

Introduction

Risk is inherent in the Group's and the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's and the Bank's continuing profitability and each individual within the Group and the Bank is accountable for the risk exposures relating to his or her responsibilities. The Group and the Bank are exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors as well as the Group's and the Bank's senior management are responsible for understanding both the nature and level of risks taken by the institution and how the risks relate to adequate capital level. The Board is also responsible for the overall risk management approach and for approving the risk strategies and principles.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management/Conduct Review Committee

The Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Committee is responsible for managing risk decisions and monitoring risk levels.

Treasury Function

The Bank's Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Bank.

Internal Audit

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit Function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

(a) Risk measurement and reporting systems

The Group's and the Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group and the Bank also run worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group and the Bank. These limits reflect the business strategy and market environment of the Group and the Bank as well as the level of risk that the Group and the Bank are willing to accept, with additional emphasis on selected industries. In addition, the Group's and the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the business is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee and the Head of each business division. The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in foreign currencies.

The Bank has set in place a Watchlist committee that monitors accounts in arrears rigorously. Weekly reports are circulated for follow up and tabled at the committee. Through its Impairment committee, Management are provided with a status on Loans and Advances in arrears so as to ensure that appropriate actions have been taken.

The Bank actively uses collaterals to reduce their credit risks on loans and advances.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(b) Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the entity. The Group and the Bank main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investment in debt securities, derivatives that are an asset position, trade receivables and receivables from related parties. The Group and the Bank consider all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Credit risk management

The Bank has established a number of approaches to manage credit risk including:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- defining, implementing and re-evaluating credit risk appetite
- expert scrutiny and approval of credit risk and its mitigation independently of the business functions
- ongoing monitoring of exposure relative to set appetite and limits and quality of assets and counterparty
- ongoing independent risk oversight and reporting to the governance committee, in respect of breaches of limits, policies/procedure and risk appetite
- Appropriate credit policies and procedures are in place
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

The Bank is using a combination of credit rating (internal and external) and statistical regression analysis to determine the probability of default. Internal credit ratings are mapped to S&P table on default rates to arrive at the Bank's PD for each customer. Statistical Regression is derived using an analysis of historical data, whereby the Bank has estimated relationships between macro-economic variables, credit risk and credit losses. Country rating is also factored in our ECL computation for non-resident counterparties.

Internal Credit Risk Ratings

In order to minimise credit risk, the Bank has tasked its Risk Management Committee to develop and maintain the Bank's Credit Risk grading to categorise exposures according to their degree of risk of default. Board Credit and Risk committee have oversight on the credit rating. The credit rating information is based on a range of data that is determined to be predictive of the risk of default. The nature of the exposure and type of borrower are taken into account in the analysis.

The Bank's Risk Appetite Framework ("RAF") comprises of quantitative and qualitative factors that are indicative of risk of default and are used to define credit risk grades. The RAF has been designed and calibrated to reflect the risk of default as credit risk deteriorates.

As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade updated to reflect current information. The monitoring procedures follow are both general and tailored to the type of exposure. The following data are typically used to monitor the Bank's exposures:

- Payment record and ageing analysis;
- Extent of utilisation of granted limit;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies; and
- For retail exposures internally generated data of customer behaviour or other metrics.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposure analysed by type of products and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Bank's internal credit risk grades to external ratings.

2020				2019			
Internal Rating	External Rating Equivalent	Description	Average 1YR PD Range	CRISIL	Corresponding S&P rating	Description	Average PD Range
AAA	AAA	Prime	0.04%-0.04%	AAA	AAA	Prime	0.03%-0.03%
AA+	A+	Upper Medium Grade	0.06%-0.06%	AA+	A+	Upper Medium Grade	0.05%-0.05%
AA				AA			
AA-	BBB	Lower Medium Grade	0.20%-0.20%	AA-	BBB	Lower Medium Grade	0.16%-0.16%
A+	BB+	Non-Investment Grade Speculative	0.33%-0.43%	A+	B+	Non-Investment Grade Speculative	0.32%-0.33%
A	BB		0.54%-1.09%	A	BB		0.53%-0.99%
A-			1.09%-1.95%	A-			BB-
BBB+	BB-		2.41%-4.24%	BBB+	BB-		2.01%-3.74%
BBB	B+	Highly Speculative	3.91%-6.85%	BBB	B+	Highly Speculative	3.41%-4.22%
BBB-				B	BBB-		
BB+	B-	Highly Speculative	7.79%-13.88%	BB+	B-	Highly Speculative	6.75%-7.07%
BB				BB			
BB-				BB-			
B+				B+			
B	CCC/C	Highly Vulnerable	27.08%	B	B-	Highly Vulnerable	34.44%-34.44%
B-				CC			
CCC/C	CCC/C	Highly Vulnerable	27.08%	CC	CC	Highly Vulnerable	34.44%-34.44%
D	D	In Default	100%	D	D	In Default	100%

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

Internal Credit Risk Ratings (Continued)

Significant Increase in Credit Risk

The Bank monitors all financial assets that are subject to 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 Bank will measure the loss allowance based on lifetime rather than 12-month ECL. At each reporting date, the Bank must assess whether the credit risk on a financial instrument has increased significantly.

- This assessment shall be based on the risk of default (as opposed to the overall expected loss).
- If an asset is considered “low risk” at the reporting date, the entity may assume that it is not subject to SICR.
- If forward looking information is available without undue cost, this shall be used in the assessment of SICR, whether this be on an individual or collective basis.
- A 30-days past due backstop criterion shall be used to identify SICR. An entity may challenge this backstop if it has evidence that exposures may become 30 days past due without a significant increase in credit risk.

In addition, the Bank has developed a number of objective and subjective factors to consider when evaluating whether an account exhibits SICR:

- Negative market information: if there is negative market information which are expected to reduce the borrower’s economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.
- Changes in credit worthiness/ratings: if the external/internal S&P rating on the borrower drops to below A- and has dropped by two or more notches
- Adverse changes in economic/business environment: An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower’s ability to meet its debt obligations, such as a decline in the demand for the borrower’s sales product because of a shift in technology.

Modification to a borrower due to financial difficulty: Where the loan does not meet the definition of Credit Impaired, it will be classified in stage 2 for a 6-month cooling period before returning to stage 1.

Financial difficulty: If there is an adverse financial information that may impact on the operating results of the borrower resulting in a possible change in the borrower’s ability to meet its full debt obligations.

- Application of court order: if the borrower is subject to legal proceedings from a third party that may impair their ability to pay future instalments.
- Significant country downgrade: if the external country rating on the borrower drops to below A- and has dropped by two or more notches.

Loan commitments are assessed along with the category of loan the Bank is committed to provide, i.e. commitments to provide corporate loans are assessed using similar criteria to corporate loans.

The Bank has monitoring procedures in place to make sure that the qualitative and quantitative criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Incorporation of forward looking information

The Bank incorporates forward looking information that is available without undue cost and effort into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Bank asset book is split into two segments, namely Segment A for local exposures and Segment B for cross-border exposures.

The Segment A portfolio is further segregated into 2 distinct homogenous group namely Mid-Corporate and Large-Corporate, whereby clients fall into either one of the 15 sectors, based on a Bank of Mauritius classification criteria. Marginal PDs for each facility are generated through the respective PD function built upon the logistic regression equation of each sector/sub-sector. Via these econometric models, the relationships between movements in macroeconomic variables and default behaviours of our clients are investigated and where evidence could be found, relevant PDs are derived embedding forward looking information. A wide array of Macroeconomic variables have been considered in assessing for significant predictive power within the PD models; these include GDP, Inflation, PPI as well as key market indicators such as the SEMDEX and DEMEX. For clients belonging to sectors with no internal default experience, PDs are derived based on the internal rating models as assessments support that movements in the macroeconomic variables do not have a significant impact on default behaviours. The Segment B portfolio on the other hand is segregated by country of risk. The PD attached to each facility, derived from the Bank’s rating based approach is subsequently adjusted to incorporate forward-looking information based on the movements of Sovereign Credit Default Swap (CDS) curves.

