**-**	-
Others	**185**	145	**-**	-
	9,673	8,364	**-**	-

27. Fee and commission expense

Cards and other related fees	**2,581**	2,033	**-**	-
Loan related and trade finance fees	**398**	401	**-**	-
Transaction fees	**58**	61	**-**	-
Others	**30**	19	**-**	-
	3,067	2,514	**-**	-

28. Net gain from other financial instruments carried at fair value

Net gain from derivative financial instruments fair valued through profit or loss	**55**	272	**-**	-
Net gain from investment securities fair valued through profit or loss	**219**	222	**-**	-
Net loss from investment securities fair valued through other comprehensive income	**-**	(337)	**-**	-
Net gain from other investment securities	**16**	3	**-**	-
	290	160	**-**	-

29. Dividend income

Quoted investments FVOCI	**59**	44	**19**	19
Quoted investments FVPL	**48**	34	**-**	-
Unquoted investments FVOCI	**49**	4	**-**	-
Unquoted investments FVPL	**26**	31	**-**	-
Subsidiaries	**-**	-	**4,737**	4,081
	182	113	**4,756**	4,100

30. Non-interest expense

(a) Salaries and human resource costs

	GROUP 2023 RS'M	GROUP 2022 RS'M	COMPANY 2023 RS'M	COMPANY 2022 RS'M
Wages and salaries	**4,104**	3,410	**142**	91
Defined benefit plan	**230**	131	**-**	-
Residual retirement gratuities	**48**	14	**-**	-
Defined contribution plan	**241**	132	**-**	-
Compulsory social security obligations	**147**	152	**-**	-
Equity settled share-based payments	**4**	16	**-**	-
Other personnel expenses	**1,183**	1,117	**2**	2
	5,957	4,972	**144**	93

(b) Other non-interest expense

	GROUP 2023 RS'M	GROUP 2022 RS'M	COMPANY 2023 RS'M	COMPANY 2022 RS'M
Legal and professional fees	**768**	482	**25**	26
Rent, repairs, maintenance and security costs	**455**	377	**1**	1
Software licensing and other information technology costs	**1,090**	762	**-**	-
Electricity, water and telephone charges	**400**	383	**-**	-
Advertising, marketing costs and sponsoring	**249**	146	**1**	-
Postage, courier and stationery costs	**213**	212	**3**	-
Insurance costs	**199**	169	**-**	-
Others	**377**	249	**30**	44
of which short term leases	*21*	*8*	-	-
of which variable leases	-	*14*	-	-
	3,751	2,780	**60**	71

(c) Share-based payments

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

The Board of Directors has the authority to issue up to 5 million shares to the employees. In November 2022, a further offer of 740,232 options was made on similar terms.

	GROUP 2023 Weighted avg exercise price RS	GROUP 2023 Number of options	GROUP 2022 Weighted avg exercise price RS	GROUP 2022 Number of options
Outstanding and exercisable at 1 July	**192.56**	**510,038**	193.63	645,906
Expired during the year	**273.02**	**(426,046)**	192.42	(502,061)
Granted during the year	**285.70**	**740,232**	274.94	642,518
Exercised during the year	**282.48**	**(218,828)**	278.76	(276,325)
Outstanding and exercisable at 30 June		**605,396**		510,038

The options outstanding at 30 June 2023 under GESOS have an exercise price in the range of Rs 281.75 to Rs 313.75 and a weighted average contractual life of 3½ months.

The weighted average share price at the date the share options were exercised under GESOS during FY 22/23 was Rs 312.24 (2022:Rs 312.62).

The fair value of services in return for share options granted is based on the fair value of the share options granted measured by the average market price of the share of the last three months, as may be adjusted by the Board of Directors of MCB Group Limited. The fair value at measurement date is Rs 310.50 (2022:Rs 299).

