

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

40 OFFSETTING FINANCIAL INSTRUMENTS

The Group and the Bank offsetting financial arrangement is summarised below.

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 execute 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.

THE GROUP 2021

ASSETS

Derivative financial instruments
Loans and advances to customers

LIABILITIES

Deposits from banks
Deposits from customers

2020

ASSETS

Derivative financial instruments
Loans and advances to customers

LIABILITIES

Deposits from banks
Deposits from customers

2019

ASSETS

Derivative financial instruments
Loans and advances to customers

LIABILITIES

Deposits from customers
Derivative financial instruments

| | Effect of offsetting on statement of financial position | | | Related amounts not offset | |
|----------------------------------|--|------------------|------------------------|-------------------------------|---------------|
| | Gross amounts | Amount offset | Net amount reported | Cash collateral | Net amount |
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Derivative financial instruments | 407,880 | - | 407,880 | (154,190) | 253,690 |
| Loans and advances to customers | 18,749,929 | - | 18,749,929 | (1,593,416) | 17,156,513 |
| | 19,157,809 | - | 19,157,809 | (1,747,606) | 17,410,203 |

| | | | | | |
|-------------------------|-------------|---|-------------|-------------|-------------|
| Deposits from banks | 364,726 | - | 364,726 | (154,190) | 210,536 |
| Deposits from customers | 178,832,286 | - | 178,832,286 | (1,593,416) | 177,238,870 |
| | 179,197,012 | - | 179,197,012 | (1,747,606) | 177,449,406 |

| | Effect of offsetting on statement of financial position | | | Related amounts not offset | |
|----------------------------------|--|------------------|------------------------|-------------------------------|---------------|
| | Gross amounts | Amount offset | Net amount reported | Cash collateral | Net amount |
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Derivative financial instruments | 321,961 | - | 321,961 | (80,611) | 241,350 |
| Loans and advances to customers | 23,043,922 | - | 23,043,922 | (1,119,385) | 21,924,537 |
| | 23,365,883 | - | 23,365,883 | (1,199,996) | 22,165,887 |

| | | | | | |
|-------------------------|-------------|---|-------------|-------------|-------------|
| 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 |
| | 150,922,471 | - | 150,922,471 | (1,199,996) | 149,722,475 |

| | Effect of offsetting on statement of financial position | | | Related amounts not offset | |
|----------------------------------|--|------------------|------------------------|-------------------------------|---------------|
| | Gross amounts | Amount offset | Net amount reported | Cash collateral | Net amount |
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Derivative financial instruments | - | 744,595 | 744,595 | - | 744,595 |
| Loans and advances to customers | 22,150,196 | - | 22,150,196 | (790,271) | 21,359,925 |
| | 22,150,196 | 744,595 | 22,894,791 | (790,271) | 22,104,520 |

| | | | | | |
|----------------------------------|-------------|---------|-------------|-----------|-------------|
| 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 |
| | 130,976,081 | 744,595 | 131,720,676 | (790,271) | 130,930,405 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

40 OFFSETTING FINANCIAL INSTRUMENTS (Cont'd)

THE BANK 2021

| | Effect of offsetting on statement of financial position | | | Related amounts not offset | |
|----------------------------------|--|------------------|------------------------|-------------------------------|-------------------|
| | Gross amounts | Amount offset | Net amount reported | Cash collateral | Net amount |
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| ASSETS | | | | | |
| Derivative financial instruments | 407,880 | - | 407,880 | (154,190) | 253,690 |
| Loans and advances to customers | 18,749,929 | - | 18,749,929 | (1,593,416) | 17,156,513 |
| | 19,157,809 | - | 19,157,809 | (1,747,606) | 17,410,203 |

LIABILITIES

| | | | | | |
|-------------------------|--------------------|----------|--------------------|--------------------|--------------------|
| Deposits from banks | 364,726 | - | 364,726 | (154,190) | 210,536 |
| Deposits from customers | 178,846,558 | - | 178,846,558 | (1,593,416) | 177,253,142 |
| | 179,211,284 | - | 179,211,284 | (1,747,606) | 177,463,678 |

2020

| | Effect of offsetting on statement of financial position | | | Related amounts not offset | |
|----------------------------------|--|------------------|------------------------|-------------------------------|-------------------|
| | Gross amounts | Amount offset | Net amount reported | Cash collateral | Net amount |
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| ASSETS | | | | | |
| Derivative financial instruments | 321,961 | - | 321,961 | (80,611) | 241,350 |
| Loans and advances to customers | 23,043,922 | - | 23,043,922 | (1,119,385) | 21,924,537 |
| | 23,365,883 | - | 23,365,883 | (1,199,996) | 22,165,887 |

LIABILITIES

| | | | | | |
|-------------------------|--------------------|----------|--------------------|--------------------|--------------------|
| 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 |
| | 150,946,984 | - | 150,946,984 | (1,199,996) | 149,746,988 |

2019

| | Effect of offsetting on statement of financial position | | | Related amounts not offset | |
|----------------------------------|--|------------------|------------------------|-------------------------------|-------------------|
| | Gross amounts | Amount offset | Net amount reported | Cash collateral | Net amount |
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| ASSETS | | | | | |
| Derivative financial instruments | - | 92,413 | 92,413 | - | 92,413 |
| Loans and advances to customers | 22,150,196 | - | 22,150,196 | (790,271) | 21,359,925 |
| | 22,150,196 | 92,413 | 22,242,609 | (790,271) | 21,452,338 |

LIABILITIES

| | | | | | |
|----------------------------------|--------------------|---------------|--------------------|------------------|--------------------|
| 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 |
| | 131,151,841 | 92,413 | 131,244,254 | (790,271) | 130,453,983 |

The Group and the Bank entered into various forward-gearred contracts with Firststrand 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 2020 and 2019 these amounts have been shown in "due to customers" and have not been offset against the loan balances.