In light of COVID-19, ABL revised its ECL framework so as to cater for the higher level of uncertainty in markets, both local and across borders. The bank ensured that in doing so, it remains in line with the many guiding principles released by local and international body on IFRS9 in a COVID-19 context. Adjusting for forward looking information during this unprecedented event, the bank has adopted a probabilistic approach based on forward looking scenarios, as prescribed in the IFRS9 framework, given uncertainties prevailing across markets. As such, the bank has defined 3 scenarios (upside, baseline/most likely and downside) and assigned weights suggesting the likelihood of such event occurring based on economic and market conditions assessments in the context of COVID-19. The scenarios assumed are very bearish, so as to properly reflect the current and projected global economic environment. The baseline scenarios for both Segment A and B are determined by means of the CDS curves movement of the different countries, capturing the market information and investors sentiment arising from the crisis effect brought on by the pandemic; CDS Proxies have been derived and used on exposures residing in countries where no adequate CDS curves are available.

The Bank has factored in post model adjustment to take into account the unlikelihood to pay criteria on certain sectors impacted by COVID-19. The adjustment is based on borrowers’ non-payment behaviors observed in the current economic environment which may result in an increasing amount of balances becoming past due and having a higher probability of default in the future.

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

ECL Measurement

The key inputs into the measurement of ECL are the following:

- (i) probability of default (PD);
- (ii) loss given default (LGD);
- (iii) exposure at default (EAD).

These parameters are derived as detailed below and they are adjusted to reflect forward-looking information as described above.

The IFRS 9 ECL is calculated every quarter, or as frequently as required. Separate IFRS9 ECL calculation is done for Stage 1, Stage 2 and Stage 3 accounts.

The ECL for all accounts in Stage 1 is calculated by multiplying the PD, LGD and EAD. For Stage 2 accounts, ECL is calculated separately for the first 12 months, months 13-24 and so on until the contractual maturity. Lastly, ECL for Stage 3 accounts is calculated simply by multiplying the EAD and LGD, given that the account is in default (i.e. the PD is 100%).

PD is an estimate of the likelihood of default over a given time horizon. PDs are estimated considering the contractual maturities of exposures and the estimation is based on current conditions, adjusted to take into account estimates of future conditions that will potentially impact PD.

The PD of the domestic accounts is derived either through the econometric models where available or alternatively, based on the Bank's internal rating models (as explained above). For international accounts, the PD is determined based on the external rating of the counterparty if available. Otherwise, the Bank uses the internal rating models, capped to the respective country rating. The PDs are thereafter duly adjusted to include any forward looking premium as required.

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.

LGD for performing accounts is dependent on the collateral held against the exposure. The Bank derives the LGD based on the type of collateral rather than the estimated collateral value. The LGD for non-performing accounts is prudently calculated under the assumption that the Bank will take possession of the collateral and liquidate.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For overdraft, credit card and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Bank does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are canceled only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- Instrument type
- Sector/sub-sector
- Geographic location

The groupings are review on a regular basis to ensure that each group is comprised of homogenous exposures.

Individually assessed allowances

The Group and the Bank determine the allowances to be appropriate for each facility assessed on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

Regulatory provision

Regulatory provision is conducted in accordance with the Bank of Mauritius Guideline on 'Credit Impairment Measurement and Income Recognition (April 2016)' and 'Additional Macroprudential Measures For the Banking Sector (January 2015)' which require the Bank to take a minimum portfolio provision of 1% on standard credits and an additional portfolio provision as a macro prudential policy measure ranging between 0.5% to 1% depending on the sectors. The Bank has recognized a regulatory provision of MUR 146m in portfolio reserve during the year which represents the difference between minimum portfolio provision and the stage 1 and 2 provision for loans and advances.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group and the Bank address impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Credit-related commitments risks

The Bank make available for its customers guarantees which may require that the Bank make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control process and policies.

Country risk

Country risk is the uncertainty whether obligors will be able to fulfil financial obligations given political or economic conditions in the country in question. The Bank make a thorough evaluation of risks, which may be associated with their cross-border operations and which have the potential to adversely affect its risk profile. These risks can be elaborated below:

Transfer Risk - Where a country suffers economic, political or social problems, leading to a drainage in its foreign currency reserves, the borrowers in that country may not be able to convert their funds from local currency into foreign currency to repay their external obligations.

Sovereign Risk - This risk denotes a foreign government's capacity and willingness to repay its direct and indirect (i.e., guaranteed) foreign currency obligations. It arises as a result of a bank having any type of lending, extension of credit, or advance to a country's government.

Currency Risk - The risk that a borrower's domestic currency holdings and cash flow become inadequate to service its foreign currency obligations because of devaluation.

Contagion Risk - The risk that adverse developments in one country may, for instance, lead to a downgrade of rating or credit squeeze not only for that country but also for other countries in the region, notwithstanding the fact that those countries may be more creditworthy and that the adverse developments do not apply.

Indirect Country Risk - The risk that the repayment ability of a domestic borrower is endangered owing to the deterioration of the economic, political or social conditions in a foreign country where the borrower has substantial business relationship or interest.

Macroeconomic Risk - The risk that the borrower in a country may, for example, suffer from the impact of high interest rates due to measures taken by the government of that country to defend its currency.

According to the Bank of Mauritius guideline on country risk management, the Bank is required to prudently make provisions on country risk. A provision of MUR 50M was raised for the year ended 30 June 2017. No incremental provisioning was required for the year ended 30 June 2018, 30 June 2019 and 30 June 2020. This is posted in the general banking reserve, which comprises amounts set aside for general banking risks, including future losses and other unforeseen risks. It also includes provision made to meet other regulatory provision including country risk.

Conferring to ABL's country risk policy, the Bank would set exposure limits for individual countries to manage and monitor Country risk. Country exposure limits should apply to all on and off balance sheet exposures to foreign borrowers. While it is the responsibility of the Board Risk Committee (BRC) to approve the proposed structure of limits, investment strategy and the related limits with regards to the Bank risk appetite, the Board of Directors is also responsible for setting the Bank's tolerance for country risks.

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Risk concentrations: Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Group's and the Bank's concentrations of risk are managed by client/counterparty (excluding government), by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 30 June 2020 was MUR 17.6bn (2019: MUR 18.5bn and 2018: MUR 13.4bn) before taking account of collateral or other credit enhancements.

