Annual report 2015

Investec Bank (Mauritius) Limited annual financial statements

Out of the Ordinary®

Investec

About this report

We value feedback and invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.

Audited information

Denotes information in the risk reports that form part of the bank's audited annual financial statements

Reporting standard

Denotes our consideration of a reporting standard

Page references

Refers readers to information elsewhere in this report

Sustainability

Refers readers to further information in our sustainability report available on our website: www.investec.com

Website

Indicates that additional information is available on our website: www.investec.com

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Investec Bank (Mauritius) Limited in perspective

Who we are

Investec Bank (Mauritius) Limited was established as a wholly owned subsidiary of Investec Bank Limited in 1997. Initially the bank focused on structured finance transactions and then broadened its focus to cover a wider range of products, including property finance into most geographical regions where the Investec group has a footprint. Since being established, the bank has become recognised as one of the leading international banks in Mauritius.

The bank employs a team of 81 staff and has an efficient and profitable business operating in compliance with regulatory standards and banking practices both in Mauritius and in South Africa.

The bank embraces the Investec group's strategic goals and objectives, which are based on the aspiration to be recognised as a distinctive specialist banking group and asset manager. This distinction is embodied in an entrepreneurial culture which is balanced by a strong risk management discipline, client-centric approach and the ability to be nimble, flexible and innovative. An essential pillar of the bank's operating philosophy is that it does not seek to be all things to all people. The bank's core philosophy has been to build a well-defined, value-added business focused on serving the needs of select market niches where it can compete effectively.

The bank's specialised services in cross-border transactions are complemented by dedicated personal service, competitive rates and distinctive products. Mauritius offers a convenient time zone with no exchange control or withholding taxes for non-residents.

What we do

The bank remains highly focused on the trends and dynamics within its jurisdiction and industry. Strong interaction takes place between the bank and its clients in developing new specialist products and services.

The bank offers the following services:

Specialised finance and lending

The bank provides aircraft finance, medium-to-long term structured finance, customised debt and equity products, commodity-based finance, and cash-backed and general lending services in major foreign currencies.

The bank offers residential and commercial property finance and is actively involved in financing commercial property developments as well as integrated resort schemes (IRS), real estate schemes (RES) and villa acquisitions in Mauritius.

Complementing its specialised finance and lending expertise, the bank offers advisory services covering structured finance, project finance and debt origination.

Treasury and deposit products

A range of treasury and deposit products, in the major foreign currencies, include call and fixed-term deposit accounts, high-yield access accounts (seven-day notice), base plus accounts (fixed deposit for a minimum of one year), combo accounts (dual currency) and zero coupon deposits as well as foreign exchange and hedging.

The bank offers a secure online transactional banking facility that allows deposit account holders to transact online and view account balances, transaction history and monthly statements. This offering was extended to provide an online solution for users to open accounts; and will be extended during the course of 2015 to execute foreign currency dealings.

The bank has successfully launched its US Dollar debit card offering which is currently being extended to provide a Euro and Pounds Sterling debit card.

The bank intends to launch its Private Wealth and Investment business during the course of 2015 upon receiving the required regulatory approvals.

A wide network of correspondent banks and a SWIFT capability ensures a rapid and efficient service for the transfer of funds.

Mission statement

We strive to be a distinctive specialist bank and asset manager, driven by commitment to our core philosophies and values

Who we are

The Investec group (comprising Investec plc and Investec Limited) is an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base.

Founded as a leasing company in Johannesburg in 1974.	The Investec group acquired a banking licence in 1980 and was listed on the JSE Limited South Africa in 1986.
In 2002, the Investec group implemented a dual listed companies structure (DLC) listed in London and Johannesburg.	A year later, the group concluded a significant empowerment transaction in which empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited.
Since inception, the Investec group has expanded through a combination of substantial organic growth and a series of strategic acquisitions.	Today, it has an efficient integrated international business platform offering all its core activities in the UK and the Southern African region.

What we do

Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity, namely: Asset Management, Wealth & Investment and Specialist Banking

We value

1	2	3	4
Distinctive performance	**Client focus**	**Cast-iron integrity**	**Dedicated partnership**
Outstanding talent – empowered, enabled and inspired	Distinctive offering	Moral strength	Respect for others
Meritocracy	Leverage resources	Risk consciousness	Embrace diversity
Passion, energy, stamina and tenacity	Break china for the client	Highest ethical standards	Open and honest dialogue
Entrepreneurial spirit			Unselfish contribution to colleagues, clients and society

Our philosophies

Single organisation

Meritocracy

Focused businesses

Differentiated, yet integrated

Material employee ownership

Creating an environment that stimulates extraordinary performance.

Overview of Investec's and Investec Bank (Mauritius) Limited's organisational structure

Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986

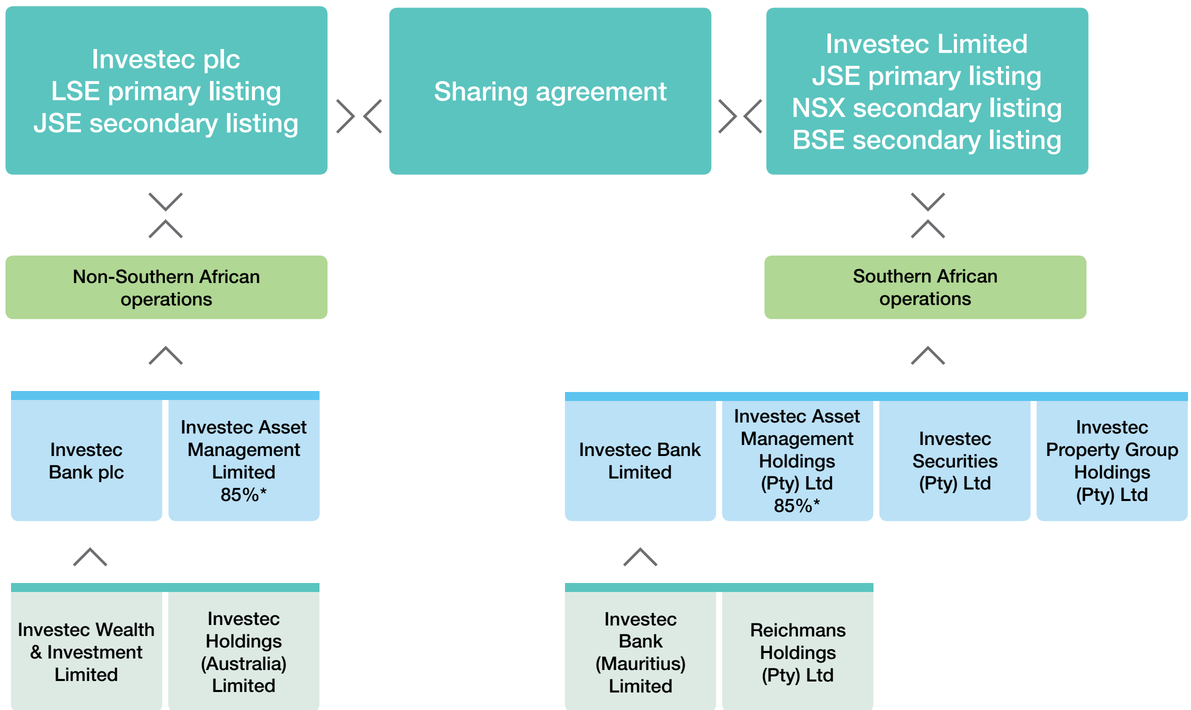
Operating structure

During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange.

A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.

In terms of the DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius, and Investec plc is the controlling company of our non-Southern African businesses. Investec Limited is listed on the JSE Limited South Africa and Investec plc is listed on the London Stock Exchange. Investec Bank (Mauritius) Limited (referred to in this report as the bank) is a subsidiary of Investec Bank Limited.

Our DLC structure and main operating subsidiaries at 31 March 2015



Kensington Group plc was sold on 30 January 2015. Investec Bank (Australia) Limited was sold on 31 July 2014.

** 15% is held by senior management in the company.*

All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

Salient features of the DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross-guarantees between the companies.

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Management discussion and analysis

Management discussion and analysis

Business and strategic overview

The bank had a strong performance for the year under review despite challenging global economic conditions as the recovery pattern across the developed world has been uneven. The United States is showing positive signs of growth with an indication that interest rates could be increased by the end of 2015. The Euro area has been under the threat of deflation while emerging market economies faced domestic issues. Domestically, the economy has been confronted by a low level of investment and high a level of liquidity.

The bank, while remaining vigilant, will strive to improve its performance by looking for new opportunities and leveraging on existing capabilities.