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31. Net impairment of financial assets

	GROUP	
	2023	2022
	RS'M	RS'M
Net allowance for credit impairment:		
Cash and cash equivalents	**4**	(8)
Loan and advances		
Loans to and placements with banks	**315**	217
Loans and advances to customers	**3,786**	3,501
Investment securities:		
Amortised cost	**66**	17
Fair value through other comprehensive income	**(2)**	76
Other assets - receivables	**-**	13
Off-balance sheet exposures	**(32)**	95
	4,137	3,911
Recoveries of advances previously written off	**(493)**	(430)
	3,644	3,481

32. Income tax expense

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

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Income tax based on the adjusted profit	**3,290**	1,730	**1**	-
Deferred tax	**(558)**	(345)	**-**	-
Special levy on banks	**645**	624	**-**	-
Corporate Social Responsibility contribution	**115**	124	**-**	-
Tax credit	**(53)**	(62)	**-**	-
Under/(Over) provision in previous years	**6**	(1)	**-**	-
Charge for the year	**3,445**	2,070	**1**	-

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

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Profit before tax	**17,758**	12,031	**4,298**	3,808
Less share of profit of associates	**(867)**	(799)	**-**	-
	16,891	11,232	**4,298**	3,808
Tax calculated at applicable rates (5%-33%)	**2,604**	1,685	**645**	571
Effect of change in tax rate	**287**	(281)	**-**	-
Impact of:				
Income not subject to tax	**(1,350)**	(555)	**(725)**	(619)
Expenses not deductible for tax purposes	**1,191**	536	**81**	48
Tax credits	**(53)**	(62)	**-**	-
Special levy on banks	**645**	624	**-**	-
Corporate Social Responsibility contribution	**115**	124	**-**	-
Under/(Over) provision in previous years	**6**	(1)	**-**	-
Tax charge	**3,445**	2,070	**1**	-

Corporate Social Responsibility (CSR) tax

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

Bank Levy

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

Applicable Tax Rates

As from 1 July 2019, the Segment A and Segment B regime was abolished for income tax purposes and a new tax regime is applicable for the banking sector.

The Mauritius Commercial Bank Limited was subject to income tax of 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 a reduced rate of 5% on the remainder, subject to meeting prescribed conditions.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

The Mauritius Revenue Authority is now of the view that the lapsing of the prescribed conditions implies that banks should no longer apply the reduced rate of 5% as from the year ended 30 June 2022.

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

	GROUP	
	2023	2022
	RS'M	RS'M
Remeasurement of defined benefit pension plan and retirement residual gratuities	**263**	1,758
Deferred tax credit	**(39)**	(229)
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	**224**	1,529

Notes to the financial statements
for the year ended 30 June 2023

33. Dividends

	COMPANY	
	2023	2022
	RS'M	RS'M
Ordinary shares		
Opening dividends payable	**1,185**	1,735
Declared during the year	**4,278**	3,462
Paid during the year	**(2,734)**	(3,765)
Scrip dividend	**(634)**	(247)
Closing dividend payable	**2,095**	1,185

34. Earnings per share

(a) Basic earnings per share

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

	GROUP	
	2023	2022
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	**14,133,000**	9,637,000
Weighted average number of ordinary shares (thousands)	**245,074**	240,064
Basic earnings per share (Rs)	**57.67**	40.14

(b) Diluted earnings per share

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

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

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

	GROUP	
	2023	2022
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	**14,133,000**	9,637,000
Weighted average number of ordinary shares - basic (thousands)	**245,074**	240,064
Effect of share options in issue (thousands)	**52**	55
Weighted average number of ordinary shares - diluted (thousands) at year end	**245,126**	240,119
Diluted earnings per share (Rs)	**57.66**	40.13

35. Commitments

(a) Capital commitments

	GROUP	
	2023	2022
	RS'M	RS'M
Expenditure contracted for but not incurred	**219**	192
Expenditure approved by the Board but not contracted for	**92**	121