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives, by geography and by industry before the effect of mitigation through the use of master netting and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

	THE GROUP			THE BANK		
	2020 MUR'000	2019 MUR'000	2018 MUR'000	2020 MUR'000	2019 MUR'000	2018 MUR'000
Financial assets						
Cash and cash equivalents	69,040,147	50,726,584	50,105,076	69,035,421	50,724,938	49,974,647
Due from banks	11,137,615	12,971,816	5,164,742	11,137,615	12,971,816	5,164,742
Derivative financial instruments	321,961	744,595	897,052	321,961	92,413	208,490
Loans and advances to banks	5,257,597	6,034,226	5,827,242	5,257,597	6,034,226	5,827,242
Loans and advances to customers	25,433,805	24,062,713	23,513,195	25,433,805	24,062,713	23,513,195
Investment securities	48,704,358	46,212,331	35,290,627	48,672,693	45,316,550	34,374,414
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,216,920	1,922,348	1,587,987	2,211,795	1,991,181	1,744,081
	162,112,403	142,674,613	122,385,921	162,070,887	141,193,837	120,806,811

The Group's and the Bank's financial assets before taking into account any collateral held or other credit enhancements, can be analysed as follows by the following geographical regions:

	GROSS MAXIMUM EXPOSURE					
	THE GROUP			THE BANK		
	2020 MUR'000	2019 MUR'000	2018 MUR'000	2020 MUR'000	2019 MUR'000	2018 MUR'000
Africa						
Mauritius	58,739,539	52,199,588	38,659,219	58,704,122	52,243,133	38,666,325
Other African countries	12,332,502	13,310,034	10,168,891	12,332,502	13,310,034	10,168,891
North America	41,225,695	35,588,651	17,724,199	41,225,695	35,279,049	17,429,263
Europe	19,636,463	10,005,145	38,244,748	19,632,067	10,005,145	38,154,156
Asia	29,377,200	26,778,439	13,920,174	29,377,200	26,778,439	13,920,174
Others	801,004	4,792,756	3,668,690	799,301	3,578,037	2,468,002
	162,112,403	142,674,613	122,385,921	162,070,887	141,193,837	120,806,811

NOTES TO THE FINANCIAL STATEMENTS

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

An industry analysis of the Group's and the Bank's financial assets, without taking account of any collateral held or other credit enhancements, is as follows:

	GROSS MAXIMUM EXPOSURE					
	THE GROUP			THE BANK		
	2020	2019	2018	2020	2019	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Agriculture	1,094,873	509,649	2,026,262	1,094,873	509,649	2,026,262
Construction, infrastructure and real estate	1,944,015	1,119,041	1,780,388	1,944,015	1,119,041	1,780,388
Financial and business services	98,955,710	122,495,156	103,699,598	98,914,194	121,014,380	102,120,488
Government and parastatal bodies	35,407,685	479,419	1,488,649	35,407,685	479,419	1,488,649
Information and communication technology	254,487	16,516	45,544	254,487	16,516	45,544
Manufacturing	4,673,091	2,725,894	2,780,767	4,673,091	2,725,894	2,780,767
Personal	2,373,536	1,912,148	1,706,109	2,373,536	1,912,148	1,706,109
Tourism	4,537,676	3,165,754	2,412,999	4,537,676	3,165,754	2,412,999
Traders	5,342,073	1,550,713	1,561,372	5,342,073	1,550,713	1,561,372
Others	7,529,257	8,700,323	4,884,233	7,529,257	8,700,323	4,884,233
	162,112,403	142,674,613	122,385,921	162,070,887	141,193,837	120,806,811

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are as follows:

- Floating charges for commercial lending;
- Fixed charges for retail lending and for commercial lending;
- Cash deposits held under lien; and
- Pledge of quoted shares.

The Group and the Bank also request for personal guarantees from promoters, directors, shareholders and also corporate and cross guarantees from parent and sister companies.

The value of collateral and other credit enhancements received on loans and advances as at 30 June 2020 is MUR 18.4bn (2019: MUR 14.7bn and 2018: MUR 18bn). All other financial assets are unsecured except for collateralised placements.

Credit quality per class of financial assets

THE GROUP AND THE BANK

The Group and the Bank monitor credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument for the year ended 30 June 2020 and 30 June 2019.

Class of financial instrument	Financial statement line	Note
Short term placements and Nostro	Cash and cash equivalents	Note 13
Medium term placements	Due from banks	Note 14
Loans and advances to banks	Loans and advances to banks	Note 16(a)
Loans and advances to customers	Loans and advances to customers	Note 16(b)
Debt instruments measured at amortised cost	Investment securities	Note 17(c)
Debt instruments measured at FVTOCI	Investment securities	Note 17(b)
Loans commitments and financial guarantee contracts	Other liabilities	Note 37(b)

NOTES TO THE FINANCIAL STATEMENTS

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The table below shows the credit quality by class of asset for loan-related statement of financial position lines as at 30 June 2018:

THE GROUP

	Neither past due nor impaired				Total
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	
	MUR'000	MUR'000	MUR'000	MUR'000	
30 June 2018					
Cash and cash equivalents	50,105,076	-	-	-	50,105,076
Due from banks	5,164,742	-	-	-	5,164,742
Derivative financial instruments	897,052	-	-	-	897,052
Financial assets mandatorily measured at fair value through profit or loss	3,855,950	-	-	-	3,855,950
Loans and advances to banks and customers	27,826,169	24,045	15,832	1,474,391	29,340,437
Debt instruments measured at fair value through other comprehensive income	4,074,500	-	-	-	4,074,500
Debt instruments measured at amortised cost	27,360,177	-	-	-	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,587,987	-	-	-	1,587,987
	120,871,653	24,045	15,832	1,474,391	122,385,921

THE BANK

	Neither past due nor impaired				Total
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	
	MUR'000	MUR'000	MUR'000	MUR'000	
30 June 2018					
Cash and cash equivalents	49,974,647	-	-	-	49,974,647
Due from banks	5,164,742	-	-	-	5,164,742
Derivative financial instruments	208,490	-	-	-	208,490
Financial assets mandatorily measured at fair value through profit or loss	2,958,296	-	-	-	2,958,296
Loans and advances to banks and customers	27,826,169	24,045	15,832	1,474,391	29,340,437
Debt instruments measured at fair value through other comprehensive income	4,055,941	-	-	-	4,055,941
Debt instruments measured at amortised cost	27,360,177	-	-	-	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,744,081	-	-	-	1,744,081
	119,292,543	24,045	15,832	1,474,391	120,806,811

It is the Group's and the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. These facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All risk ratings are tailored to the various categories and are derived in accordance with the Group's and the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

Analysis of loans and advances to banks and customers by past due status:

THE GROUP AND THE BANK

	30 JUNE 2020		30 JUNE 2019	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances to customers				
0-29 days	22,601,874	168,192	20,707,171	121,006
30-59 days	-	-	2,998	78
60-89 days	-	-	1,127,597	226,227
90-180 days	795,389	629,677	72,870	31,973
More than 181 days	2,036,542	1,592,014	2,152,077	1,533,233
Total	25,433,805	2,389,883	24,062,713	1,912,517

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The past due status for loans and advances to banks fall under the '0-29 days' category for both years ended 30 June 2020 and 30 June 2019.

	Amount in arrears				Total MUR'000
	More than 91 days	61 to 90 days	31 to 60 days	Less than 30 days	
	MUR'000	MUR'000	MUR'000	MUR'000	
30 June 2018					
Loans and advances to customers					
- Corporate lending	-	-	-	14,148	14,148
- Business banking	-	-	10	765	775
- Private/personal	-	-	107	802	909
			117	15,715	15,832

See Note 16 for more detailed information with respect to the allowance for impairment losses on loans and advances to customers.

The fair value of the collaterals that the Group and the Bank hold relating to loans that were past due but not impaired and loans individually determined to be impaired at 30 June 2020 amounts to MUR 507m (2019: MUR 665m and 2018: MUR 437m) and MUR 810m (2019: MUR 658m and 2018: MUR 1.6bn) respectively.

Collateral repossessed

During the year, the Group and the Bank did not take possession of any collateral (2019: Nil and 2018: Nil).

Modified financial assets

As a result of the Bank's forbearance activities financial assets might be modified. The following refer to the modified financial assets where modification does not result in derecognition.

Financial assets (with loss allowance based on lifetime ECL) modified during the year

	<u>30-Jun-20</u> MUR'000
Gross carrying amount after modification	5,278,916
Loss allowance after modification	48,227
	<u>5,327,143</u>

Financial guarantees and unutilised commitments are assessed and provision made in similar manner as for loans.