An overview of the bank's performance

Salient financial features

For the year to 31 March US$'000	2015	2014	2013
Statement of profit or loss			
Net interest income	56 428	49 383	40 977
Net fee and commission income	7 779	5 421	3 166
Total operating income	66 129	60 077	44 271
Impairment reversal/(losses)	2 359	(3 654)	(377)
Net operating income	68 488	56 423	43 894
Total operating expenses	(11 401)	(10 323)	(9 645)
Profit for the year	54 457	45 901	32 994
Statement of financial position			
Loans and advances to customers	925 913	890 702	772 245
Total assets	1 589 896	1 667 476	1 371 598
Total shareholders' equity	384 545	350 406	304 106

Net interest income increased by 14.3% to US$56.4 million as a result of a combined increase in loans and advances to customers and net interest margin. Loans and advances increased by 4.0% to US$925.9 million and net interest margin increased by 9.1% to 3.6%.

Net fee and commission income increased by 43.5% to US$7.8 million.

Total operating income increased by 10.1% as the increase in net interest income and net fee and commission income was offset by an overall net negative movement of US$3.4 million in trading activities, net gain from financial instruments designated at fair value and net other operating income.

Impairment reversal amounted to US$2.4 million mainly due to the revision of the bank's loan loss experience ratio, which resulted in the release of a portion of the regulatory portfolio provision.

Total operating expenses increased by 10.4% mainly due to an increase in personnel expenses.

Profit for the year increased by 18.6% to US$54.5 million.

Review by financial priority areas

The bank focuses on a number of financial priority areas as indicated below.

Key ratios

For the year to 31 March %	2015	2014	2013
Net interest margin*	3.6	3.3	3.4
Cost to income ratio	17.2	17.2	21.8
Return on average equity	14.8	14.0	11.4
Return on average assets*	3.5	3.1	2.8
Cash to customer deposits	34.0	36.2	51.8
Capital adequacy ratio	31.0	28.8	29.1
Tier 1 ratio	30.0	27.7	28.2

* *Figures based on average interest-earning assets.*

Net interest margin increased to 3.6% (2014: 3.3%).

The cost to income ratio, which is the ratio of non-interest expense to net interest and other income, remained stable at 17.2%.

The return on average equity increased to 14.8% (2014: 14.0%), ahead of the bank's target of 13.5%.

The return on average assets increased to 3.5% (2014: 3.1%), above the bank's 2.5% target.

The cash to customer deposit ratio decreased to 34.0% (2014: 36.2%).

The capital adequacy ratio increased to 31.0% (2014: 28.8%). Capital adequacy is still in excess of the minimum regulatory requirement of 10% and the bank's long-term target ratio of 14% – 17%. Tier 1 capital represents 96.7% (2014: 96.4%) of the bank's capital base.

Interest income and related assets

	2015		2014		2013	
For the year to 31 March US$'000	Interest income	Related assets	Interest income	Related assets	Interest income	Related assets
Due from banks and reverse repurchase agreements	783	270 590	1 248	284 161	835	340 995
Loans and advances to customers	57 380	925 913	49 983	890 702	43 929	772 245
Financial assets – held to maturity	6 927	127 948	5 764	140 816	4 805	121 740
Amount due from group companies	1 000	129 327	1 262	186 307	545	21 747
Financial assets designated at fair value through profit or loss	424	23 565	1 169	22 387	2 522	23 119
Financial assets – available for sale	1 557	54 088	2 441	56 201	–	–
Investment securities – loans and receivable	1 297	11 100	2 507	24 347	3 161	44 897
Total	69 368	1 542 531	64 374	1 604 921	55 797	1 324 743

Interest expense and related liabilities

	2015		2014		2013	
For the year to 31 March US$'000	Interest expense	Related liabilities	Interest expense	Related liabilities	Interest expense	Related liabilities
Deposits by banks	38	–	69	–	137	3 527
Repurchase agreements	931	110 025	1 012	121 403	223	119 378
Due to customers	4 090	777 206	5 817	832 204	4 574	666 854
Debt securities in issue	7 293	249 512	6 438	266 299	5 867	217 060
Amount due to group companies	588	52 641	1 655	52 747	4 019	49 342
Total	12 940	1 189 384	14 991	1 272 653	14 820	1 056 161

Operating expenses

For the year to 31 March US$'000	2015	2014	2013
Personnel expenses	5 810	4 735	4 080
Depreciation of equipment	125	128	126
Other operating expenses	5 466	5 460	5 439
Total	11 401	10 323	9 645

Total operating expenses increased by 10.4% to US$11.4 million (2014: US$10.3 million) as a result of the increase in personnel and related expenses following a rise in the number of staff employed from 68 at 31 March 2014 to 81 at 31 March 2015.

Risk management

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the annual report (pages 10 to 48) with further disclosures provided within the financial statements section (pages 59 to 121).

All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

Philosophy and approach

The bank recognises that an effective risk management function is fundamental to its business. Taking international best practice into account, the bank's comprehensive risk management process involves identifying, quantifying, managing and mitigating the risks associated with its business.

Risk management's objectives

The bank's risk management's objectives are to:

- Be the custodian of its risk management culture
- Ensure the business operates within the board-stated appetite
- Support the long-term sustainability of the bank by providing an established independent framework for identifying, evaluating, monitoring and mitigating risk
- Set, approve and monitor adherence to risk parameters and limits across the group and ensure they are implemented and adhered to consistently
- Aggregate and monitor its exposure across risk classes
- Coordinate risk management activities across the organisation
- Give the board reasonable assurance that the risks the bank is exposed to are identified and, to the best extent possible, managed and controlled
- Run appropriate risk committees as mandated by the board.

Executive summary of the year in review from a risk perspective

The bank has continued to maintain a sound balance sheet with low leverage and a diversified business model. This has been supported by the following key operating fundamentals:

- Intimate involvement by senior management ensuring stringent management of risk, liquidity and capital
- A strong risk and capital management culture embedded into its day-to-day activities and values. The bank seeks to achieve an appropriate balance between risk and reward in its business taking cognisance of all stakeholders' interests
- Credit and counterparty exposures are restricted to a select target market; the bank's risk appetite continues to favour lower risk income-based lending with credit risk taken over a short-to-medium term. Exposure is taken against defined target clients displaying a profile of good character, sound financial strength and integrity, a core competency and sound track record in the activity funded. No credit loss was recorded for the year under review on core loans and advances
- Exposure to rated and unrated structured credit investments representing less than 1% of total assets
- A low leverage ratio of approximately 4.1 times
- A high level of readily available, high-quality liquid assets. The bank continues to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- Healthy capital ratios; the bank has always held capital in excess of regulatory requirements and it intends to perpetuate this philosophy. The bank continued to strengthen its capital base and increased its net tangible asset value during the period
- A high level of recurring income which continues to support sustainability of operating profit.

The bank's overall risk management philosophies, practices and frameworks have remained largely unchanged, and have held the bank in good stead. Maintaining credit quality, strictly managing risk and liquidity and continuing to grow the capital base remain core strategic imperatives.

An overview of key risks

In the ordinary course of business the bank faces a number of risks that could affect its business operations

These risks are summarised in the table below along with the relevant page numbers.

The sections that follow provide information on a number of these risk areas.

12 – 34

Credit and counterparty risk exposes the bank to losses caused by financial or other problems experienced by its clients.

41 – 43

Operational risk may disrupt its business or result in regulatory action.

43

Legal and regulatory risks are substantial in its businesses.

38 – 40

Liquidity risk may impair the bank's ability to fund its operations.

43

Reputational, strategic and business risk.

36 – 37

The bank's net interest earnings and net asset value may be adversely affected by **interest rate risk.**

41 – 43

The bank may be **vulnerable to the failure of its systems** and breaches of its security systems.

41

The bank is exposed to non-traded **currency risk** where fluctuation in exchange rates against the US Dollar could have an **impact** on its financial results.

41 – 43

Market, business and general economic conditions and fluctuations could adversely affect its businesses in a number of ways.

43 – 48

The bank may have insufficient capital in the future and may be unable to secure additional financing when it is required.

41 – 43

Employee misconduct could cause harm that is difficult to detect.

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The **financial services industry** in which the bank operates is intensely competitive.

The bank may be unable to **recruit, retain and motivate key personnel.**

See Investec's 2015 integrated annual report on our website.

Additional risks and uncertainties not presently known to the bank or that are currently deemed immaterial may in the future also negatively impact the bank's business operations.

Credit and counterparty risk management

Credit and counterparty risk description

Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client's or counterparty's) failure to meet the terms of any agreement. Credit and counterparty risk arises when funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements whether reflected on- or off-balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions, through loans and advances to clients and counterparties, create the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements where the bank has placed funds with other financial institutions
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received
- Trading transactions giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected. The bank's definition of settlement debtor is a short-term receivable (i.e. less than five days) excluded from credit and counterparty risk due to market-guaranteed settlement mechanisms
  - Replacement risk is the financial cost of having to enter into a replacement contract with an alternative market counterparty, following default by the original counterparty.

