

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

### 32 FAIR VALUE OF FINANCIAL INSTRUMENTS

#### (a) Financial instruments measured at fair value

##### Determination of fair value and fair value hierarchy

The Group and the Bank use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:  
 Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;  
 Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and  
 Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2020						2019												
	Quoted prices in active markets		Significant observable inputs		Significant unobservable inputs		Total fair value		Quoted prices in active markets		Significant observable inputs		Significant unobservable inputs		Total fair value				
	Level 1	Level 2	Level 2	Level 3	Level 3	Level 3	Level 1	Level 2	Level 2	Level 3	Level 3	Level 1	Level 2	Level 2	Level 3	Level 1	Level 2	Level 2	
MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
<b>Financial assets at amortised cost</b>																			
<b>Derivative financial instruments</b>																			
Foreign exchange option contracts	-	2,062	-	-	-	2,062	-	8,361	-	8,361	-	11,815	-	11,815	-	-	-	-	-
Forward foreign exchange contracts and swaps	-	125,451	-	-	-	125,451	-	84,052	-	84,052	-	196,675	-	196,675	-	-	-	-	-
Spot position account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross currency interest rate swap	-	97,580	-	-	-	97,580	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	3,906	-	-	-	3,906	-	652,182	-	652,182	-	602,937	-	602,937	-	-	-	-	-
Options contracts	-	92,962	-	-	-	92,962	-	744,595	-	744,595	-	897,052	-	897,052	-	-	-	-	-
	-	321,961	-	-	-	321,961	-	744,595	-	744,595	-	897,052	-	897,052	-	-	-	-	-
<b>Debt instruments mandatorily measured at fair value through profit or loss</b>																			
Government of Mauritius debts securities	-	850,043	-	-	-	850,043	-	1,416,463	-	1,416,463	-	1,749,284	-	1,749,284	-	-	-	-	-
Bank of Mauritius bonds and notes	-	920,011	-	-	-	920,011	-	3,427,026	-	3,427,026	-	1,209,012	-	1,209,012	-	-	-	-	-
Unquoted equity investments	-	4,398	-	-	-	4,398	-	58,356	-	58,356	-	203,247	-	203,247	-	-	-	-	-
Listed equity shares	-	-	-	-	-	-	-	813,783	-	813,783	-	694,407	-	694,407	-	-	-	-	-
Corporate debt securities	190,635	81,791	-	-	-	272,426	356	-	-	356	-	-	-	-	-	-	-	-	-
	190,635	1,856,243	-	-	-	2,046,878	356	5,715,628	-	5,715,984	-	3,855,950	-	3,855,950	-	-	-	-	-
<b>Debt instruments at fair value through other comprehensive income</b>																			
Government of Mauritius treasury bills and bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank of Mauritius bonds and notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Securities treasury bills and bonds	-	-	-	-	-	-	-	3,571,880	-	3,571,880	-	3,485,461	-	3,485,461	-	-	-	-	-
	-	-	-	-	-	-	-	3,571,880	-	3,571,880	-	4,055,941	-	4,055,941	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

- 32 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)  
 (a) Financial instruments measured at fair value (Continued)

	2020				2019				2018			
	Quoted prices in active markets		Significant observable inputs		Quoted prices in active markets		Significant observable inputs		Quoted prices in active markets		Significant observable inputs	
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
	-	-	36,940	36,940	-	-	-	31,945	31,945	-	-	18,559
	-	-	36,940	36,940	-	-	-	31,945	31,945	-	-	18,559
	190,635	2,178,204	36,940	2,405,779	356	10,032,103	31,945	10,064,404	-	-	-	8,827,502

### Equity investment designated at fair value through other comprehensive income\*

Equity investments

### Financial liabilities at amortised cost

#### Derivative financial instruments

Foreign exchange option contracts  
 Forward foreign exchange contracts  
 Interest rate swap  
 Options contracts

### Financial liabilities measured at fair value through profit or loss

Equities  
 Bonds

\* An increase in Net Asset Value/ share price will lead to an increase in fair value of investment and a decrease in NAV will lead to a decrease in fair value of investments. The reconciliation for level 3 has been disclosed in note 17(d).

