

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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:

THE GROUP	2021				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	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total fair value
	Level 1	Level 2	Level 3	MUR'000	Level 1	Level 2	Level 3	MUR'000	Level 1	Level 2	Level 3	MUR'000
Financial assets at amortised cost												
Derivative financial instruments												
Foreign exchange option contracts	-	2,050	-	2,050	-	2,062	-	2,062	-	8,361	-	8,361
Forward foreign exchange contracts and swaps	-	59,798	-	59,798	-	125,451	-	125,451	-	84,052	-	84,052
Cross currency interest rate swap	-	151,683	-	151,683	-	97,580	-	97,580	-	-	-	-
Interest rate swaps	-	2,870	-	2,870	-	3,906	-	3,906	-	-	-	-
Options contracts	-	191,479	-	191,479	-	92,962	-	92,962	-	652,182	-	652,182
	-	407,880	-	407,880	-	321,961	-	321,961	-	744,595	-	744,595
Debt instruments mandatorily measured at fair value through profit or loss												
Government of Mauritius debts securities	-	2,805,517	-	2,805,517	-	850,043	-	850,043	-	1,416,463	-	1,416,463
Bank of Mauritius bonds and notes	-	1,038,656	-	1,038,656	-	920,011	-	920,011	-	3,427,026	-	3,427,026
Unquoted equity investments	-	-	-	-	-	4,398	-	4,398	-	58,356	-	58,356
Listed equity shares	-	-	-	-	-	-	-	-	-	813,783	-	813,783
Corporate bonds and notes	1,656,406	34,234	-	1,690,640	190,635	81,791	-	272,426	356	-	-	356
	1,656,406	3,878,407	-	5,534,813	190,635	1,856,243	-	2,046,878	356	5,715,628	-	5,715,984
Debt instruments at fair value through other comprehensive income												
Foreign Securities treasury bills and bonds	-	-	-	-	-	-	-	-	-	3,571,880	-	3,571,880
	-	-	-	-	-	-	-	-	-	3,571,880	-	3,571,880
Equity investment designated at fair value through other comprehensive income*												
Equity investments	-	-	13,804	13,804	-	-	36,940	36,940	-	-	31,945	31,945
	-	-	13,804	13,804	-	-	36,940	36,940	-	-	31,945	31,945
Equity Investment measured at fair value through profit or loss												
Equity investment	1,705	-	-	1,705	-	-	-	-	-	-	-	-
	1,705	-	-	1,705	-	-	-	-	-	-	-	-
	1,658,111	4,286,287	13,804	5,958,202	190,635	2,178,204	36,940	2,405,779	356	10,032,103	31,945	10,064,404
Financial liabilities at amortised cost												
Derivative financial instruments												
Foreign exchange option contracts	-	2,050	-	2,050	-	1,759	-	1,759	-	7,945	-	7,945
Forward foreign exchange contracts	-	13,701	-	13,701	-	7,706	-	7,706	-	42,050	-	42,050
Interest rate swap	-	3,162	-	3,162	-	4,741	-	4,741	-	-	-	-
Options contracts	-	191,479	-	191,479	-	92,962	-	92,962	-	652,182	-	652,182
	-	210,392	-	210,392	-	107,168	-	107,168	-	702,177	-	702,177
Financial liabilities measured at fair value through profit or loss												
Equities	-	-	-	-	-	4,398	-	4,398	-	813,783	-	813,783
Bonds	-	-	-	-	-	-	-	-	-	58,356	-	58,356
	-	-	-	-	-	4,398	-	4,398	-	872,139	-	872,139

* 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

FOR THE YEAR ENDED 30 JUNE 2021

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value (Cont'd)

THE BANK

	2021				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	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total fair value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets at amortised cost												
Derivative financial instruments												
Foreign exchange option contracts	-	2,050	-	2,050	-	2,062	-	2,062	-	8,361	-	8,361
Foreign exchange contracts	-	59,798	-	59,798	-	125,451	-	125,451	-	84,052	-	84,052
Cross currency interest rate swap	-	151,683	-	151,683	-	97,580	-	97,580	-	-	-	-
Interest rate swaps	-	2,870	-	2,870	-	3,906	-	3,906	-	-	-	-
Options contracts	-	191,479	-	191,479	-	92,962	-	92,962	-	-	-	-
	-	407,880	-	407,880	-	321,961	-	321,961	-	92,413	-	92,413
Financial assets held for trading measured at fair value through profit or loss												
Government of Mauritius debts securities	-	2,805,517	-	2,805,517	-	850,043	-	850,043	-	1,416,463	-	1,416,463
Bank of Mauritius bonds and notes	-	1,038,656	-	1,038,656	-	920,011	-	920,011	-	3,427,026	-	3,427,026
Corporate bonds and notes	1,656,406	34,234	-	1,690,640	190,635	81,791	-	272,426	356	-	-	356
	1,656,406	3,878,407	-	5,534,813	190,635	1,851,845	-	2,042,480	356	4,843,489	-	4,843,845
Debt instruments measured at fair value through other comprehensive income												
Foreign Securities treasury bills and bonds	-	-	-	-	-	-	-	-	-	3,571,880	-	3,571,880
	-	-	-	-	-	-	-	-	-	3,571,880	-	3,571,880
Equity investments designated at fair value through other comprehensive income *												
Equity investments	-	-	13,804	13,804	-	-	9,673	9,673	-	-	8,303	8,303
	-	-	13,804	13,804	-	-	9,673	9,673	-	-	8,303	8,303
Equity Investment measured at fair value through profit or loss												
Equity investment	1,705	-	-	1,705	-	-	-	-	-	-	-	-
	1,705	-	-	1,705	-	-	-	-	-	-	-	-
	1,658,111	4,286,287	13,804	5,958,202	190,635	2,173,806	9,673	2,374,114	356	8,507,782	8,303	8,516,441
Financial liabilities at amortised cost												
Derivative financial instruments												
Foreign exchange option contracts	-	2,050	-	2,050	-	1,759	-	1,759	-	7,945	-	7,945
Forward foreign exchange contracts and swaps	-	13,701	-	13,701	-	7,706	-	7,706	-	42,050	-	42,050
Interest rate swaps	-	3,162	-	3,162	-	4,741	-	4,741	-	-	-	-
Options contracts	-	191,479	-	191,479	-	92,962	-	92,962	-	-	-	-
	-	210,392	-	210,392	-	107,168	-	107,168	-	49,995	-	49,995