Commitments and guarantees

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statements of financial position, they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

The table below shows the Group's and the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group and the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	THE GROUP AND THE BANK		
	2020 MUR'000	2019 MUR'000	2018 MUR'000
Financial guarantees	281,866	353,258	649,276
Letters of credit	151,588	208,486	225,412
Bills for collection	825,895	323,703	121,546
Undrawn commitments to lend	914,812	1,093,881	1,102,424
	<u>2,174,161</u>	<u>1,979,328</u>	<u>2,098,658</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Financial guarantee contracts and loan commitments

The allowance for impairment losses on off balance sheet items has been calculated on financial guarantees, letters of credit and undrawn commitments. The loss allowance has been classified under other liabilities. Revolving credit facilities amounting to MUR 3bn has been included in the IFRS 9 disclosure below but not included in the undrawn commitments balance.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

External rating grade	2020			
	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit rating AAA	139,426	-	-	139,426
Credit rating AA+ to AA-	2,202,413	-	-	2,202,413
Credit rating A+ to A-	1,156,176	-	-	1,156,176
Credit rating BBB+ to BBB-	641,455	-	-	641,455
Credit rating BB+ to BB-	80,906	-	-	80,906
Credit rating B+ to B-	109,469	-	-	109,469
Credit rating CCC+ to C	-	-	-	-
Non performing:				
Credit rating D	-	-	786	786
Total gross carrying amount	4,329,845	-	786	4,330,631
Loss allowance	(7,311)	-	(50)	(7,361)
Carrying amount	4,322,534	-	736	4,323,270
	2019			
External rating grade	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit rating AAA	40	-	-	40
Credit rating BBB+ to BBB-	3,535	-	-	3,535
Credit rating BB+ to BB-	205,048	-	-	205,048
Credit rating B+ to B-	347,710	-	-	347,710
Credit rating CCC+ to C	-	4,615	-	4,615
Non performing:				
Credit rating D	-	-	796	796
Total gross carrying amount	556,333	4,615	796	561,744
Loss allowance	(10,411)	(65)	-	(10,476)
Carrying amount	545,922	4,550	796	551,268

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

Financial guarantee contracts and loan commitments	2020			
	Stage 1	Stage 2	Stage 3	Total
	12-months ECL	Lifetime ECL	Lifetime ECL	
	MUR'000	MUR'000	MUR'000	MUR'000
Total amount guaranteed as at 30 June 2019	556,332	4,615	796	561,743
Changes in the amount guaranteed:				
Transfer to stage 3	(50)	-	50	-
New financial assets originated	4,246,485	-	-	4,246,485
Financial assets that have been derecognised	(416,950)	(4,615)	(20)	(421,585)
Other movements	(55,972)	-	(40)	(56,012)
Gross carrying amount at 30 June 2020	4,329,845	-	786	4,330,631

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Financial guarantee contracts and loan commitments

Total amount guaranteed as at 30 June 2018

Changes in the amount guaranteed:

Transfer to stage 3

New financial assets originated

Financial assets that have been derecognised

Other changes

Gross carrying amount at 30 June 2019

2019			
Stage 1 12-months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
MUR'000	MUR'000	MUR'000	MUR'000
871,592	-	3,095	874,687
(31)	-	31	-
359,174	4,615	-	363,789
(362,944)	-	(1,690)	(364,634)
(311,459)	-	(640)	(312,099)
556,332	4,615	796	561,743

Loss allowance - Financial guarantee contracts

Loss allowance as at 01 July 2019

Changes in the loss allowance

Transfer to stage 3

New financial assets originated

Financial assets that have been derecognised

Other movements

Expected credit loss as at 30 June 2020

2020			
Stage 1 12-months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
MUR'000	MUR'000	MUR'000	MUR'000
10,411	65	-	10,476
(1)	-	1	-
6,824	-	-	6,824
(7,641)	(65)	-	(7,706)
(2,282)	-	49	(2,233)
7,311	-	50	7,361

Loss allowance - Financial guarantee contracts

Loss allowance as at 01 July 2018

Changes in the loss allowance

Transfer to stage 3

New financial assets originated

Financial assets that have been derecognised

Other movements

Expected credit loss as at 30 June 2019

2019			
Stage 1 12-months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
MUR'000	MUR'000	MUR'000	MUR'000
10,086	-	-	10,086
(31)	-	31	-
4,893	65	-	4,958
(3,167)	-	-	(3,167)
(1,370)	-	(31)	(1,401)
10,411	65	-	10,476

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management

Liquidity risk is the risk that the Group and the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Sources of liquidity risk include unforeseen withdrawal of demand deposit, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset in a timely manner with minimum risk of capital loss, unpredicted non payment of a loan obligation and a sudden increased demand for loans.

The Bank's Asset and Liability Management Committee (ALCO) is responsible for managing the bank's liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

The Group and the Bank maintain a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group and Bank also have committed lines of credit that they can access to meet liquidity needs. In addition, the Group and the Bank maintain a statutory deposit with the Bank of Mauritius. The liquidity position is assessed and managed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and specifically to the Group and the Bank.

Analysis of financial assets and liabilities by remaining contractual maturities

The table on next page summarises the maturity profile of the Group's and the Bank's financial assets and liabilities based on contractual repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group and the Bank expect that many customers will not request repayment on the earliest date the Group and the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Group's and the Bank's deposit retention history.

Analysis of financial assets and liabilities by remaining contractual maturities

THE GROUP

	On demand MUR'000	Less than 3 months MUR'000	3 to 6 months MUR'000	6 to 12 months MUR'000	30 June 2020			Sub total over 12 months MUR'000	Total MUR'000
					Sub total less than 12 months MUR'000	1 to 5 years MUR'000	Over 5 years MUR'000		
Assets									
Cash and cash equivalents	29,665,433	39,371,542				69,036,975		-	69,036,975
Due from banks	-	3,023,747	4,587,624	3,521,367		11,132,738		-	11,132,738
Derivative financial instruments		95,556	30,404	1,553		127,513		194,448	321,961
Loans and advances to banks	-	325,684	1,198,553	999,960	2,524,197	2,721,730	96,868	-	5,245,927
Loans and advances to customers	132,554	7,458,705	696,077	1,129,580	9,416,916	7,780,347	5,846,659	13,627,006	23,043,922
Investment securities	2	19,635,361	9,787,744	5,436,338	34,859,445	11,468,382	2,368,738	13,837,120	48,696,565
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,210,873	920	80	5,047	2,216,920	-	-	-	2,216,920
Total	32,008,862	69,911,515	16,300,482	11,093,845	129,314,704	22,067,327	8,312,977	30,380,304	159,695,008

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP

	30 June 2020								
	On demand MUR'000	Less than 3 months MUR'000	3 to 6 months MUR'000	6 to 12 months MUR'000	Sub total less than 12 months MUR'000	1 to 5 years MUR'000	Over 5 years MUR'000	Sub total over 12 months MUR'000	Total MUR'000
Liabilities									
Due to banks	6,875	-	-	6,377	13,252	-	-	-	13,252
Derivative financial instruments	-	8,911	205	349	9,465	97,703	-	97,703	107,168
Deposits from banks:									
-Current account	15,754	-	-	-	15,754	-	-	-	15,754
-Savings account	80,611	-	-	-	80,611	-	-	-	80,611
	96,365	-	-	-	96,365	-	-	-	96,365
Deposits from customers:									
-Current account	107,482,370	-	(1,083)	-	107,481,287	-	-	-	107,481,287
-Savings account	5,959,053	-	-	-	5,959,053	-	-	-	5,959,053
-Term deposits	-	17,389,662	5,608,385	6,898,489	29,896,536	7,355,286	133,944	7,489,230	37,385,766
	113,441,423	17,389,662	5,607,302	6,898,489	143,336,876	7,355,286	133,944	7,489,230	150,826,106
Debts issued	-	-	1,083	-	1,083	-	-	-	1,083
Lease liabilities	-	8,203	8,342	17,525	34,070	48,501	-	48,501	82,571
Other liabilities	-	-	-	484,907	484,907	-	-	-	484,907
Financial liabilities measured at fair value through profit or loss	2	-	-	4,396	4,398	-	-	-	4,398
Total	113,544,665	17,406,776	5,616,932	7,412,043	143,980,416	7,501,490	133,944	7,635,434	151,615,850
Net liquidity gap	(81,535,803)	52,504,739	10,683,550	3,681,802	(14,665,712)	14,565,837	8,179,033	22,744,870	8,079,158

