

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

## 15 DERIVATIVE FINANCIAL INSTRUMENTS

### (a) THE GROUP

	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	2020	2020	2019	2019	2018	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	2,062	(1,759)	8,361	(7,945)	11,815	(11,392)
Foreign exchange contracts	125,451	(7,706)	84,052	(42,050)	196,675	(52,990)
Cross currency interest rate swap	97,580	-	-	-	-	-
Interest rate swap	3,906	(4,741)	-	-	-	-
Options contracts	92,962	(92,962)	-	-	-	-
Option Linked Notes	-	-	-	-	85,625	(85,625)
Index Linked Notes	-	-	652,182	(652,182)	602,937	(602,937)
	<b>321,961</b>	<b>(107,168)</b>	<b>744,595</b>	<b>(702,177)</b>	<b>897,052</b>	<b>(752,944)</b>

The Index linked notes represented investments made on behalf of clients in 2019. During the current year, all these investments have been transferred to the respective client accounts.

### (b) THE BANK

	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	2020	2020	2019	2019	2018	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	2,062	(1,759)	8,361	(7,945)	11,815	(11,392)
Foreign exchange contracts	125,451	(7,706)	84,052	(42,050)	196,675	(52,990)
Cross currency interest rate swap	97,580	-	-	-	-	-
Interest rate swaps	3,906	(4,741)	-	-	-	-
Options contracts	92,962	(92,962)	-	-	-	-
	<b>321,961</b>	<b>(107,168)</b>	<b>92,413</b>	<b>(49,995)</b>	<b>208,490</b>	<b>(64,382)</b>

The Group and the Bank have positions in the following types of derivatives:

#### Forward contracts

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forward are customised contracts transacted in the over-the-counter market.

#### Spot Position

The current balance on spot position account reflect the bought/sold amounts (FX deals) in original currencies and equivalent amounts corresponding to the prevailing FX spot 'Accounting' rate as of the settlement date.

#### Swaps

Swaps are derivatives in which two counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument. The benefits in question depend on the type of financial instruments involved.

#### Option contracts

Option contracts give the buyer the right, but not the obligation, to buy (in the case of a call) or sell (in the case of a put) the underlying asset at a specific price on or before a certain date.

#### Option Linked Notes

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. These options do not bear any downside risk as the Group will not exercise the options should these prove unfavourable to the Group.

#### Index linked notes

Index linked notes are investment products that combine a fixed income investment with additional potential returns that are tied to the performance of equities. Equity linked notes are usually structured to return the initial investment with a variable interest portion that depends on the performance of the linked equity.