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

### 32 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Financial instruments measured at fair value (Continued)

	2020				2019				2018			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total fair value	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total fair value	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total fair value
	Level 1 MUR'000	Level 2 MUR'000	Level 3 MUR'000	MUR'000	Level 1 MUR'000	Level 2 MUR'000	Level 3 MUR'000	MUR'000	Level 1 MUR'000	Level 2 MUR'000	Level 3 MUR'000	MUR'000
<b>THE BANK</b>												
<b>Financial assets at amortised cost</b>												
<b>Derivative financial instruments</b>												
Foreign exchange option contracts	-	2,062	-	2,062	-	8,361	-	8,361	-	11,815	-	11,815
Foreign exchange contracts	-	125,451	-	125,451	-	84,052	-	84,052	-	196,675	-	196,675
Cross currency interest rate swap	-	97,580	-	97,580	-	-	-	-	-	-	-	-
Interest rate swaps	-	3,906	-	3,906	-	-	-	-	-	-	-	-
Options contracts	-	92,962	-	92,962	-	-	-	-	-	-	-	-
	-	321,961	-	321,961	-	92,413	-	92,413	-	208,490	-	208,490
<b>Financial assets mandatorily measured at fair value through profit or loss</b>												
Government of Mauritius debts securities	-	850,043	-	850,043	-	1,416,463	-	1,416,463	-	1,749,284	-	1,749,284
Bank of Mauritius bonds and notes	-	920,011	-	920,011	-	3,427,026	-	3,427,026	-	1,209,012	-	1,209,012
Corporate debt securities and bonds	190,635	81,791	-	272,426	356	-	-	356	-	-	-	-
	190,635	1,851,845	-	2,042,480	356	4,843,489	-	4,843,845	-	2,958,296	-	2,958,296
<b>Debt instruments measured at fair value through other comprehensive income</b>												
Government of Mauritius treasury bills and bonds	-	-	-	-	-	-	-	-	-	119,091	-	119,091
Bank of Mauritius bonds and notes	-	-	-	-	-	-	-	-	-	451,389	-	451,389
Foreign Securities treasury bills and bonds	-	-	-	-	-	3,571,880	-	3,571,880	-	3,485,461	-	3,485,461
	-	-	-	-	-	3,571,880	-	3,571,880	-	4,055,941	-	4,055,941
<b>Equity investments designated at fair value through other comprehensive income *</b>												
Equity investments	-	-	9,673	9,673	-	-	8,303	8,303	-	-	-	-
	-	-	9,673	9,673	-	-	8,303	8,303	-	-	-	-
	190,635	2,173,806	9,673	2,374,114	356	8,507,782	8,303	8,516,441	-	7,222,727	-	7,222,727



## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

### 32 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial assets and liabilities not measured at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not measured at fair value in the financial statements:

##### Assets and liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than one year), it is assumed that the carrying amount approximates their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

##### Fixed and floating rate financial instruments

The fair value of fixed and floating rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they are first recognised with current market rates for similar financial instruments. The estimated fair value of fixed and floating interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining terms to maturity and credit spreads.

The fair value of the below financial assets and financial liabilities are classified in level 3 in the fair value hierarchy.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's and the Bank's financial instruments that are not carried at fair value in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

#### THE GROUP

	2020			2019			2018		
	Carrying amount MUR'000	Total fair value MUR'000	Carrying amount MUR'000	Total fair value MUR'000	Carrying amount MUR'000	Total fair value MUR'000	Carrying amount MUR'000	Total fair value MUR'000	
<b>Financial assets</b>									
Cash and cash equivalents	69,036,975	69,036,975	50,700,638	50,700,638	50,105,076	50,105,076	50,105,076	50,105,076	
Due from banks	11,132,738	11,132,738	12,967,930	12,967,930	5,164,742	5,164,742	5,164,742	5,164,742	
Loans and advances to banks	5,245,927	5,245,927	6,019,048	6,019,048	5,769,229	5,769,229	5,769,229	5,769,229	
Loans and advances to customers	23,043,922	23,513,051	22,150,196	22,284,503	22,297,254	22,610,456	22,297,254	22,610,456	
Debt instruments at amortised cost	46,612,747	48,583,089	36,884,143	37,553,867	27,360,177	26,187,282	27,360,177	26,187,282	
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,216,920	2,216,920	1,922,348	1,922,348	1,587,987	1,587,987	1,587,987	1,587,987	
	<b>157,289,229</b>	<b>159,728,700</b>	<b>130,644,303</b>	<b>131,448,334</b>	<b>112,284,465</b>	<b>110,955,582</b>	<b>112,284,465</b>	<b>110,955,582</b>	