(b) Securities pledged

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

	GROUP	
	2023	2022
	RS'M	RS'M
Government of Mauritius & Bank of Mauritius bonds with Bank of Mauritius	**7,631**	7,113
Government of Mauritius & Bank of Mauritius bonds with other financial institutions	**37,647**	32,620
	45,278	39,733

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

36. Net cash flows from trading activities

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Operating profit	**16,891**	11,232	**4,298**	3,808
(Increase)/Decrease in other assets	**(9,630)**	(2,625)	**(669)**	236
Increase in other liabilities	**4,579**	160	**83**	368
Net Increase in derivative financial instruments	**(57)**	(312)	**-**	-
Net (Increase)/Decrease in investment securities at fair value through profit or loss	**(1,426)**	17,932	**-**	-
Release of provision for employee benefits	**(104)**	(94)	**-**	-
Provision for residual retirement gratuities	**48**	14	**-**	-
Net allowance for credit impairment on:				
Cash and cash equivalents	**4**	(8)	**-**	-
Loans and advances	**4,101**	3,718	**-**	-
Investment securities at amortised cost	**66**	17	**-**	-
Investment securities at fair value through other comprehensive income	**(2)**	76	**-**	-
Other assets - receivables	**-**	13	**-**	-
Off-balance sheet exposures	**(32)**	95	**-**	-
Exchange profit	**(239)**	(22)	**-**	-
Depreciation of property, plant and equipment	**897**	855	**2**	1
Amortisation of intangible assets	**652**	525	**-**	-
Loss on disposal of property, plant and equipment	**75**	53	**-**	-
Loss on scrapped intangible assets	**-**	10	**-**	-
Loss on disposal of investment securities	**-**	337	**-**	-
Revaluation gain on investment property	**-**	(204)	**-**	-
Bargain purchase on business combinations	**(38)**	-	**-**	-
	15,785	31,772	**3,714**	4,413

Notes to the financial statements

for the year ended 30 June 2023

37. Net cash flows from other operating activities

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Net increase in deposits	**72,687**	18,481	**-**	-
Net increase in loans and advances	**(18,725)**	(38,157)	**-**	-
Purchase of investments at fair value through other comprehensive income	**(237)**	(5,560)	**-**	-
Proceeds from sale of investments at fair value through other comprehensive income	**1,811**	9,732	**-**	-
Net increase in investment securities at amortised cost	**(27,798)**	(63,095)	**-**	-
Net increase in other borrowed funds	**(4,822)**	15,368	**1,616**	-
	22,916	(63,231)	**1,616**	-

38. Operating segments

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

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

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

Year ended 30 June 2023

	GROUP	Banking	Non-Banking Financial	Other Investments	Eliminations
	RS'M	RS'M	RS'M	RS'M	RS'M
Income:					
External gross income	**48,993**	47,969	1,861	191	(1,028)
Expenses	**(28,458)**	(27,896)	(1,042)	(298)	778
Operating profit before impairment	**20,535**	20,073	819	(107)	(250)
Net impairment of financial assets	**(3,644)**	(3,671)	33	(6)	-
Operating profit	**16,891**	16,402	852	(113)	(250)
Share of profit of associates	**867**	544	15	308	-
Profit before tax	**17,758**	16,946	867	195	(250)
Income tax expense	**(3,445)**				
Profit for the year	**14,313**				
Other segment items:					
Segment assets	**810,889**	812,290	21,694	1,873	(24,968)
Investments in associates	**13,169**	6,085	53	7,033	(2)
Goodwill and other intangible assets	**2,799**				
Deferred tax assets	**3,124**				
Total assets	**829,981**				
Segment liabilities	**704,946**	706,432	12,597	1,381	(15,464)
Unallocated liabilities	**31,940**				
Total liabilities	**736,886**				

38. Operating segments (Cont'd)

Year ended 30 June 2022

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

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for the year ended 30 June 2023