Credit and counterparty risk can be impacted by country risk where cross-border transactions are undertaken. This can include geopolitical risks, transfer and convertibility risks and the impact on the borrower's credit profile due to local economic and political conditions.

In terms of the bank's country risk policy, the bank's credit committee with the approval of the group's credit committee will set either a general country limit or a deal-specific country limit specifically for the bank, for those countries where the bank has or will have an exposure. General and deal-specific country limits are classified as follows:

- General country limits are set for countries with an A to AAA country rating, determined by an eligible credit assessment institution (ECAI) in which the bank has or will have an exposure
- Deal-specific country limits are set by the credit committee for those countries which do not have an A to AAA country rating and where the bank wishes to or has an exposure in that country.

Notwithstanding the country rating granted to a country by any one of the ECAIs allowing the country to be assigned a deal-specific country limit, the relevant credit committee has the mandate to assign a general country limit for that country.

For country and sovereign risk provisioning purposes, the bank's credit committee shall choose the country which better reflects the risk on each exposure between the country from which the cash flow shall emanate in order to service the debt, the country of incorporation or residency and the country where the bank will look to perfect its security in the first instance.

At 31 March 2015, the bank has provided an amount of US$3.3 million in respect of country risk which is included in tier 2 capital as part of 'general banking reserves and portfolio provisions'.

Credit and counterparty risk governance structure

The bank's credit committee manages, measures and mitigates credit and counterparty risk. This committee operates under board-approved delegated limits, policies and procedures. There is a high level of executive involvement and non-executive review and oversight in the credit decision-making forums. It is policy that the credit committee has a majority of voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the credit committee, the following processes assist in managing, measuring and monitoring credit and counterparty risk:

- Arrears management and regular arrears reporting ensures that individual positions and any potential trends are dealt with in a timely manner
- The bank's operations committee and management committee review the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- The bank's investment committee reviews and manages exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements
- The bank's credit review committee reviews all credit exposures on an annual basis.

Credit and counterparty risk appetite

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to avoid or minimise over exposure and concentration risk.

The bank's assessment of its clients and counterparties includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients. Our primary assessment method is therefore the ability of the client to meet these payment obligations. Furthermore, the bank has very little appetite for unsecured debt and ensures that good quality collateral is provided in support of obligations.

Refer to pages 32 and 33 for further information.

Target clients include high-net-worth and/or high-income individuals, professionally qualified individuals, established corporates, small and medium enterprises, financial institutions and sovereigns. Corporates must have scale and relevance in their market, an experienced management team and able board members, and strong earnings and cash flow.

The bank typically originates loans with the intent of holding these assets to maturity, and thereby developing a 'hands-on' and long-standing relationship with our clients.

Pricing is motivated on a transaction by transaction basis, with consideration given to the manner of origination of the asset, capital usage and liquidity. Pricing recommendations are discussed and agreed at the credit committee to ensure that reward is appropriate to the risk and that pricing is not compromised in the pursuit of volume or relationship. As a consequence of market behaviour, pricing for similar risk may differ from time to time.

Concentration risk

Concentration risk is when large exposures exist to a single client or counterparty, group of connected counterparties, or to a particular geography, asset class or industry. An example of this would be where a number of counterparties are affected by similar economic, legal, regulatory or other factors that could mean their ability to meet contractual obligations are correlated.

Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and a transaction level by the bank's risk management, Group Risk Management and Group Lending Operations.

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to manage concentration risk.

Risk appetite

The board has set the bank's risk appetite limit framework which regulates the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. This limit framework is monitored on an ongoing basis and reported to the group risk and capital committee (GRCC) and board risk and capital committee (BRCC) on a regular basis. Should there be any breaches to limits or where exposures are nearing limits, these exceptions are specifically highlighted for attention and any remedial actions agreed.

Management and measurement of credit and counterparty risk

Fundamental principles employed in the management of credit and counterparty risk are:

- A clear definition of the bank's target market
- A quantitative and qualitative assessment of the creditworthiness of the bank's counterparties
- Analysis of risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making with non-executive review and oversight.

Regular reporting of credit and counterparty risk exposures is made to management, the executives and the board. The board regularly reviews and approves the appetite for credit and counterparty risk.

Despite strict adherence to the above principles, increased default risk may arise from unforeseen circumstances particularly in times of extreme market volatility and weak economic conditions.

The bank completes scenario tests on its loan portfolio with regards to the capital held. These tests stress the existing portfolio to allow the bank to identify underlying risks and manage them accordingly. These stress tests include (but are not limited to) residential and commercial property prices, foreign exchange rates, default rates, impairments and capital usage. The credit risk stress tests also play an integral part in the bank's capital planning process.

A large proportion of the portfolio is not rated by external rating agencies. The bank mainly places reliance upon internal considerations of counterparties and borrowers and uses ratings prepared externally where available for support. Within the credit approval process all available internal and external ratings are included in the assessment of the client quality.

Fitch, S&P and Moody's have been approved as ECAIs for the purposes of determining external credit ratings with the following elections:

- In relation to sovereigns and securitisations, Fitch, Moody's and S&P have been selected by Investec as eligible ECAIs
- In relation to banks, corporates and debt securities, Fitch, Moody's and S&P are recognised as eligible ECAIs
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings will be referred to and the higher of those two ratings should be applied.

The bank follows the group's approach which applies the standardised approach for capital requirements in the assessment of its credit and counterparty exposures.

Concentration of risk policies

The bank has adopted and complies with the Bank of Mauritius Guideline on Credit Concentration Limits. The bank ensures that it does not grant credit to a single customer and its related parties which exceed the regulatory limit stipulated in the guideline, i.e. the bank which is a subsidiary of a foreign bank must have no credit exposure, in currencies other than the Mauritian Rupee, to any single customer which exceeds 50% of the bank's capital base or credit exposure to any group of closely related customers which exceeds 75% of the bank's capital base.

At 31 March 2015, there were no customers or group of related customers to whom the bank granted facilities aggregating more than 15% of its capital base (2014: US$184.0 million and 2013: nil). At 31 March 2014 these exposures represented 51.3% of the total capital base and were below the regulatory limit of 1 200%.

Related party transactions, policies and practices

The bank adheres to the Bank of Mauritius Guideline on Related Party Transactions. All transactions with a related party are carried out on terms and conditions that are at least as favourable to the bank as the market terms and conditions.

The conduct review committee (CRC) – which consists of three non-executive directors – approves, reviews and monitors the related party transactions. The committee meets at least once every quarter to review all related party transactions initiated in the preceding quarter. After each meeting the matters approved and reviewed by the CRC are reported to the board of directors.

The bank reports on the proceedings of the CRC during the year to the Bank of Mauritius on a yearly basis.

All transactions with a related party are carried out on terms and conditions that are at least as favourable to the bank as the market terms and conditions

For the year to 31 March	2015	2014	2013
On- and off-balance sheet credit exposure (US$'million)	85.5	104.6	31.0
On- and off-balance sheet credit exposure to all customers (%)	5.4	6.3	2.3
Proportion of credit exposure that has become non-performing as a result of negative mark-to-market adjustments (%)	0.70	3.9	–
Amount of credit exposure to six related parties with the highest exposure (US$'million)	85.0	103.7	30.9
Amount of credit exposure to six related parties with the highest exposure to tier 1 capital (%)	22.5	30.0	10.3

All the related party transactions were within the regulatory limits as recommended in the abovementioned guideline.

Asset quality analysis – credit risk classification and provisioning policy

It is a policy requirement that the bank makes provision for specific impairments and calculates the appropriate level of portfolio impairments. This is in accordance with established Investec group policies and the Bank of Mauritius guidelines. In the financial statements, credit losses and impairments are reported in accordance with International Financial Reporting Standards (IFRS).

Specific impairments

The bank determines the impairment appropriate for each loan or advance on an individual basis. Items considered when determining impairments include the sustainability of the counterparty's business plan, its ability to improve performance once financial difficulty has arisen, projected receipts and the expected dividends payout should bankruptcy occur, 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.

Portfolio impairments

The portfolio impairment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring a specific impairment, and expected receipts and recoveries once impaired. The impairment is then reviewed by management to ensure alignment with the bank's overall policy. Portfolio impairments are conducted in accordance with the Bank of Mauritius Guidelines on Credit Impairment Measurement and Income Recognition.

The information provided below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 24).

The impairment definitions and guidelines are consistent with IFRS. IFRS differs from the requirements laid out in the 'International Convergence of Capital Measurement and Capital Standards' Basel II framework.