	2020			2019			2018		
	Carrying amount MUR'000	Total fair value MUR'000	Carrying amount MUR'000	Total fair value MUR'000	Carrying amount MUR'000	Total fair value MUR'000	Carrying amount MUR'000	Total fair value MUR'000	
<b>Financial liabilities</b>									
Due to banks	(13,252)	(13,252)	(30,434)	(30,434)	(932,755)	(932,755)	(932,755)	(932,755)	
Deposits from banks	(96,365)	(96,365)	(14,106)	(14,106)	(33,341)	(33,341)	(33,341)	(33,341)	
Deposits from customers	(150,826,106)	(151,219,408)	(131,018,499)	(131,424,988)	(111,102,759)	(111,688,506)	(111,102,759)	(111,688,506)	
Debits issued	(1,083)	(1,083)	(320,662)	(361,671)	(855,302)	(788,257)	(855,302)	(788,257)	
Lease liabilities	(82,571)	(82,571)	-	-	-	-	-	-	
Other liabilities (excluding advance commission and taxes)	(484,907)	(484,907)	(394,083)	(394,083)	(434,769)	(434,769)	(434,769)	(434,769)	
	<b>(151,504,284)</b>	<b>(151,897,586)</b>	<b>(131,777,784)</b>	<b>(132,225,282)</b>	<b>(113,358,926)</b>	<b>(113,877,628)</b>	<b>(113,358,926)</b>	<b>(113,877,628)</b>	

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

### 32 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial assets and liabilities not measured at fair value (Continued)

#### THE BANK

	2020			2019			2018		
	Carrying amount MUR'000	Total fair value MUR'000	Carrying amount MUR'000	Total fair value MUR'000	Carrying amount MUR'000	Total fair value MUR'000	Carrying amount MUR'000	Total fair value MUR'000	
<b>Financial assets</b>									
Cash and cash equivalents	69,032,249	69,032,249	50,698,992	50,698,992	49,974,647	49,974,647	49,974,647	49,974,647	
Due from banks	11,132,738	11,132,738	12,967,930	12,967,930	5,164,742	5,164,742	5,164,742	5,164,742	
Loans and advances to banks	5,245,927	5,245,927	6,019,048	6,019,048	5,769,229	5,769,229	5,769,229	5,769,229	
Loans and advances to customers	23,043,922	23,513,051	22,150,196	22,284,503	22,297,254	22,610,456	22,297,254	22,610,456	
Debt instruments at amortised cost	46,612,747	48,583,089	36,884,143	37,553,867	27,360,177	26,187,282	27,360,177	26,187,282	
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,211,795	2,211,795	1,991,181	1,991,181	1,744,081	1,744,081	1,744,081	1,744,081	
	<b>157,279,378</b>	<b>159,718,849</b>	<b>130,711,490</b>	<b>131,515,521</b>	<b>112,310,130</b>	<b>110,981,247</b>	<b>112,310,130</b>	<b>110,981,247</b>	

	2020			2019			2018		
	Carrying amount MUR'000	Total fair value MUR'000	Carrying amount MUR'000	Total fair value MUR'000	Carrying amount MUR'000	Total fair value MUR'000	Carrying amount MUR'000	Total fair value MUR'000	
<b>Financial liabilities</b>									
Due to banks	(13,252)	(13,252)	(30,434)	(30,434)	(932,755)	(932,755)	(932,755)	(932,755)	
Deposits from banks	(96,365)	(96,365)	(14,106)	(14,106)	(33,341)	(33,341)	(33,341)	(33,341)	
Deposits from customers	(150,850,619)	(151,243,920)	(131,194,259)	(131,600,749)	(111,352,126)	(111,919,291)	(111,352,126)	(111,919,291)	
Debits issued	-	-	(184,205)	(225,214)	(600,208)	(765,310)	(600,208)	(765,310)	
Lease liabilities	(82,571)	(82,571)	-	-	-	-	-	-	
Other liabilities (excluding advance commission and taxes)	(474,168)	(474,168)	(378,678)	(378,678)	(373,263)	(373,263)	(373,263)	(373,263)	
	<b>(151,516,975)</b>	<b>(151,910,276)</b>	<b>(131,801,682)</b>	<b>(132,249,181)</b>	<b>(113,291,693)</b>	<b>(114,023,960)</b>	<b>(113,291,693)</b>	<b>(114,023,960)</b>	