

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

### 30 RETIREMENT BENEFIT OBLIGATION

The Group and the Bank have a defined contribution (DC) scheme which is a funded obligation administered by Swan Life Ltd.

The liability relates to retirement gratuities payable under The Workers' Right Act 2019 which is unfunded.

The actuarial valuation was carried out at 30 June 2020 by Swan Life Ltd.

The plan expose the Group and the Bank to normal risks associated with defined benefit pension plans such as interest risk and salary risk.

Interest risk: If the bond/bill yields decrease, the liabilities would be calculated using a lower discount rate, and would therefore increase.

Salary risk: If salary increases are higher than assumed in our basis, the liabilities would increase giving rise to actuarial losses.

#### Retirement gratuities

	THE GROUP			THE BANK		
	2020	2019	2018	2020	2019	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Present value of obligations	<b>102,034</b>	67,307	42,776	<b>99,851</b>	64,652	41,688

Movement in liability recognised in statements of financial position:

	2020	2019	2018	2020	2019	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Net liability at start of year	<b>67,307</b>	42,776	23,000	<b>64,652</b>	41,688	23,000
Amount recognised in profit or loss	<b>15,489</b>	14,353	8,165	<b>14,953</b>	13,697	7,077
Amount recognised in other comprehensive income	<b>20,723</b>	10,178	11,611	<b>21,731</b>	9,267	11,611
Benefits paid	<b>(1,485)</b>	-	-	<b>(1,485)</b>	-	-
Net liability at end of the year	<b>102,034</b>	67,307	42,776	<b>99,851</b>	64,652	41,688

Amounts recognised in statements of profit or loss and other comprehensive income

	2020	2019	2018	2020	2019	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Current service cost	<b>11,689</b>	11,126	6,071	<b>11,310</b>	10,550	5,697
Net interest cost	<b>3,800</b>	3,227	2,094	<b>3,643</b>	3,147	1,380
Components of amount recognised in profit or loss	<b>15,489</b>	14,353	8,165	<b>14,953</b>	13,697	7,077
Remeasurement of defined benefit obligations:						
Liability experience loss	<b>10,979</b>	1,998	7,267	<b>12,934</b>	1,630	7,267
Liability loss due to change in financial assumptions	<b>9,744</b>	8,180	4,344	<b>8,797</b>	7,637	4,344
	<b>36,212</b>	24,531	19,776	<b>36,684</b>	22,964	18,688

Changes in the present value of the defined benefit obligations:

	2020	2019	2018	2020	2019	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	<b>67,307</b>	42,776	23,000	<b>64,652</b>	41,688	23,000
Interest cost	<b>3,800</b>	3,227	2,094	<b>3,643</b>	3,147	1,380
Current service cost	<b>11,689</b>	11,126	6,071	<b>11,310</b>	10,550	5,697
Liability experience loss	<b>10,979</b>	1,998	7,267	<b>12,934</b>	1,630	7,267
Liability loss due to change in financial assumptions	<b>9,744</b>	8,180	4,344	<b>8,797</b>	7,637	4,344
Benefits paid	<b>(1,485)</b>	-	-	<b>(1,485)</b>	-	-
At 30 June	<b>102,034</b>	67,307	42,776	<b>99,851</b>	64,652	41,688

Future cash flows:

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

The weighted average duration of the defined benefit obligation is 14 years for the Bank and 21 years for the subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

### 30 RETIREMENT BENEFIT OBLIGATION (CONTINUED)

	THE GROUP			THE BANK		
	2020	2019	2018	2020	2019	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Sensitivity analysis:						
Increase in defined benefit obligation due to 1% decrease in discount rate	<b>18,932</b>	13,464	12,652	<b>18,318</b>	12,652	12,652
Decrease in defined benefit obligation due to 1% increase in discount rate	<b>15,675</b>	11,160	10,494	<b>15,185</b>	10,494	10,494
Increase in defined benefit obligation due to 1% increase in future long-term salary assumption	<b>18,763</b>	13,613	12,796	<b>18,164</b>	12,796	12,796
Decrease in defined benefit obligation due to 1% decrease in future long-term salary assumption	<b>15,836</b>	11,459	10,779	<b>15,347</b>	10,779	10,779

The sensitivity analyses above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

	THE GROUP			THE BANK		
	2020	2019	2018	2020	2019	2018
The principal actuarial assumptions used for accounting purposes are:						
Discount rate	<b>3.7% - 3.8%</b>	5.7% - 5.9%	6.4% - 6.7%	<b>3.70%</b>	5.70%	6.40%
Salary increases	<b>3.5% - 5%</b>	5.00%	5.00%	<b>3.50%</b>	5.00%	5.00%
Average retirement age	<b>60 years</b>	60 years	60 years	<b>60 years</b>	60 years	60 years

The rate per annum of withdrawal from service before retirement for the Bank is between 10% and 15% for age upto 30, reducing to 0% after 50 years. The rate per annum of withdrawal from service for the subsidiary is 15% up to age 20, reducing to 0% after 45.

The discount rate is determined by reference to the yield on government bonds of duration equivalent to the duration of liabilities.