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogeneous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/credit agreed payment due date. Management however is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil its credit obligation to the bank (i.e. credit committee is concerned) for any of the following reasons: • Covenant breaches • There is a slowdown in the counterparty's business activity • An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty • Any restructured credit exposures until credit committee decides otherwise • Any specific country problems. Ultimate loss is not expected, but may occur if adverse conditions persist. Reporting categories: • Credit exposures overdue 1 – 60 days • Credit exposures overdue 61 – 90 days.

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Assets in default (non-performing assets)	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business • Likely dividend or amount recoverable on liquidation or bankruptcy or business rescue • Nature and extent of claims by other creditors • Amount and timing of expected cash flows • Realisable value of security held (or other credit mitigants) • Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts.	Sub-standard	The counterparty is placed in 'sub-standard' when the credit exposure reflects an underlying well-defined weakness that may lead to probable loss if not corrected: • The risk that such credit exposure may become an impaired asset is probable • The bank is relying, to a large extent, on available collateral, or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in 'sub-standard' (or a lower quality category).
		Doubtful	The counterparty is placed in 'doubtful' when the credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.
		Loss	• A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted, or • Assets in this category are expected to be written off in the short term since the likelihood of future economic benefits resulting from such assets are remote.

Credit risk mitigation

Credit risk mitigation techniques can be defined as all methods by which Investec seeks to decrease the credit risk associated with an exposure. Investec considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Credit risk mitigants can include any collateral item over which the bank has pledge or security, netting and margining agreements, covenants or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent to that transaction.

As Investec has a limited appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. Collateral is assessed with reference to the sustainability of value and the likelihood of realisation. Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued.

An analysis of collateral is provided on pages 32 and 33.

Where a transaction is supported by a mortgage or charge over property, the primary credit risk is still taken on the borrower. For property-backed lending such as residential mortgages, the following characteristics of the property are considered: the type of property, its location, and the ease with which the property could be re-let and/or re-sold. Where the property is secured by lease agreements, the credit committee prefers not to lend for a term beyond the maximum period of the lease.

Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds.

Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

Other common forms of collateral in the retail asset class are cash and share portfolios. In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business.

Lending against investment portfolios is typically geared at very conservative loan-to-value ratios after considering the quality, diversification, risk profile and liquidity of the portfolio.

Our corporate, government and institutional clients provide a range of collateral including cash, corporate assets, debtors (accounts receivable), trading stock, debt securities (bonds), listed and unlisted shares and guarantees.

The majority of credit mitigation techniques linked to trading activity is in the form of netting (primarily International Swap Dealers Association, Global Master Securities Lending Agreement and International Securities Master Agreement) and margining agreements (primarily through Credit Support Agreements).

Set-off has been applied between assets subject to credit risk and related liabilities in the financial statements where:

- A legally enforceable right to set-off exists
- There is the ability to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty
- Debit and credit balances are denominated in the same currency and have identical maturities
- Exposures subject to set-off are risk managed on a net basis
- Market practice considerations.

For this reason, there will be instances where credit and counterparty exposures are displayed on a net basis in these annual financial statements but reported on a gross basis to regulators.

Investec places minimal reliance on credit derivatives in its credit risk mitigation techniques.

Credit and counterparty risk year in review

The US economy shows signs of recovery with positive indicators and the end of quantitative easing. Europe's situation has deteriorated with the threat of deflation and the introduction of quantitative easing.

China and India are still growing, yet at a lower pace and Africa, despite the Ebola threat, is still growing and showing positive signs for the future.

The bank remains on the lookout for opportunities that present themselves.

Loans and advances are generally well secured and are monitored frequently, and counterparties remain within credit approved loan to value or cover ratios and are performing on current debt obligations. Default core loans and advances to customers amounted to US$0.4 million at 31 March 2015 which represented 0.05% of gross core loans.

The bank has continued to write assets at low loan to value and remains well secured across its loan portfolio.

Credit quality on gross core loans remained at a satisfactory level for the year under review with no specific impairments at 31 March 2015. Loans written off amounted to US$1.3 million, but this was offset by bad debt recovered of US$2.0 million.

Gross core loans and advances increased by 3.7% to US$932.6 million during the year under review. Default loans (net of impairments), as a percentage of core loans and advances, amounted to (0.67%) and no credit loss was recorded.

Credit and counterparty risk information

Pages 12 to 34 describe where and how credit and counterparty risk exists in the bank's operations.

The tables that follow provide an analysis of the bank's credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

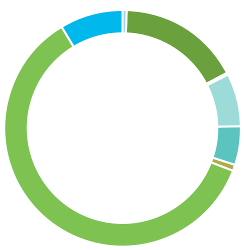
Credit and counterparty exposures increased by 1.6% to US$1.539 billion.

US$'000	31 March 2015	31 March 2014	31 March 2013	2015 vs 2014 % change	Average* 2015 vs 2014	2014 vs 2013 % change	Average* 2014 vs 2013
On-balance sheet exposures							
Cash and balances at central banks	9 335	16 705	4 552	(44.1%)	13 020	> 100%	10 629
Loans and advances to banks	256 603	284 161	340 995	(9.7%)	270 382	(16.7%)	312 578
Sovereign debt securities	1 642	–	–	100.0%	821	–	–
Bank debt securities	111 576	123 978	121 740	(10.0%)	117 777	1.8%	122 859
Other debt securities	82 897	103 005	53 479	(19.5%)	92 951	92.6%	78 242
Derivative financial instruments	79	710	1 459	(88.8%)	394	(51.3%)	1 084
Reverse repurchase agreements and cash collateral on securities borrowed	13 987	–	–	100.0%	6 994	–	–
Loans and advances to customers	932 566	899 069	779 946	3.7%	915 818	15.3%	839 507
Other assets	–	14	–	(100%)	7	–	7
Total on-balance sheet credit and counterparty exposures	1 408 685	1 427 642	1 302 171	(1.3%)	1 418 164	9.6%	1 364 907
Guarantees^	16 447	21 919	14 564	(25.0%)	19 183	50.5%	18 242
Committed facilities	114 315	65 923	81 374	73.4%	90 119	(19.0.%)	73 649
Off-balance sheet exposures	130 762	87 842	95 938	48.9%	109 302	(8.4%)	91 890
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	1 539 447	1 515 484	1 398 109	1.6%	1 527 466	8.4%	1 456 797

* *Where the average is based on a straight-line average.*

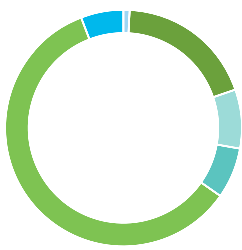
^ *Excludes guarantees provided to clients which are backed/secured by cash deposit with the bank.*

An analysis of gross credit and counterparty exposures



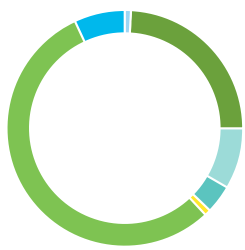
31 March 2015
U$1 539 million

Cash and balances at central banks	0.6%
Loans and advances to banks	16.7%
Sovereign debt securities	0.1%
Bank debt securities	7.2%
Other debt securities	5.4%
Derivative financial instruments	0.0%
Reverse repurchase agreements	0.9%
Loans and advances to customers	60.6%
Other assets	0.0%
Off-balance sheet exposures	8.5%



31 March 2014
U$1 515 million

Cash and balances at central banks	1.1%
Loans and advances to banks	18.7%
Bank debt securities	8.2%
Other debt securities	6.8%
Derivative financial instruments	0.0%
Loans and advances to customers	59.4%
Other assets	0.0%
Off-balance sheet exposures	5.8%

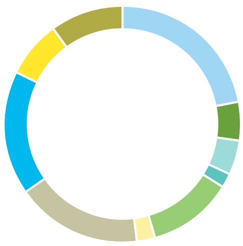


31 March 2013
U$1 398 million

Cash and balances at central banks	0.3%
Loans and advances to banks	24.4%
Bank debt securities	8.7%
Other debt securities	3.8%
Derivative financial instruments	0.1%
Loans and advances to customers	55.8%
Other assets	0.0%
Off-balance sheet exposures	6.9%

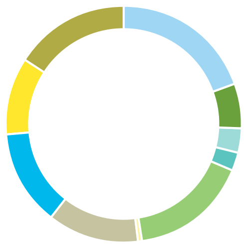
Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any client and counterparty at 31 March 2015 was US$100.9 million (2014: US$86.0 million and 2013: US$86.9 million).