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

	30 June 2019							Total
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	Over 5 years	Sub total over 12 months	
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	
Assets								
Cash and cash equivalents	16,892,465	33,808,173	-	-	50,700,638	-	-	50,700,638
Due from banks	-	4,840,807	4,822,090	2,797,852	12,460,749	507,181	-	12,967,930
Loans and advances to banks	-	925,600	2,320,192	374,554	3,620,346	2,398,702	-	6,019,048
Loans and advances to customers	100,808	6,910,096	397,799	1,179,629	8,588,332	8,561,002	5,000,862	22,150,196
Investment securities	813,783	18,267,522	8,220,328	7,923,307	35,224,940	9,184,773	1,794,239	46,203,952
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,676,950	5,082	10,655	229,661	1,922,348	-	-	1,922,348
Total	19,484,006	64,757,280	15,771,064	12,505,003	112,517,353	20,651,658	6,795,101	139,964,112
Liabilities								
Due to banks	647	-	-	18,557	19,204	11,230	-	30,434
Derivative financial instruments	-	8,216	8,577	33,202	49,995	652,182	-	702,177
Deposits from banks:								
-Current account	14,106	-	-	-	14,106	-	-	14,106
	14,106	-	-	-	14,106	-	-	14,106
Deposits from customers:								
-Current account	90,846,966	-	(136,457)	-	90,710,509	-	-	90,710,509
-Savings account	5,129,381	-	-	-	5,129,381	-	-	5,129,381
-Term deposits	-	16,441,090	4,680,838	6,769,088	27,891,016	7,185,195	102,398	35,178,609
	95,976,347	16,441,090	4,544,381	6,769,088	123,730,906	7,185,195	102,398	131,018,499
Debits issued*	-	-	320,662	-	320,662	-	-	320,662
Other liabilities	-	-	-	394,083	394,083	-	-	394,083
Financial liabilities measured at fair value through profit or loss	813,783	-	-	-	813,783	58,356	-	872,139
Total	96,804,883	16,449,306	4,873,620	7,214,930	125,342,739	7,906,963	102,398	133,352,100
Net liquidity gap	(77,320,877)	48,307,974	10,897,444	5,290,073	(12,825,386)	12,744,695	6,692,703	19,437,398

*Included in debt issue are subordinated debt with maturity of 1 year amounting to MUR 184.2M.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

	30 June 2018									
	On demand MUR'000	Less than 3 months MUR'000	3 to 6 months MUR'000	6 to 12 months MUR'000	Sub total less than 12 months MUR'000	1 to 5 years MUR'000	Over 5 years MUR'000	Sub total over 12 months MUR'000	Total MUR'000	
Assets										
Cash and cash equivalents	19,802,452	30,302,624	-	-	50,105,076	-	-	-	50,105,076	
Due from banks	-	-	3,547,691	1,617,051	5,164,742	-	-	-	5,164,742	
Financial assets mandatorily measured at fair value through profit or loss	694,407	810,723	918,959	965,994	3,390,083	465,867	-	465,867	3,855,950	
Loans and advances to banks	-	401,032	344,322	1,109,135	1,854,489	3,914,740	-	3,914,740	5,769,229	
Loans and advances to customers	1,781,297	4,640,499	929,077	1,223,005	8,573,878	8,774,469	4,948,907	13,723,376	22,297,254	
Debt instruments measured at fair value through other comprehensive income	-	124,143	292,998	149,970	567,111	3,505,621	1,768	3,507,389	4,074,500	
Debt instruments measured at amortised cost	-	9,545,521	4,093,423	2,096,928	15,735,872	10,743,113	881,192	11,624,305	27,360,177	
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,459,981	-	-	128,006	1,587,987	-	-	-	1,587,987	
Total	23,738,137	45,824,542	10,126,470	7,290,089	86,979,238	27,403,810	5,831,867	33,235,677	120,214,915	
Liabilities										
Due to banks	113	860,210	-	-	860,323	72,432	-	72,432	932,755	
Derivative financial instruments	-	73,768	7,604	16,626	97,998	654,946	-	654,946	752,944	
Deposits from banks:										
-Current account	33,341	-	-	-	33,341	-	-	-	33,341	
	33,341	-	-	-	33,341	-	-	-	33,341	
Deposits from customers:										
-Current account	83,955,793	-	-	-	83,955,793	-	-	-	83,955,793	
-Savings account	4,503,032	-	-	-	4,503,032	-	-	-	4,503,032	
-Term deposits	-	8,527,516	3,128,013	5,529,116	17,184,645	5,345,753	113,536	5,459,289	22,643,934	
	88,458,825	8,527,516	3,128,013	5,529,116	105,643,470	5,345,753	113,536	5,459,289	111,102,759	
Debts issued	255,094	167	-	404,591	659,852	195,450	-	195,450	855,302	
Other liabilities	-	-	-	434,769	434,769	-	-	-	434,769	
Financial liabilities measured at fair value through profit or loss	694,407	-	24,888	123,482	842,777	54,877	-	54,877	897,654	
Total	89,441,780	9,461,661	3,160,505	6,508,584	108,572,530	6,323,458	113,536	6,436,994	115,009,524	
Net liquidity gap	(65,703,643)	36,362,881	6,965,965	781,505	(21,593,292)	21,080,352	5,718,331	26,798,683	5,205,391	

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

	30 June 2020							
	On demand MUR'000	Less than 3 months MUR'000	3 to 6 months MUR'000	6 to 12 months MUR'000	Sub total less than 12 months MUR'000	Over 5 years MUR'000	Sub total over 12 months MUR'000	Total MUR'000
Assets								
Cash and cash equivalents	29,660,707	39,371,542	-	-	69,032,249	-	-	69,032,249
Due from banks	-	3,023,747	4,587,624	3,521,367	11,132,738	-	-	11,132,738
Derivative financial instruments	-	95,556	30,404	1,553	127,513	96,868	194,448	321,961
Loans and advances to banks	-	325,684	1,198,553	999,960	2,524,197	2,721,730	2,721,730	5,245,927
Loans and advances to customers	132,554	7,458,705	696,077	1,129,580	9,416,916	7,780,347	13,627,006	23,043,922
Investment securities	-	19,635,361	9,787,744	5,404,724	34,827,829	11,468,333	13,837,071	48,664,900
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,210,873	69	853	-	2,211,795	-	-	2,211,795
Total	32,004,134	69,910,664	16,301,255	11,057,184	129,273,237	22,067,278	8,312,977	159,653,492
Liabilities								
Due to banks	6,875	-	-	6,377	13,252	-	-	13,252
Deposits from banks:								
-Current account	15,754	-	-	-	15,754	-	-	15,754
-Savings account	80,611	-	-	-	80,611	-	-	80,611
	96,365	-	-	-	96,365	-	-	96,365
Deposits from customers:								
-Current account	107,505,661	-	-	-	107,505,661	-	-	107,505,661
-Savings account	5,959,053	-	-	-	5,959,053	-	-	5,959,053
-Term deposits	-	17,389,662	5,608,385	6,898,628	29,896,675	7,355,286	133,944	7,489,230
	113,464,714	17,389,662	5,608,385	6,898,628	143,361,389	7,355,286	133,944	150,850,619
Derivative financial instruments	-	8,911	205	349	9,465	97,703	97,703	107,168
Lease liabilities	-	8,203	8,342	17,525	34,070	48,501	-	82,571
Other liabilities	-	-	-	474,168	474,168	-	-	474,168
Total	113,567,954	17,406,776	5,616,932	7,397,047	143,988,709	7,501,490	133,944	151,624,143
Net liquidity gap	(81,563,820)	52,503,888	10,684,323	3,660,137	(14,715,472)	14,565,788	8,179,033	22,744,821
								8,029,349

