

40 OFFSETTING FINANCIAL INSTRUMENTS

The Group and the Bank offsetting financial arrangement is summarised on the following pages.

Derivatives and loans and advances to banks

The Group and the Bank uses master netting agreements and holds cash collateral and marketable securities to mitigate the credit risk of derivatives, repurchase agreements and securities lending.

The Group and the Bank enters into derivatives with central counterparty clearing houses (CCPs) or bilaterally under International Swaps and Derivatives Association (ISDA) master netting agreements. ISDA Master Netting agreements give either party the legal right of offset on termination of the contract or on default of the other party. The Group and the Bank executes a credit support annex in conjunction with each ISDA agreement, which requires the Group and the Bank and each counterparty to post collateral to mitigate credit risk. Collateral is also posted daily in respect of derivatives transacted on exchanges and with CCPs. The collateral posted with regards to open derivatives is cash or marketable securities.

The Group's and the Bank's repurchase, and reverse repurchase, transactions and securities borrowing and lending are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

40 OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE GROUP 2020	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts MUR'000	Amount offset MUR'000	Net amount reported MUR'000	Cash collateral MUR'000	Net amount MUR'000
ASSETS					
Cash and cash equivalents	69,036,975	-	69,036,975	-	69,036,975
Due from banks	11,132,738	-	11,132,738	-	11,132,738
Derivative financial instruments	321,961	-	321,961	(80,611)	241,350
Loans and advances to banks	5,245,927	-	5,245,927	-	5,245,927
Loans and advances to customers	23,043,922	-	23,043,922	(1,119,385)	21,924,537
Investment Securities	48,696,565	-	48,696,565	-	48,696,565
Other assets	2,216,920	-	2,216,920	-	2,216,920
	159,695,008	-	159,695,008	(1,199,996)	158,495,012
LIABILITIES					
Due to banks	13,252	-	13,252	-	13,252
Deposits from banks	96,365	-	96,365	(80,611)	15,754
Deposits from customers	150,826,106	-	150,826,106	(1,119,385)	149,706,721
Derivative financial instruments	107,168	-	107,168	-	107,168
Debts issued	1,083	-	1,083	-	1,083
Lease liabilities	82,571	-	82,571	-	82,571
Other liabilities	484,907	-	484,907	-	484,907
Financial liabilities measured at fair value through profit or loss	4,398	-	4,398	-	4,398
	151,615,850	-	151,615,850	(1,199,996)	150,415,854

2019	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts MUR'000	Amount offset MUR'000	Net amount reported MUR'000	Cash collateral MUR'000	Net amount MUR'000
ASSETS					
Cash and cash equivalents	50,700,638	-	50,700,638	-	50,700,638
Due from banks	12,967,930	-	12,967,930	-	12,967,930
Derivative financial instruments	-	744,595	744,595	-	744,595
Loans and advances to banks	6,019,048	-	6,019,048	-	6,019,048
Loans and advances to customers	22,150,196	-	22,150,196	(790,271)	21,359,925
Investment Securities	46,203,952	-	46,203,952	-	46,203,952
Other assets	1,922,348	-	1,922,348	-	1,922,348
	139,964,112	744,595	140,708,707	(790,271)	139,918,436
LIABILITIES					
Due to banks	30,434	-	30,434	-	30,434
Deposits from banks	14,106	-	14,106	-	14,106
Deposits from customers	131,018,499	-	131,018,499	(790,271)	130,228,228
Derivative financial instruments	(42,418)	744,595	702,177	-	702,177
Debts issued	320,662	-	320,662	-	320,662
Other liabilities	394,083	-	394,083	-	394,083
	131,735,366	744,595	132,479,961	(790,271)	131,689,690

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

40 OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE GROUP (CONTINUED)
2018

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts MUR'000	Amount offset MUR'000	Net amount reported MUR'000	Cash collateral MUR'000	Net amount MUR'000
ASSETS					
Cash and cash equivalents	50,105,076	-	50,105,076	-	50,105,076
Due from banks	5,164,742	-	5,164,742	-	5,164,742
Derivative financial instruments	-	897,052	897,052	-	897,052
Financial assets mandatorily measured at fair value through profit or loss	3,855,950	-	3,855,950	-	3,855,950
Loans and advances to banks	5,769,229	-	5,769,229	-	5,769,229
Loans and advances to customers	22,297,254	-	22,297,254	(558,564)	21,738,690
Debt instruments measured at fair value through other comprehensive income	4,074,500	-	4,074,500	-	4,074,500
Debt instruments measured at amortised cost	27,360,177	-	27,360,177	-	27,360,177
Other assets	1,587,987	-	1,587,987	-	1,587,987
	120,214,915	897,052	121,111,967	(558,564)	120,553,403
LIABILITIES					
Due to banks	932,755	-	932,755	-	932,755
Deposits from banks	33,341	-	33,341	-	33,341
Deposits from customers	111,102,759	-	111,102,759	(558,564)	110,544,195
Derivative financial instruments	(144,108)	897,052	752,944	-	752,944
Debts issued	855,302	-	855,302	-	855,302
Other liabilities	434,769	-	434,769	-	434,769
Financial liabilities measured at fair value through profit or loss	897,654	-	897,654	-	897,654
	114,112,472	897,052	115,009,524	(558,564)	114,450,960