An analysis of gross credit and counterparty exposure by geography



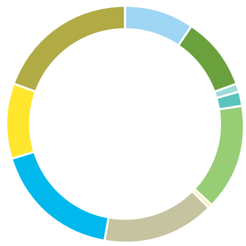
31 March 2015
US$1 539 million

Mauritius	22.1%
South Africa	5.3%
Africa (excl RSA)	4.6%
Asia	2.0%
European Union	11.8%
Europe (non EU)	2.5%
North America	17.0%
Other	17.1%
Australia	7.8%
United Kingdom	9.8%



31 March 2014
US$1 515 million

Mauritius	19.5%
South Africa	6.1%
Africa (excl RSA)	3.5%
Asia	2.4%
European Union	16.4%
Europe (non EU)	0.4%
North America	12.3%
Other	13.1%
Australia	10.5%
United Kingdom	15.8%



31 March 2013
US$1 398 million

Mauritius	9.6%
South Africa	10.1%
Africa (excl RSA)	1.1%
Asia	1.8%
European Union	14.8%
Europe (non EU)	0.2%
North America	15.3%
Other	17.5%
Australia	10.4%
United Kingdom	19.2%

A further analysis of our on-balance sheet credit and counterparty exposures

The tables below indicate in which class of asset (on the face of the statement of financial position) the bank's on-balance sheet credit and counterparty exposures are reflected. Not all assets included in the statement of financial position bear credit and counterparty risk.

US$'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
At 31 March 2015				
Cash and balances at central banks	9 335	2		9 337
Loans and advances to banks	256 603	–		256 603
Sovereign debt securities	1 642	–		1 642
Bank debt securities	111 576	–		111 576
Other debt securities	82 897			82 897
Derivative financial instruments	79	29 031		29 110
Reverse repurchase agreements	13 987	–		13 987
Loans and advances to customers	932 566	(6 653)	1	925 913
Other assets	–	3 284		3 284
Investment portfolio	–	20 586	2	20 586
Interest in associated undertakings	–	4 915		4 915
Deferred taxation assets	–	310		310
Equipment	–	409		409
Intergroup	–	129 327	3	129 327
Total on-balance sheet exposures	1 408 685	181 211		1 589 896

1. *Largely relates to impairments.*
2. *Largely relates to exposures that are classified as equity in the banking book.*
3. *Intergroup balances are deemed to have no credit exposure.*

A further analysis of our on-balance sheet credit and counterparty exposures (continued)

US$'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
At 31 March 2014				
Cash and balances at central banks	16 705	5		16 710
Due from banks	284 161	–		284 161
Bank debt securities	123 978	–		123 978
Other debt securities	103 005	–		103 005
Derivative financial instruments	710	34 453		35 163
Loans and advances to customers	899 069	(8 367)	1	890 702
Other assets	14	5 122		5 136
Investment securities – equity investments	–	16 768	2	16 768
Interest in associated undertakings	–	4 915		4 915
Deferred taxation assets	–	293		293
Equipment	–	338		338
Intergroup	–	186 307	3	186 307
Total on-balance sheet exposures	1 427 642	239 834		1 667 476
At 31 March 2013				
Cash and balances at central banks	4 552	4		4 556
Due from banks	340 995	–		340 995
Bank debt securities	121 740	–		121 740
Other debt securities	53 479	–		53 479
Derivative financial instruments	1 459	30 125		31 584
Loans and advances to customers	779 946	(7 701)	1	772 245
Other assets	–	5 136		5 136
Investment securities – equity investments	–	14 537	2	14 537
Interest in associated undertakings	–	4 915		4 915
Deferred taxation assets	–	262		262
Equipment	–	387		387
Intergroup	–	21 747	3	21 747
Investment in subsidiary companies	–	15		15
Total on-balance sheet exposures	1 302 171	69 427		1 371 598

1. *Largely relates to impairments.*
2. *Largely relates to exposures that are classified as equity in the banking book.*
3. *Intergroup balances are deemed to have no credit exposure.*

Summary analysis of gross credit and counterparty exposure by industry

At 31 March US$'000	Gross core loans and advances 2015	Gross core loans and advances 2014	Gross core loans and advances 2013	Other credit and counterparty exposures 2015	Other credit and counterparty exposures 2014	Other credit and counterparty exposures 2013	Total 2015	Total 2014	Total 2013
Professional	–	34 257	33 340	–	929	21 001	–	35 186	54 341
Agriculture	1 993	–	–	–	–	21 730	1 993	–	21 730
Construction	319 830	331 915	360 590	48 272	25 662	18 625	368 102	357 577	379 215
Personal	29 413	114	189	2 805	230	–	32 218	344	189
Global business licence holders	184 408	137 138	23 861	50 228	56 058	823	234 636	193 196	24 684
Finance and business services	95 455	65 384	99 316	486 445	528 573	522 225	581 900	593 957	621 541
Traders	–	19 817	52 118	–	–	11 091	–	19 817	63 209
Manufacturing	32 235	60 891	83 099	–	3 405	–	32 235	64 296	83 099
Transport	148 882	76 903	57 328	10	–	1 395	148 892	76 903	58 723
Tourism	23 280	28 564	29 972	–	–	190	23 280	28 564	30 162
Infrastructure	53 331	88 730	7 507	3 371	–	3 293	56 702	88 730	10 800
Information, communication and technology	23 685	33 242	17 569	15 750	–	10 926	39 435	33 242	28 495
Media, entertainment and recreational	707	1 775	6 728	–	1 558	6 864	707	3 333	13 592
Other industries	19 347	20 339	8 329	–	–	–	19 347	20 339	8 329
Total	932 566	899 069	779 946	606 881	616 415	618 163	1 539 447	1 515 484	1 398 109

Detailed analysis of gross credit and counterparty exposures by industry

US$'000	Professional	Agriculture	Construction	Personal	Global Business Licence holders	Finance and business services
At 31 March 2015						
On-balance sheet exposures	–	1 993	319 830	29 413	184 408	571 574
Other debt securities	–	–	–	–	–	82 897
Bank debt securities	–	–	–	–	–	111 576
Sovereign debt securities						1 642
Bank placements	–	–	–	–	–	265 938
Reverse repurchase agreements and cash collateral on securities borrowed						13 987
Derivative financial instruments	–	–	–	–	–	79
Gross core loans and advances to customers	–	1 993	319 830	29 413	184 408	95 455
Off-balance sheet exposures	–	–	48 272	2 805	50 228	10 326
Guarantees	–	–	12 250	661	3 536	–
Committed facilities	–	–	36 022	2 144	46 692	10 326
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	–	1 993	368 102	32 218	234 636	581 900
At 31 March 2014						
On-balance sheet exposures	34 257	–	331 915	114	137 138	593 957
Other debt securities	–	–	–	–	–	103 005
Bank debt securities	–	–	–	–	–	123 978
Bank placements	–	–	–	–	–	300 866
Derivative financial instruments	–	–	–	–	–	710
Other credit exposures	–	–	–	–	–	14
Gross core loans and advances to customers	34 257	–	331 915	114	137 138	65 384
Off-balance sheet exposures	929	–	25 662	230	56 058	–
Guarantees	890	–	20 850	–	179	–
Committed facilities	39	–	4 812	230	55 879	–
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	35 186	–	357 577	344	193 196	593 957
At 31 March 2013						
On-balance sheet exposures	33 340	–	360 590	189	23 861	621 541
Other debt securities	–	–	–	–	–	53 479
Bank debt securities	–	–	–	–	–	121 740
Bank placements	–	–	–	–	–	345 547
Derivative financial instruments	–	–	–	–	–	1 459
Gross core loans and advances to customers	33 340	–	360 590	189	23 861	99 316
Off-balance sheet exposures	21 001	21 730	18 625	–	823	–
Guarantees	1 953	–	11 969	–	642	–
Committed facilities	19 048	21 730	6 656	–	181	–
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	54 341	21 730	379 215	189	24 684	621 541