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

	30 June 2019							Sub total less than 12 months	Sub total over 12 months	Total
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Sub total			
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000			
Assets										
Cash and cash equivalents	16,890,819	33,808,173	-	-	-	-	50,698,992	-	50,698,992	
Due from banks	-	4,840,807	4,822,090	2,797,852	12,460,749	507,181	12,460,749	-	12,967,930	
Derivative financial instruments	-	31,100	26,302	35,011	92,413	-	92,413	-	92,413	
Loans and advances to banks	-	925,600	2,320,192	374,554	3,620,346	2,398,702	2,398,702	-	6,019,048	
Loans and advances to customers	100,808	6,910,096	397,799	1,179,629	8,588,332	8,561,002	5,000,862	13,561,864	22,150,196	
Investment securities	-	18,267,522	8,196,735	7,923,258	34,387,515	9,126,417	1,794,239	10,920,656	45,308,171	
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,865,835	-	-	125,346	1,991,181	-	-	-	1,991,181	
Total	18,857,462	64,783,298	15,763,118	12,435,650	111,839,528	20,593,302	6,795,101	27,388,403	139,227,931	
Liabilities										
Due to banks	647	-	-	18,557	19,204	11,230	-	11,230	30,434	
Deposits from banks:										
-Current account	14,106	-	-	-	14,106	-	-	-	14,106	
	14,106	-	-	-	14,106	-	-	-	14,106	
Deposits from customers:										
-Current account	90,886,269	-	-	-	90,886,269	-	-	-	90,886,269	
-Savings account	5,129,381	-	-	-	5,129,381	-	-	-	5,129,381	
-Term deposits	-	16,441,090	4,680,838	6,769,088	27,891,016	7,185,195	102,398	7,287,593	35,178,609	
Derivative financial instruments	96,015,650	16,441,090	4,680,838	6,769,088	123,906,666	7,185,195	102,398	7,287,593	131,194,259	
Debits issued*	-	8,216	8,577	33,202	49,995	-	-	-	49,995	
Other liabilities	-	-	184,205	-	184,205	-	-	-	184,205	
	-	-	-	378,678	378,678	-	-	-	378,678	
Total	96,030,403	16,449,306	4,873,620	7,199,525	124,552,854	7,196,425	102,398	7,298,823	131,851,677	
Net liquidity gap	(77,172,941)	48,333,992	10,889,498	5,236,125	(12,713,326)	13,396,877	6,692,703	20,089,580	7,376,254	

* Included in debt issue are subordinated debt with maturity of 1 year amounting to MUR 184.2M.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

	30 June 2018							Total
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	Over 5 years	Sub total over 12 months	
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	
Assets								
Cash and cash equivalents	19,802,452	30,172,195	-	-	49,974,647	-	-	49,974,647
Due from banks	-	-	3,547,691	1,617,051	5,164,742	-	-	5,164,742
Financial assets mandatorily measured at fair value through profit or loss	-	810,723	894,071	842,512	2,547,306	410,990	-	2,958,296
Loans and advances to banks	-	401,032	344,322	1,109,135	1,854,489	3,914,740	-	5,769,229
Loans and advances to customers	1,781,297	4,640,499	929,077	1,223,005	8,573,878	8,774,469	4,948,907	22,297,254
Debt instruments measured at fair value through other comprehensive income	-	124,143	292,998	131,411	548,552	3,505,621	1,768	4,055,941
Debt instruments measured at amortised cost	-	9,545,521	4,093,423	2,096,928	15,735,872	10,743,113	881,192	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,519,797	-	-	224,284	1,744,081	-	-	1,744,081
Total	23,103,546	45,694,113	10,101,582	7,244,326	86,143,567	27,348,933	5,831,867	119,324,367
Liabilities								
Due to banks	113	860,210	-	-	860,323	72,432	-	72,432
Deposits from banks:								
-Current account	33,341	-	-	-	33,341	-	-	33,341
Deposits from customers:								
-Current account	84,205,160	-	-	-	84,205,160	-	-	84,205,160
-Savings account	4,503,032	-	-	-	4,503,032	-	-	4,503,032
-Term deposits	-	8,527,516	3,128,013	5,529,116	17,184,645	5,345,753	113,536	22,643,934
Derivative financial instruments	88,708,192	8,527,516	3,128,013	5,529,116	105,892,837	5,345,753	113,536	111,352,126
Debts issued	-	35,521	7,604	3,200	46,325	18,057	-	18,057
Other liabilities	-	167	-	404,591	404,758	195,450	-	195,450
Total	88,741,646	9,423,414	3,135,617	6,310,170	107,610,847	5,631,692	113,536	113,356,075
Net liquidity gap	(65,638,100)	36,270,699	6,965,965	934,156	(21,467,280)	21,717,241	5,718,331	27,435,572

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

The table below shows the contractual expiry by maturity of the Group's and the Bank's commitments.

	THE GROUP AND THE BANK				
	Less than 3 months MUR'000	3 to 12 months MUR'000	1 to 5 years MUR'000	More than 5 Years MUR'000	Total MUR'000
30 June 2020					
Contingent liabilities	1,004,239	203,854	11,599	39,657	1,259,349
Commitments	220,704	280,761	101,921	311,426	914,812
Total	1,224,943	484,615	113,520	351,083	2,174,161
30 June 2019					
Contingent liabilities	589,262	251,954	44,071	160	885,447
Commitments	303,386	186,410	7,879	596,206	1,093,881
Total	892,648	438,364	51,950	596,366	1,979,328
30 June 2018					
Contingent liabilities	409,552	159,766	426,916	-	996,234
Commitments	413,369	323,279	3,299	362,477	1,102,424
Total	822,921	483,045	430,215	362,477	2,098,658

The Group and the Bank do not expect all the contingent liabilities or commitments to be drawn before expiry of commitments.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group and the Bank classify exposures to market risk into either trading or non trading portfolios and manage these portfolios separately. Except for the concentrations within foreign currency, the Group and the Bank have no significant concentration of market risk.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Management has established limits on the maximum adverse volatility on its future net interest income.

The Bank's main exposure to interest rate risk stems from a variety of sources: Yield curve risk, which refers to changes in the level, slope and shape of the yield curve; Repricing risk, which arises from timing differences in the maturity and repricing of balance-sheet items; Basis risk that is caused by imperfect correlation between different yield curves.