38. Operating segments (Cont'd)

Year ended 30 June 2023

	GROUP	Net interest income/ (expense)	Net fee and commission income	Dividend income	Forex profit and others
	RS'M	RS'M	RS'M	RS'M	RS'M
Operating income:					
Banking	**31,160**	19,797	6,331	755	4,277
Non-Banking Financial	**1,433**	(3)	550	52	834
Other Investments	**185**	(4)	16	40	133
Eliminations	**(986)**	-	(291)	(665)	(30)
	31,792	19,790	6,606	182	5,214
Segment assets	**696,592**	687,346	-	9,246	-
Investments in associates	**13,169**				
Goodwill and other intangible assets	**2,799**				
Deferred tax assets	**3,124**				
Unallocated assets	**114,297**				
Total assets	**829,981**				

Year ended 30 June 2022

	GROUP	Net interest income	Net fee and commission income	Dividend income	Forex profit and others
	RS'M	RS'M	RS'M	RS'M	RS'M
Operating income:					
Banking	**23,266**	15,043	5,615	458	2,150
Non-Banking Financial	**1,093**	143	659	53	238
Other Investments	**411**	5	16	4	386
Eliminations	**(925)**	-	(440)	(402)	(83)
	23,845	15,191	5,850	113	2,691
Segment assets	**601,935**	593,946	-	7,989	-
Investments in associates	**12,356**				
Goodwill and other intangible assets	**2,488**				
Deferred tax assets	**2,181**				
Unallocated assets	**109,168**				
Total assets	**728,128**				

39. Related party transactions

(a) The Group

	Associated companies	Directors and Key Management Personnel	Enterprises in which Directors and Key Management Personnel have significant interest	Defined benefit plan
	RS'M	RS'M	RS'M	RS'M
Cash equivalents, Loans and Advances				
Balance at year end:				
30 June 23	**2,478**	**182**	**22**	**-**
30 June 22	2,397	343	409	-
Deposits				
Balance at year end:				
30 June 23	**67**	**415**	**261**	**621**
30 June 22	75	528	557	798
Amounts due from/(to)				
Balance at year end:				
30 June 23	**(986)**	**-**	**-**	**-**
30 June 22	(1,013)	-	-	-
Off Balance sheet items				
Balance at year end:				
30 June 23	**3**	**-**	**237**	**-**
30 June 22	74	-	195	-
Interest income				
For the year ended:				
30 June 23	**128**	**5**	**1**	**-**
30 June 22	77	3	14	-
Interest expense				
For the year ended:				
30 June 23	**1**	**8**	**-**	**7**
30 June 22	32	2	-	-
Fees and commissions and Other income				
For the year ended:				
30 June 23	**5**	**3**	**1**	**4**
30 June 22	4	3	4	5

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

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

Notes to the financial statements
for the year ended 30 June 2023

39. Related party transactions (Cont'd)

(a) The Group (Cont'd)

The FY 2022/2023 figure for "Fees and commissions and Other income" from Associated Companies includes an annual amount in respect of management fees charged to Banque Francaise Commerciale Ocean Indien ('BFCOI').

During the year, 50,114 share options were exercised under the Group Employee Share Option scheme by Key Management Personnel, including Executive Directors amounting to Rs 20M (FY 2021/2022: 88,343 share options for Rs 22M).

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

(i) Balances as at 30 June:

	Amount owed by	Amount owed to
	RS'M	RS'M
Subsidiaries		
2023	**4,488**	**389**
2022	2,761	6

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

	Dividend income	Interest income	Other expense
	RS'M	RS'M	RS'M
Subsidiaries			
2023	**4,737**	**17**	**22**
2022	4,081	2	19

(c) Key Management Personnel compensation

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :				
Salaries and short term employee benefits	**284**	240	**106**	81
Post employment benefits	**24**	18	**6**	3
	308	258	**112**	84

40. Events after reporting date

(i) In July 2023, the Board has approved the issue of additional notes, by way of preferential offer, for an aggregate nominal amount of up to Rs 2.5 billion.

(ii) Conversion of 44,503,612 Preference Shares into Ordinary Shares- *Refer to note 19*