	Traders	Manufac-turing	Transport	Tourism	Infra-structure	Information, communi-cation and technology	Media, entertain-ment and recreational	Other entities	Total
	–	32 235	148 882	23 280	53 331	23 685	707	19 347	1 408 685
	–	–	–	–	–	–	–	–	82 897
	–	–	–	–	–	–	–	–	111 576
									1 642
	–	–	–	–	–	–	–	–	265 938
									13 987
	–	–	–	–	–	–	–	–	79
	–	32 235	148 882	23 280	53 331	23 685	707	19 347	932 566
	–	–	10	–	3 371	15 750	–	–	130 762
	–	–	–	–	–	–	–	–	16 447
	–	–	10	–	3 371	15 750	–	–	114 315
	–	32 235	148 892	23 280	56 702	39 435	707	19 347	1 539 447
	19 817	60 891	76 903	28 564	88 730	33 242	1 775	20 339	1 427 642
	–	–	–	–	–	–	–	–	103 005
	–	–	–	–	–	–	–	–	123 978
	–	–	–	–	–	–	–	–	300 866
	–	–	–	–	–	–	–	–	710
	–	–	–	–	–	–	–	–	14
	19 817	60 891	76 903	28 564	88 730	33 242	1 775	20 339	899 069
	–	3 405	–	–	–	–	1 558	–	87 842
	–	–	–	–	–	–	–	–	21 919
	–	3 405	–	–	–	–	1 558	–	65 923
	19 817	64 296	76 903	28 564	88 730	33 242	3 333	20 339	1 515 484
	52 118	83 099	57 328	29 972	7 507	17 569	6 728	8 329	1 302 171
	–	–	–	–	–	–	–	–	53 479
	–	–	–	–	–	–	–	–	121 740
	–	–	–	–	–	–	–	–	345 547
	–	–	–	–	–	–	–	–	1 459
	52 118	83 099	57 328	29 972	7 507	17 569	6 728	8 329	779 946
	11 091	–	1 395	190	3 293	10 926	6 864	–	95 938
	–	–	–	–	–	–	–	–	14 564
	11 091	–	1 395	190	3 293	10 926	6 864	–	81 374
	63 209	83 099	58 723	30 162	10 800	28 495	13 592	8 329	1 398 109

Asset quality and impairments

An analysis of core loans and advances, asset quality and impairments

The tables that follow provide information with respect to the asset quality of the bank's core loans and advances to customers.

An overview of development during the financial year is provided on page 17.

At 31 March US$'000	2015	2014	2013
Gross core loans and advances to customers	932 566	899 069	779 946
Total impairments	(6 653)	(8 367)	(7 701)
Specific impairments	–	(78)	(551)
Portfolio impairments	(6 653)	(8 289)	(7 150)
Net core loans and advances to customers	925 913	890 702	772 245
Average gross core loans and advances to customers	915 818	839 507	756 044
Current loans and advances to customers	928 327	873 448	761 500
Past due loans and advances to customers (1 – 60 days)	2 661	20 986	12 327
Special mention loans and advances to customers	1 142	2 658	111
Default loans and advances to customers	436	1 977	6 008
Gross core loans and advances to customers	932 566	899 069	779 946
Current loans and advances to customers	929 469	873 448	761 500
Gross core loans and advances to customers that are past due but not impaired	3 097	25 543	14 209
Gross core loans and advances to customers that are impaired	–	78	4 237
Gross core loans and advances to customers	932 566	899 069	779 946
Total income statement charge for impairments on core loans and advances	2 359	(3 654)	(377)
Gross default loans and advances to customers	436	1 977	6 008
Specific impairments	–	(78)	(551)
Portfolio impairments	(6 653)	(8 289)	(7 150)
Defaults net of impairments	(6 217)	(6 390)	(1 693)
Aggregate collateral and other credit enhancements on defaults	1 136	3 964	10 243
Net default loans and advances to customers (limited to zero)	–	–	–
Ratios:			
Total impairments as a % of gross core loans and advances to customers	0.71%	0.93%	0.99%
Total impairments as a % of gross default loans	> 100%	> 100%	> 100%
Gross defaults as a % of gross core loans and advances to customers	0.05%	0.22%	0.77%
Defaults (net of impairments) as a % of net core loans and advances to customers	(0.67%)	(0.72%)	(0.22%)
Net defaults as a % of gross core loans and advances to customers	–	–	–
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	(0.26%)	0.44%	0.05%

An age analysis of past due and default core loans and advances to customers

At 31 March US$'000	2015	2014	2013
Watchlist loans neither past due nor impaired	1 142	–	–
1 – 60 days	2 661	20 986	12 378
61 – 90 days	–	3 575	414
91 – 180 days	–	982	1 700
181 – 365 days	436	78	293
> 365 days	–	–	276
Past due and default core loans and advances to customers (actual capital exposure)	4 239	25 621	15 061
Watchlist loans neither past due nor impaired	–	–	–
1 – 60 days	82	1 351	934
61 – 90 days	–	146	22
91 – 180 days	–	71	1 123
181 – 365 days	94	41	51
> 365 days	–	–	150
Past due and default loans and advances to customers (actual amount in arrears)	176	1 609	2 280

A further age analysis of past due and default core loans and advances to customers

US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
At 31 March 2015							
Watchlist loans neither past due nor impaired							
Total capital exposure	1 142	–	–	–	–	–	1 142
Amount in arrears	–	–	–	–	–	–	–
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	2 661	–	–	436	–	3 097
Amount in arrears	–	82	–	–	94	–	176
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	–	–	–	–	–	–
Amount in arrears	–	–	–	–	–	–	–
At 31 March 2014							
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	20 986	3 575	982	–	–	25 543
Amount in arrears	–	1 351	146	71	–	–	1 568
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	–	–	–	78	–	78
Amount in arrears	–	–	–	–	41	–	41
At 31 March 2013							
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	12 378	414	1 124	293	–	14 209
Amount in arrears	–	934	22	1 095	51	–	2 102
Gross core loans and advances to customers that are impaired							
Total capital exposure	3 385	–	–	576	–	276	4 237
Amount in arrears	–	–	–	28	–	150	178

Of the total aggregate amount of gross past due but not impaired loans and advances to customers, the fair value of collateral that the bank held against the loans at 31 March 2015 was US$10.8 million (2014: US$66.3 million and 2013: US$49.2 million).

An age analysis of past due and default core loans and advances to customers at 31 March 2015 (based on total capital exposure)

US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	2 661	–	–	–	–	2 661
Special mention	1 142	–	–	–	–	–	1 142
Special mention (1 – 60 days)	1 142	–	–	–	–	–	1 142
Special mention (61 – 90 days and item well secured)	–	–		–	–	–	–
Default	–	–	–	–	436	–	436
Sub-standard	–	–	–	–	436	–	436
Doubtful	–	–	–	–	–	–	–
Total	1 142	2 661	–	–	436	–	4 239

An age analysis of past due and default core loans and advances to customers at 31 March 2015 (based on actual amount in arrears)

US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	82	–	–	–	–	82
Special mention	–	–	–	–	–	–	–
Special mention (1 – 60 days)	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–		–	–	–	–
Default	–	–	–	–	94	–	94
Sub-standard	–	–	–	–	94	–	94
Doubtful	–	–	–	–	–	–	–
Total	–	82	–	–	94	–	176

An age analysis of past due and default core loans and advances to customers at 31 March 2014 (based on total capital exposure)

US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	20 986	–	–	–	–	20 986
Special mention	–	–	2 658	–	–	–	2 658
Special mention (1 – 60 days)	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–	2 658	–	–	–	2 658
Default	–	–	917	982	78	–	1 977
Sub-standard	–	–	917	982	–	–	1 899
Doubtful	–	–	–	–	78	–	78
Total	–	20 986	3 575	982	78	–	25 621

An age analysis of past due and default core loans and advances to customers at 31 March 2014 (based on actual amount in arrears)

US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	1 351	–	–	–	–	1 351
Special mention	–	–	115	–	–	–	115
Special mention (1 – 60 days)	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–	115	–	–	–	115
Default	–	–	31	71	41	–	143
Sub-standard	–	–	31	71	–	–	102
Doubtful	–	–	–	–	41	–	41
Total	–	1 351	146	71	41	–	1 609

An age analysis of past due and default core loans and advances to customers at 31 March 2013 (based on total capital exposure)

US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	12 327	–	–	–	–	12 327
Special mention	–	–	111	–	–	–	111
Special mention (1 – 60 days)	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–	111	–	–	–	111
Default	3 385	51	303	1 700	293	276	6 008
Sub-standard	–	51	303	1 124	293	–	1 771
Doubtful	3 385	–	–	576	–	276	4 237
Total	3 385	12 378	414	1 700	293	276	18 446

An age analysis of past due and default core loans and advances to customers at 31 March 2013 (based on actual amount in arrears)

US$'000	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	924	–	–	–	–	924
Special mention	–	6	–	–	–	6
Special mention (1 – 60 days)	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	6	–	–	–	6
Default	10	16	1 123	51	150	1 350
Sub-standard	10	16	1 095	51	–	1 172
Doubtful	–	–	28	–	150	178
Total	934	22	1 123	51	150	2 280