The following table demonstrates the sensitivity to a Day 1 100 basis points shock (2019&2018: 50 basis points) on the Bank's net interest income. The net interest income sensitivity is the effect of the assumed changes in interest rates, based on the financial assets and financial liabilities held at 30 June.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE GROUP	2020	2019 & 2018	2020	2019	2018
	Change in Basis points	Change in Basis points	Sensitivity of profit or loss	Sensitivity of profit or loss	Sensitivity of profit or loss
Currency			MUR'000	MUR'000	MUR'000
AUD	+100	+50	6,973	2,170	48
	- 100	- 50	131	(2,170)	(48)
EUR	+100	+50	200,671	68,571	813
	- 100	- 50	(203,178)	(75,287)	(813)
GBP	+100	+50	51,342	26,967	19,511
	- 100	- 50	(15,126)	(26,967)	(19,511)
MUR	+100	+50	(5,539)	7,769	18,208
	- 100	- 50	(33,041)	(7,769)	(18,208)
USD	+100	+50	553,835	239,917	236,642
	- 100	- 50	(321,706)	(239,917)	(236,642)
THE BANK	2020	2019 & 2018	2020	2019	2018
Currency	Change in Basis points	Change in Basis points	Sensitivity of profit or loss	Sensitivity of profit or loss	Sensitivity of profit or loss
			MUR'000	MUR'000	MUR'000
AUD	+100	+50	6,973	2,233	48
	- 100	- 50	131	(2,233)	(48)
EUR	+100	+50	200,663	68,569	797
	- 100	- 50	(203,170)	(75,285)	(797)
GBP	+100	+50	51,342	27,246	19,511
	- 100	- 50	(15,126)	(27,246)	(19,511)
MUR	+100	+50	(5,574)	7,240	18,202
	- 100	- 50	(33,006)	(7,240)	(18,202)
USD	+100	+50	553,831	238,232	236,613
	- 100	- 50	(321,702)	(238,232)	(236,613)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

The table below analyses the Group's and the Bank's interest rate risk exposure on non-trading financial assets and liabilities. The Group's and the Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

THE GROUP

Carrying amount	2020								Non interest bearing
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years			
MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets									
Cash and cash equivalents	69,036,975	21,124,798	39,371,542	-	-	-	-	-	8,540,635
Due from banks	11,132,738	-	3,023,747	4,587,624	3,521,367	-	-	-	-
Loans and advances to banks	5,245,927	-	325,684	1,198,553	999,960	2,721,730	-	-	-
Loans and advances to customers	23,043,922	132,554	7,458,705	696,077	1,129,580	7,780,347	5,846,659	-	-
Debt instruments measured at amortised cost	46,612,747	-	18,946,389	9,060,846	4,863,620	11,388,909	2,352,983	-	-
Other assets (excluding prepayments, accrued income and inventory)	2,216,920	2,210,873	920	80	5,047	-	-	-	-
Total assets	157,289,229	23,468,225	69,126,987	15,543,180	10,519,574	21,890,986	8,199,642	8,540,635	
Liabilities									
Due to banks	13,252	6,875	-	-	6,377	-	-	-	-
Deposits from banks	96,365	80,611	-	-	-	-	-	-	15,754
Deposits from customers	150,826,106	7,776,925	17,258,333	5,441,704	6,645,071	6,993,611	133,944	106,576,518	-
Debts issued	1,083	-	-	1,083	-	-	-	-	-
Total liabilities	150,936,806	7,864,411	17,258,333	5,442,787	6,651,448	6,993,611	133,944	106,592,272	
Total interest sensitivity gap	6,352,423	15,603,814	51,868,654	10,100,393	3,868,126	14,897,375	8,065,698	(98,051,637)	

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

	2019							Non interest bearing MUR'000
	Carrying amount MUR'000	On demand MUR'000	Less than 3 months MUR'000	3 to 6 months MUR'000	6 to 12 months MUR'000	1 to 5 years MUR'000	Over 5 years MUR'000	
THE GROUP								
Assets								
Cash and cash equivalents	50,700,638	15,191,168	33,808,173	-	-	-	-	1,701,297
Due from banks	12,967,930	-	4,840,807	4,822,090	2,797,852	507,181	-	-
Loans and advances to banks	6,019,048	100,808	925,600	2,320,192	374,554	2,398,702	-	-
Loans and advances to customers	22,150,196	-	6,910,096	397,799	1,179,629	8,561,002	5,000,862	-
Debt instruments measured at amortised cost	36,884,143	-	11,721,302	7,503,269	7,175,226	8,855,045	1,629,301	-
Equity Investment designated at fair value through other comprehensive income	31,945	-	-	-	31,945	-	-	-
Other assets (excluding prepayments, accrued income and inventory)	1,922,348	-	5,082	10,655	229,661	-	-	1,676,950
Total assets	130,676,248	15,291,976	58,211,060	15,054,005	11,788,867	20,321,930	6,630,163	3,378,247
Liabilities								
Due to banks	30,434	647	-	-	18,557	11,230	-	-
Deposits from banks	14,106	14,106	-	-	-	-	-	-
Deposits from customers	131,018,499	95,976,347	16,441,090	4,544,381	6,769,088	7,185,195	102,398	-
Debts issued	320,662	-	-	320,662	-	-	-	-
Total liabilities	131,383,701	95,991,100	16,441,090	4,865,043	6,787,645	7,196,425	102,398	-
Total interest sensitivity gap	(707,453)	(80,699,124)	41,769,970	10,188,962	5,001,222	13,125,505	6,527,765	3,378,247

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

	2018							
	Carrying amount MUR'000	On demand MUR'000	Less than 3 months MUR'000	3 to 6 months MUR'000	6 to 12 months MUR'000	1 to 5 years MUR'000	Over 5 years MUR'000	Non interest bearing MUR'000
THE GROUP								
Assets								
Cash and cash equivalents	50,105,076	18,412,311	30,172,195	-	-	-	-	1,520,570
Due from banks	5,164,742	-	-	3,547,691	1,617,051	-	-	-
Loans and advances to banks	5,769,229	-	401,032	344,322	1,109,135	3,914,740	-	-
Loans and advances to customers	22,297,254	1,781,297	4,640,499	929,077	1,223,005	8,774,469	4,948,907	-
Debt instruments measured at amortised cost	27,360,177	-	9,545,521	4,093,423	2,096,928	10,743,113	881,192	-
Other assets (excluding prepayments, accrued income and inventory)	1,587,987	-	-	-	-	-	-	1,587,987
Total assets	112,284,465	20,193,608	44,759,247	8,914,513	6,046,119	23,432,322	5,830,099	3,108,557
Liabilities								
Due to banks	932,755	113	860,210	-	-	72,432	-	-
Deposits from banks	33,341	33,341	-	-	-	-	-	-
Deposits from customers	111,102,759	88,458,825	8,527,516	3,128,013	5,529,116	5,345,753	113,536	-
Debts issued	855,302	255,094	167	-	404,591	195,450	-	-
Total liabilities	112,924,157	88,747,373	9,387,893	3,128,013	5,933,707	5,613,635	113,536	-
Total interest sensitivity gap	(639,692)	(68,553,765)	35,371,354	5,786,500	112,412	17,818,687	5,716,563	3,108,557

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE BANK

	2020							
	Carrying amount MUR'000	On demand MUR'000	Less than 3 months MUR'000	3 to 6 months MUR'000	6 to 12 months MUR'000	1 to 5 years MUR'000	Over 5 years MUR'000	Non interest bearing MUR'000
Assets								
Cash and cash equivalents	69,032,249	21,120,072	39,371,542	-	-	-	-	8,540,635
Due from banks	11,132,738	-	3,023,747	4,587,624	3,521,367	-	-	-
Loans and advances to banks	5,245,927	-	325,684	1,198,553	999,960	2,721,730	-	-
Loans and advances to customers	23,043,922	132,554	7,458,705	696,077	1,129,580	7,780,347	5,846,659	-
Debt instruments measured at amortised cost	46,612,747	-	18,946,389	9,060,846	4,863,620	11,388,909	2,352,983	-
Other assets (excluding prepayments, accrued income and inventory)	2,211,795	2,210,873	69	853	-	-	-	-
Total assets	157,279,378	23,463,499	69,126,136	15,543,953	10,514,527	21,890,986	8,199,642	8,540,635
Liabilities								
Due to banks	13,252	6,875	-	-	6,377	-	-	-
Deposits from banks	96,365	80,611	-	-	-	-	-	15,754
Deposits from customers	150,850,619	7,801,438	17,258,333	5,441,704	6,645,071	6,993,611	133,944	106,576,518
Total liabilities	150,960,236	7,888,924	17,258,333	5,441,704	6,651,448	6,993,611	133,944	106,592,272
Total interest sensitivity gap	6,319,142	15,574,575	51,867,803	10,102,249	3,863,079	14,897,375	8,065,698	(98,051,637)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