*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).

Valuation techniques

Financial assets held for trading measured at fair value through profit or loss

(i) Unquoted equity investments

Unquoted equity investments relate to investments in equity funds. The fair value of these investments has been based on their published share price used for trading.

(ii) Government of Mauritius debts securities and Bank of Mauritius bonds and notes

Those investments are valued based on the weighted yield bond curve of similar instruments as made publicly available by the local regulator.

(iii) Corporate and Foreign Sovereign debt securities

Those investments are valued based on the market yield or market price if available the most which is appropriate.

Equity Investments designated at fair value through other comprehensive income

The investment in equity shares has been fair valued at year end based either on the net assets value of the investee or are based on the market yield of similar instruments as made publicly available by the local regulator.

Derivative Financial Instruments

Derivative products valued using a valuation technique with market observable inputs include forward foreign exchange contracts and option contracts across several asset classes, including but not limited to Funds, commodities, indices and equities. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, interest rate curves, volatility curves and/or feeds from appointed valuation/calculation agents.

Transfers between hierarchy

There was no transfer between fair value hierarchy during the year under review.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

32 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

(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 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

	2021		2020		2019	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets						
Cash and cash equivalents	97,810,111	97,810,111	69,036,975	69,036,975	50,700,638	50,700,638
Due from banks	17,974,090	17,974,090	11,132,738	11,132,738	12,967,930	12,967,930
Loans and advances to banks	6,638,835	6,638,835	5,245,927	5,245,927	6,019,048	6,019,048
Loans and advances to customers	18,749,929	18,751,543	23,043,922	23,513,051	22,150,196	22,284,503
Debt instruments at amortised cost	39,859,873	45,869,154	46,612,747	48,583,089	36,884,143	37,553,867
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,302,308	2,302,308	2,216,920	2,216,920	1,922,348	1,922,348
	183,335,146	189,346,041	157,289,229	159,728,700	130,644,303	131,448,334

	2021		2020		2019	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial liabilities						
Due to banks	1,000,122	1,000,122	13,252	13,252	30,434	30,434
Deposits from banks	364,726	364,726	96,365	96,365	14,106	14,106
Deposits from customers	178,832,286	179,008,496	150,826,106	151,219,408	131,018,499	131,424,988
Debts issued	-	-	1,083	1,083	320,662	361,671
Lease liabilities	47,658	47,658	82,571	82,571	-	-
Other liabilities (excluding advance commission and taxes)	353,621	353,621	484,907	484,907	394,083	394,083
	180,598,413	180,774,623	151,504,284	151,897,586	131,777,784	132,225,282

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

32 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial assets and liabilities not measured at fair value (Cont'd)

THE BANK

Financial assets

Cash and cash equivalents
Due from banks
Loans and advances to banks
Loans and advances to customers
Debt instruments at amortised cost
Other assets (excluding prepayments, accrued income, inventory and taxes)

	2021		2020		2019	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	97,810,099	97,810,099	69,032,249	69,032,249	50,698,992	50,698,992
Due from banks	17,974,090	17,974,090	11,132,738	11,132,738	12,967,930	12,967,930
Loans and advances to banks	6,638,835	6,638,835	5,245,927	5,245,927	6,019,048	6,019,048
Loans and advances to customers	18,749,929	18,751,543	23,043,922	23,513,051	22,150,196	22,284,503
Debt instruments at amortised cost	39,859,873	45,869,154	46,612,747	48,583,089	36,884,143	37,553,867
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,302,308	2,302,308	2,211,795	2,211,795	1,991,181	1,991,181
	183,335,134	189,346,029	157,279,378	159,718,849	130,711,490	131,515,521

Financial liabilities

Due to banks
Deposits from banks
Deposits from customers
Debts issued
Lease liabilities
Other liabilities (excluding advance commission and taxes)

	2021		2020		2019	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Due to banks	1,000,122	1,000,122	13,252	13,252	30,434	30,434
Deposits from banks	364,726	364,726	96,365	96,365	14,106	14,106
Deposits from customers	178,846,558	179,022,768	150,850,619	151,243,920	131,194,259	131,600,749
Debts issued	-	-	-	-	184,205	225,214
Lease liabilities	47,658	47,658	82,571	82,571	-	-
Other liabilities (excluding advance commission and taxes)	353,203	353,203	474,168	474,168	378,678	378,678
	180,612,267	180,788,477	151,516,975	151,910,276	131,801,682	132,249,181