THE BANK
2020

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts MUR'000	Amount offset MUR'000	Net amount reported MUR'000	Cash collateral MUR'000	Net amount MUR'000
ASSETS					
Cash and cash equivalents	69,032,249	-	69,032,249	-	69,032,249
Due from banks	11,132,738	-	11,132,738	-	11,132,738
Derivative financial instruments	321,961	-	321,961	(80,611)	241,350
Loans and advances to banks	5,245,927	-	5,245,927	-	5,245,927
Loans and advances to customers	23,043,922	-	23,043,922	(1,119,385)	21,924,537
Investment Securities	48,664,900	-	48,664,900	-	48,664,900
Other assets	2,211,795	-	2,211,795	-	2,211,795
	159,653,492	-	159,653,492	(1,199,996)	158,453,496
LIABILITIES					
Due to banks	13,252	-	13,252	-	13,252
Deposits from banks	96,365	-	96,365	(80,611)	15,754
Deposits from customers	150,850,619	-	150,850,619	(1,119,385)	149,731,234
Derivative financial instruments	107,168	-	107,168	-	107,168
Lease liabilities	82,571	-	82,571	-	82,571
Other liabilities	474,168	-	474,168	-	474,168
	151,624,143	-	151,624,143	(1,199,996)	150,424,147

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

40 OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE BANK (CONTINUED)
2019

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts MUR'000	Amount offset MUR'000	Net amount reported MUR'000	Cash collateral MUR'000	Net amount MUR'000
ASSETS					
Cash and cash equivalents	50,698,992	-	50,698,992	-	50,698,992
Due from banks	12,967,930	-	12,967,930	-	12,967,930
Derivative financial instruments	-	92,413	92,413	-	92,413
Loans and advances to banks	6,019,048	-	6,019,048	-	6,019,048
Loans and advances to customers	22,150,196	-	22,150,196	(790,271)	21,359,925
Investment Securities	45,308,171	-	45,308,171	-	45,308,171
Other assets	1,991,181	-	1,991,181	-	1,991,181
	<u>139,135,518</u>	<u>92,413</u>	<u>139,227,931</u>	<u>(790,271)</u>	<u>138,437,660</u>
LIABILITIES					
Due to banks	30,434	-	30,434	-	30,434
Deposits from banks	14,106	-	14,106	-	14,106
Deposits from customers	131,194,259	-	131,194,259	(790,271)	130,403,988
Derivative financial instruments	(42,418)	92,413	49,995	-	49,995
Debts issued	184,205	-	184,205	-	184,205
Other liabilities	378,678	-	378,678	-	378,678
	<u>131,759,264</u>	<u>92,413</u>	<u>131,851,677</u>	<u>(790,271)</u>	<u>131,061,406</u>

2018

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts MUR'000	Amount offset MUR'000	Net amount reported MUR'000	Cash collateral MUR'000	Net amount MUR'000
ASSETS					
Cash and cash equivalents	49,974,647	-	49,974,647	-	49,974,647
Due from banks	5,164,742	-	5,164,742	-	5,164,742
Derivative financial instruments	-	208,490	208,490	-	208,490
Financial assets mandatorily measured at fair value through profit or loss	2,958,296	-	2,958,296	-	2,958,296
Loans and advances to banks	5,769,229	-	5,769,229	-	5,769,229
Loans and advances to customers	22,297,254	-	22,297,254	(558,564)	21,738,690
Debt instruments measured at fair value through other comprehensive income	4,055,941	-	4,055,941	-	4,055,941
Debt instruments measured at amortised cost	27,360,177	-	27,360,177	-	27,360,177
Other assets	1,744,081	-	1,744,081	-	1,744,081
	<u>119,324,367</u>	<u>208,490</u>	<u>119,532,857</u>	<u>(558,564)</u>	<u>118,974,293</u>
LIABILITIES					
Due to banks	932,755	-	932,755	-	932,755
Deposits from banks	33,341	-	33,341	-	33,341
Deposits from customers	111,352,126	-	111,352,126	(558,564)	110,793,562
Derivative financial instruments	(144,108)	208,490	64,382	-	64,382
Debts issued	600,208	-	600,208	-	600,208
Other liabilities	373,263	-	373,263	-	373,263
	<u>113,147,585</u>	<u>208,490</u>	<u>113,356,075</u>	<u>(558,564)</u>	<u>112,797,511</u>

The Group and the Bank entered into various forward-gearred contracts with Firstrand Bank. On maturity of these contracts, the Group and the Bank will be required to pay only the net amount. Hence the fair value of all the forward geared contracts has been offset in the financial statements.

The Group and the Bank receive cash collaterals as security on various loan arrangements. The Group and the Bank have a right to offset these cash collaterals against the loan amounts on default of the Group's and the Bank's clients. As at 30 June 2019 and 2018 these amounts have been shown in "due to customers" and have not been offset against the loan balances.