	2019							
	Carrying amount MUR'000	On demand MUR'000	Less than 3 months MUR'000	3 to 6 months MUR'000	6 to 12 months MUR'000	1 to 5 years MUR'000	Over 5 years MUR'000	Non interest bearing MUR'000
THE BANK								
Assets								
Cash and cash equivalents	50,698,992	15,189,522	33,808,173	-	-	-	-	1,701,297
Due from banks	12,967,930	-	4,840,807	4,822,090	2,797,852	507,181	-	-
Loans and advances to banks	6,019,048	-	925,600	2,320,192	374,554	2,398,702	-	-
Loans and advances to customers	22,150,196	100,808	6,910,096	397,799	1,179,629	8,561,002	5,000,862	-
Debt instruments measured at amortised cost	36,884,143	-	11,721,302	7,503,269	7,175,226	8,855,045	1,629,301	-
Other assets (excluding prepayments, accrued income and inventory)	1,991,181	-	-	-	125,346	-	-	1,865,835
Total assets	130,711,490	15,290,330	58,205,978	15,043,350	11,652,607	20,321,930	6,630,163	3,567,132
Liabilities								
Due to banks	30,434	647	-	-	18,557	11,230	-	-
Deposits from banks	14,106	14,106	-	-	-	-	-	-
Deposits from customers	131,194,259	25,825,878	18,473,252	4,680,838	6,769,088	7,185,195	102,398	68,157,610
Debts issued	184,205	-	-	184,205	-	-	-	-
Total liabilities	131,423,004	25,840,631	18,473,252	4,865,043	6,787,645	7,196,425	102,398	68,157,610
Total interest sensitivity gap	(711,514)	(10,550,301)	39,732,726	10,178,307	4,864,962	13,125,505	6,527,765	(64,590,478)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

	2018							Non interest bearing MUR'000
	Carrying amount MUR'000	On demand MUR'000	Less than 3 months MUR'000	3 to 6 months MUR'000	6 to 12 months MUR'000	1 to 5 years MUR'000	Over 5 years MUR'000	
THE BANK								
Assets								
Cash and cash equivalents	49,974,647	18,281,882	30,172,195	-	-	-	-	1,520,570
Due from banks	5,164,742	-	-	3,547,691	1,617,051	-	-	-
Loans and advances to banks	5,769,229	-	401,032	344,322	1,109,135	3,914,740	-	-
Loans and advances to customers	22,297,254	1,781,297	4,640,499	929,077	1,223,005	8,774,469	4,948,907	-
Debt instruments measured at amortised cost	27,360,177	-	9,545,521	4,093,423	2,096,928	10,743,113	881,192	-
Other assets (excluding prepayments, accrued income and inventory)	1,744,081	-	-	-	177,117	-	-	1,566,964
Total assets	112,310,130	20,063,179	44,759,247	8,914,513	6,223,236	23,432,322	5,830,099	3,087,534
Liabilities								
Due to banks	932,755	113	860,210	-	-	72,432	-	-
Deposits from banks	33,341	33,341	-	-	-	-	-	-
Deposits from customers	111,352,126	88,708,192	8,527,516	3,128,013	5,529,116	5,345,753	113,536	-
Debits issued	600,208	-	167	-	404,591	195,450	-	-
Total liabilities	112,918,430	88,741,646	9,387,893	3,128,013	5,933,707	5,613,635	113,536	-
Total interest sensitivity gap	(608,300)	(68,678,467)	35,371,354	5,786,500	289,529	17,818,687	5,716,563	3,087,534

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The table below indicates the currencies to which the Group and the Bank had significant exposure at 30 June on all its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the MUR, with all other variables held constant on the statements of profit or loss (due to the fair value of currency sensitive non trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the statement of profit or loss, while a positive amount reflects a net potential increase.

THE GROUP

Currency	% Change in Currency rate	2020		
		Effect of change in currency on		Sensitivity of profit or loss MUR'000
		Assets MUR'000	Liabilities MUR'000	
AUD	+5%	48,574	(48,453)	121
	-5%	(48,574)	48,453	(121)
EUR	+5%	1,196,120	(1,193,653)	2,467
	-5%	(1,196,120)	1,193,653	(2,467)
GBP	+5%	353,734	(353,395)	339
	-5%	(353,734)	353,395	(339)
USD	+5%	5,028,718	(5,037,759)	(9,041)
	-5%	(5,028,718)	5,037,759	9,041

Currency	% Change in Currency rate	2019		
		Effect of change in currency on		Sensitivity of profit or loss MUR'000
		Assets MUR'000	Liabilities MUR'000	
AUD	+5%	44,683	(46,419)	(1,736)
	-5%	(44,683)	46,419	1,736
EUR	+5%	1,146,540	(1,125,829)	20,711
	-5%	(1,146,540)	1,125,829	(20,711)
GBP	+5%	358,688	(359,186)	(498)
	-5%	(358,688)	359,186	498
USD	+5%	4,154,738	(4,151,564)	3,174
	-5%	(4,154,738)	4,151,564	(3,174)

Currency	% Change in Currency rate	2018		
		Effect of change in currency on		Sensitivity of profit or loss MUR'000
		Assets MUR'000	Liabilities MUR'000	
AUD	+5%	46,394	(45,432)	962
	-5%	(46,394)	45,432	(962)
EUR	+5%	985,716	(982,944)	2,772
	-5%	(985,716)	982,944	(2,772)
GBP	+5%	375,745	(373,551)	2,194
	-5%	(375,745)	373,551	(2,194)
USD	+5%	3,839,303	(3,844,859)	(5,556)
	-5%	(3,839,303)	3,844,859	5,556

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk (Continued)

THE BANK		2020		
		% Change in Currency rate	Effect of change in currency on	
Currency	Assets MUR'000		Liabilities MUR'000	
AUD	+5%	48,574	(48,453)	121
	-5%	(48,574)	48,453	(121)
EUR	+5%	1,196,120	(1,193,433)	2,687
	-5%	(1,196,120)	1,193,433	(2,687)
GBP	+5%	353,734	(353,395)	339
	-5%	(353,734)	353,395	(339)
USD	+5%	5,028,718	(5,037,759)	(9,041)
	-5%	(5,028,718)	5,037,759	9,041

		2019		
		% Change in Currency rate	Effect of change in currency on	
Currency	Assets MUR'000		Liabilities MUR'000	
AUD	+5%	44,683	(46,419)	(1,736)
	-5%	(44,683)	46,419	1,736
EUR	+5%	1,146,459	(1,125,796)	20,663
	-5%	(1,146,459)	1,125,796	(20,663)
GBP	+5%	358,684	(358,927)	(243)
	-5%	(358,684)	358,927	243
USD	+5%	4,153,861	(4,150,771)	3,090
	-5%	(4,153,861)	4,150,771	(3,090)

		2018		
		% Change in Currency rate	Effect of change in currency on	
Currency	Assets MUR'000		Liabilities MUR'000	
AUD	+5%	46,358	(45,432)	926
	-5%	(46,358)	45,432	(926)
EUR	+5%	985,449	(982,944)	2,505
	-5%	(985,449)	982,944	(2,505)
GBP	+5%	375,735	(373,551)	2,184
	-5%	(375,735)	373,551	(2,184)
USD	+5%	3,804,301	(3,810,431)	(6,130)
	-5%	(3,804,301)	3,810,431	6,130

(e) Other price risk

Other price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices. The non-trading equity price risk exposure arises from debt instrument measured at fair value through other comprehensive income.