An analysis of core loans and advances to customers

US$'000	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
At 31 March 2015								
Current core loans and advances	928 327	–	–	928 327	–	(6 623)	921 704	–
Past due (1 – 60 days)	–	2 661	–	2 661	–	(19)	2 642	82
Special mention	1 142	–	–	1 142	–	(8)	1 134	–
Special mention (1 – 60 days)	1 142	–	–	1 142	–	(8)	1 134	–
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–	–
Default	–	436	–	436	–	(3)	433	94
Sub-standard	–	436	–	436	–	(3)	433	94
Doubtful	–	–	–	–	–	–	–	
Total	929 469	3 097	–	932 566	–	(6 653)	925 913	176
At 31 March 2014								
Current core loans and advances	873 448	–	–	873 448	–	(8 115)	865 333	–
Past due (1 – 60 days)	–	20 986	–	20 986	–	(135)	20 851	1 351
Special mention	–	2 658	–	2 658	–	(23)	2 635	115
Special mention (1 – 60 days)	–	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	2 658	–	2 658	–	(23)	2 635	115
Default	–	1 899	78	1 977	(78)	(16)	1 883	143
Sub-standard	–	1 899	–	1 899	–	(16)	1 883	102
Doubtful	–	–	78	78	(78)	–	–	41
Total	873 448	25 543	78	899 069	(78)	(8 289)	890 702	1 609
At 31 March 2013								
Current core loans and advances	761 500	–	–	761 500	–	(7 083)	754 417	–
Past due (1 – 60 days)	–	12 327	–	12 327	–	(44)	12 283	924
Special mention	–	111	–	111	–	(1)	110	6
Special mention (1 – 60 days)	–	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	111	–	111	–	(1)	110	6
Default	–	1 771	4 237	6 008	(551)	(22)	5 435	1 350
Sub-standard	–	1 771	–	1 771	–	(15)	1 756	1 172
Doubtful	–	–	4 237	4 237	(551)	(7)	3 679	178
Total	761 500	14 209	4 237	779 946	(551)	(7 150)	772 245	2 280

An analysis of core loans and advances to customers and impairments by counterparty type

US$'000	Current core loans and advances	Past due (1 – 60 days)	Special mention (61 – 90 days and item well secured)
At 31 March 2015			
Professional	–	–	–
Agriculture	1 993	–	–
Construction	319 585	245	–
Personal	27 566	1 412	–
Global business licence holders	183 777	631	–
Financial and business services	95 081	373	
Traders	–	–	–
Manufacturing	32 235	–	–
Transport	148 882	–	–
Tourism	22 138	–	1 142*
Infrastructure	53 331	–	–
Information, communication and technology	23 685	–	–
Media, entertainment and recreational	707	–	–
Other entities	19 347	–	–
Total gross core loans and advances to customers	928 327	2 661	1 142
At 31 March 2014			
Professional	31 810	1 319	943
Agriculture	–	–	–
Construction	328 742	1 038	343
Personal	114	–	–
Global business licence holders	126 542	10 596	–
Financial and business services	64 944	–	440
Traders	19 817	–	–
Manufacturing	60 891	–	–
Transport	68 870	8 033	–
Tourism	27 632	–	932
Infrastructure	88 730	–	–
Information, communication and technology	33 242	–	–
Media, entertainment and recreational	1 775	–	–
Other entities	20 339	–	–
Total gross core loans and advances to customers	873 448	20 986	2 658
At 31 March 2013			
Professional	31 443	642	111
Agriculture	–	–	–
Construction	358 114	997	–
Personal	189	–	–
Global business licence holders	19 983	3 878	–
Financial and business services	98 816	500	–
Traders	52 118	–	–
Manufacturing	83 099	–	–
Transport	51 018	6 310	–
Tourism	29 972	–	–
Infrastructure	4 122	–	–
Information, communication and technology	17 569	–	–
Media, entertainment and recreational	6 728	–	–
Other entities	8 329	–	–
Total gross core loans and advances to customers	761 500	12 327	111

* *The exposure is current.*

	Sub-standard	Doubtful	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
	–	–	–	–	–	–
	–	–	1 993	(14)	–	(14)
	–	–	319 830	(2 282)	–	(2 282)
	436	–	29 414	(210)	–	(210)
	–	–	184 408	(1 316)	–	(1 316)
	–	–	95 454	(681)	–	(681)
	–	–	–	–	–	–
	–	–	32 235	(230)	–	(230)
	–	–	148 882	(1 062)	–	(1 062)
	–	–	23 280	(166)	–	(166)
	–	–	53 331	(380)	–	(380)
	–	–	23 685	(169)	–	(169)
	–	–	707	(5)	–	(5)
	–	–	19 347	(138)	–	(138)
	436	–	932 566	(6 653)	–	(6 653)
	107	78	34 257	(316)	(78)	(394)
	–	–	–	–	–	–
	1 792	–	331 915	(3 060)	–	(3 060)
	–	–	114	(1)	–	(1)
	–	–	137 138	(1 264)	–	(1 264)
	–	–	65 384	(603)	–	(603)
	–	–	19 817	(184)	–	(184)
	–	–	60 891	(561)	–	(561)
	–	–	76 903	(709)	–	(709)
	–	–	28 564	(263)	–	(263)
	–	–	88 730	(818)	–	(818)
	–	–	33 242	(306)	–	(306)
	–	–	1 775	(16)	–	(16)
	–	–	20 339	(188)	–	(188)
	1 899	78	899 069	(8 289)	(78)	(8 367)
	292	852	33 340	(306)	(203)	(509)
	–	–	–	–	–	–
	1 479	–	360 590	(3 306)	–	(3 306)
	–	–	189	(2)	–	(2)
	–	–	23 861	(219)	–	(219)
	–	–	99 316	(910)	–	(910)
	–	–	52 118	(478)	–	(478)
	–	–	83 099	(761)	–	(761)
	–	–	57 328	(525)	–	(525)
	–	–	29 972	(275)	–	(275)
	–	3 385	7 507	(69)	(348)	(417)
	–	–	17 569	(161)	–	(161)
	–	–	6 728	(62)	–	(62)
	–	–	8 329	(76)	–	(76)
	1 771	4 237	779 946	(7 150)	(551)	(7 701)

Collateral

An analysis of core loans and advances to customers and impairments by counterparty type:

US$'000	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 31 March 2015			
Eligible financial collateral	12 178	1 822	14 000
Listed shares	–	–	–
Cash**	12 178	1 822	14 000
Property charge	726 764	23 747	750 511
Residential property	111 954	15 992	127 946
Commercial property developments	598 329	7 755	606 084
Commercial property investments	16 481	–	16 481
Other collateral	823 164	40 769	863 933
Unlisted shares	279 681	–	279 681
Charge other than property	305 629	–	305 629
Debtors, stock and other corporate assets	177 912	–	177 912
Guarantees	29 896	1 236	31 132
Other	30 046	39 533	69 579
Total collateral	1 562 106	66 338	1 628 444
At 31 March 2014			
Eligible financial collateral	26 209	151	26 360
Listed shares	–	–	–
Cash**	26 209	151	26 360
Property charge	751 250	7 464	758 714
Residential property	118 361	–	118 361
Commercial property developments	600 578	7 464	608 042
Commercial property investments	32 311	–	32 311
Other collateral	2 760 748	52 972	2 813 720
Unlisted shares	2 187 864	–	2 187 864
Charge other than property	225 009	–	225 009
Guarantees	79 921	–	79 921
Other	267 954	52 972	320 926
Total collateral	3 538 207	60 587	3 598 794

* *A large percentage of these exposures (e.g. bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.*

** *The bank has received cash collateral amounting to US$12.2 million (2014: US$26.2 million and 2013: US$27.6 million) with regard to loans and advances of US$129.4 million (2014: US$51.7 million and 2013: US$53.0 million). The bank has the right to invoke the cash collateral only in an event of default from the borrower and as a result was not offset against the loans and advances balance. The cash collateral is included in 'Due to customers'. The effect of offsetting the above financial instruments would have resulted in net balances for loans and advances of US$117.2 million (2014: US$25.5 million and 2013: US$25.4 million).*

Collateral (continued)

US$'000	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 31 March 2013			
Eligible financial collateral	63 737	1 965	65 702
Listed shares	36 109	–	36 109
Cash**	27 628	1 965	29 593
Property charge	816 683	2 613	819 296
Residential property	153 196	–	153 196
Commercial property developments	607 893	2 613	610 506
Commercial property investments	55 594	–	55 594
Other collateral	1 784 579	32 963	1 817 542
Unlisted shares	1 374 204	–	1 374 204
Charge other than property	188 808	–	188 808
Guarantees	23 148	4 895	28 043
Other	198 419	28 068	226 487
Total collateral	2 664 999	37 541	2 702 540

* *A large percentage of these exposures (e.g. bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.*

** *The bank has received cash collateral amounting to US$12.2 million (2014: US$26.2 million and 2013: US$27.6 million) with regard to loans and advances of US$129.4 million (2014: US$51.7 million and 2013: US$53.0 million). The bank has the right to invoke the cash collateral only in an event of default from the borrower and as a result was not offset against the loans and advances balance. The cash collateral is included in 'Due to customers'. The effect of offsetting the above financial instruments would have resulted in net balances for loans and advances of US$117.2 million (2014: US$25.5 million and 2013: US$25.4 million).*

Equity and investment risk in the banking book

The bank is exposed to equity and investment risk which may arise from the various investments it has made in listed and unlisted companies.

The credit committee reviews all new investment proposals and makes its recommendations known to the investment committee, being a board sub-committee. The investment committee reviews all new investment proposals and makes its determinations known to the group investment committee which will sanction the investments. The investment committee is empowered to sell securities as and when deemed appropriate.

The bank's investment committee manages the investment portfolio. The committee reviews the performance of the investment portfolio at least once a month and reports its findings to the board every quarter.

The table below provides an analysis of gains/(losses) recorded with respect to these investments.

Unrealised revaluation gains are included in tier 1 capital.

For the year to 31 March US$'000	Gains/(losses): Unrealised	Gains/(losses): Realised	Total
2015			
Unlisted investments	4 006	–	4 006
Listed equities	(32)	–	(32)
Equity derivatives	502	19 993	20 495
Total	4 476	19 993	24 469
2014			
Unlisted investments	3 619	(662)	2 957
Listed equities	39	–	39
Equity derivatives	4 329	–	4 329
Total	7 987	(662)	7 325

For the year to 31 March US$'000	Gains/(losses) Unrealised	Realised	Total
2013			
Unlisted investments	(3 189)	–	(3 189)
Listed equities	(202)	–	(202)
Equity derivatives	3 303	–	3 303
Total	(88)	–	(88)

Summary of investments held and stress testing analysis

The balance sheet value of investments is indicated in the table below.

At 31 March US$'000	On-balance sheet value of investments 2015	Valuation change stress test* 2015	On-balance sheet value of investments 2014	Valuation change stress test* 2014	On-balance sheet value of investments 2013	Valuation change stress test* 2013
Unlisted investments	20 553	3 083	21 469	3 220	19 128	2 869
Listed equities	33	8	213	53	174	43
Equity derivatives	17 160	6 006	32 482	11 369	28 318	9 911
Total	37 746	9 097	54 164	14 642	47 620	12 823

* *In order to assess the bank's earnings sensitivity to a movement in the valuation of these investments, the following stress testing parameters are applied:*

Stress test values applied	
Unlisted	15%
Listed	25%
Equity derivatives	35%

Stress testing summary

The severe stress scenario, at 31 March 2015, indicates that the bank could have a US$9.1 million reversal in revenue. This would not cause the bank to report a loss, but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which the bank operates being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is high.

Capital requirements

In terms of Basel III capital requirements, unlisted and listed equities within the banking book are represented under the category of 'equity risk', and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk.

Balance sheet risk management

Balance sheet risk description

Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios comprising market liquidity, funding, concentration and non-trading interest rate and foreign exchange risks on balance sheet, encumbrance and leverage.

Balance sheet risk mitigation

The Central Treasury function centrally directs the raising of wholesale liabilities, establishes and maintains access to stable funds with appropriate tenor and pricing characteristics, and manages liquid securities and collateral, providing for a controlled and flexible response to volatile market conditions. The Central Treasury function is the sole interface with the wholesale market for both cash and derivative transactions, and actively manages the liquidity mismatch and non-trading interest rate risk arising from the bank's asset and liability portfolios.

The treasurer is required to exercise tight control over funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the board-approved risk appetite policy.

Balance sheet risk management combines traditional gap analysis and quantitative models, including stress tests. This is designed to measure the range of possible future liquidity needs and potential distribution of net interest income and economic value under various scenarios covering a spectrum of events in which the bank could find itself and prepare accordingly. The modelling process is supported by ongoing technical and economic analyses. The result is formally reported to management and the board on a regular basis. The entire process is underpinned by a system of extensive internal and external controls.

The bank complies with the Basel Committee on Banking Supervision's Principles for Sound Liquidity Risk Management and Supervision.

Non-trading interest rate risk description

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, is the impact on net interest earnings and sensitivity to economic value, as a result of unexpected adverse movements in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers.

Sources of interest rate risk include:

- Repricing risk: arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive portfolios
- Yield curve risk: repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- Basis risk: arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- Embedded option risk: the bank is not materially exposed to embedded option risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while prepayment optionality is restricted to variable rate contracts and has no impact on interest rate risk.
- Endowment risk: refers to the interest rate exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest income and the economic value of equity.

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities and arises from the provision of retail and wholesale (non-trading) banking products and services. We are exposed to repricing risk due to timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and derivative positions. Additionally, we are exposed to yield curve and basis risk due to the difference in repricing characteristics of two floating-rate indices. We are not materially exposed to optionality risk as contract breakage penalties on fixed-rate advances specifically cover this risk.

Non-trading interest rate risk is measured and managed both from a net interest margin perspective over a specified time horizon, and the sensitivity of economic value of equity to hypothetical changes to market factors on the current values of financial assets and liabilities.

Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The aim is to protect and enhance net interest income and economic value in accordance with the board-approved risk appetite. The standard tools that are used to measure the sensitivity of earnings to changes in interest rates are the repricing gap which provides a basic representation of the balance sheet structure and allows for the detection of interest rate risk by concentration of repricing; net interest income sensitivity which measures the change in accruals expected over the specified horizon in response to a shift in the yield curve; and economic value sensitivity and stress-testing to macroeconomic movement or changes which measure the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities.

Technical interest rate analysis and economic review of fundamental developments are used to estimate a set of forward-looking interest rate scenarios incorporating movements in the yield curve level and shape by geography, taking global trends into account.

This combination of measures provides senior management (and ALCO) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value. This is consistent with the standardised interest rate measurement recommended by the Basel III framework for assessing banking book (non-trading) interest rate risk.

Management monitors closely net interest margins by entering into a number of interest rate swaps to protect it against changes in interest rates.

The bank complies with the Basel Committee on Banking Supervision's Principles for Sound Liquidity Risk Management and Supervision

Interest rate sensitivity gap

The tables below show our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs, assuming no management intervention. The bank's assets and liabilities are included at carrying amount and are categorised by earlier of contractual repricing or maturity date.

At 31 March 2015 US$'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	280	–	–	–	–	–	280
Investment/trading assets	13	1	1	165	3	56	239
Advances	786	15	23	55	46	–	925
Other assets	–	–	–	–	–	4	4
Assets	1 079	16	24	220	49	60	1 448
Deposits – banks	–	–	–	–	–	–	–
Deposits – non-banks	(716)	(23)	(5)	(33)	–	–	(777)
Securities sold under repurchase agreement	(110)	–	–	–	–	–	(110)
Other liabilities	–	–	–	–	–	(14)	(14)
Liabilities	(826)	(23)	(5)	(33)	–	(14)	(901)
Intercompany loans	(25)	(1)	–	(147)	–	–	(173)
Shareholders' funds	–	–	–	–	–	(385)	(385)
Balance sheet	228	(8)	19	40	49	(339)	(11)
Off-balance sheet	144	(3)	1	(120)	(11)	–	11
Repricing gap	372	(11)	20	(80)	38	(339)	–
Cumulative repricing gap	372	361	381	301	339	–	

At 31 March 2014 US$'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	301	–	–	–	–	–	301
Investment/trading assets	21	1	1	80	101	77	281
Advances	678	18	73	39	83	–	891
Other assets	–	–	–	–	–	6	6
Assets	1 000	19	74	119	184	83	1 479
Deposits – banks	–	–	–	–	–	–	–
Deposits – non-banks	(702)	(33)	(88)	(9)	–	–	(832)
Securities sold under repurchase agreement	(121)	–	–	–	–	–	(121)
Other liabilities	(26)	–	–	–	–	(8)	(34)
Liabilities	(849)	(33)	(88)	(9)	–	(8)	(987)
Intercompany loans	26	–	–	(63)	(96)	–	(133)
Shareholders' funds	–	–	–	–	–	(349)	(349)
Balance sheet	177	(14)	(14)	47	88	(274)	10
Off-balance sheet	92	14	19	(113)	(22)	–	(10)
Repricing gap	269	–	5	(66)	66	(274)	–
Cumulative repricing gap	269	269	274	208	274	–	

At 31 March 2013 US$'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	346	–	–	–	–	–	346
Investment/trading assets	42	–	–	–	112	69	223
Advances	714	25	7	26	–	–	772
Other assets	–	–	–	–	–	6	6
Assets	**1 102**	**25**	**7**	**26**	**112**	**75**	**1 347**
Deposits – banks	(4)	–	–	–	–	–	(4)
Deposits – non-banks	(564)	(15)	(45)	(43)	–	–	(667)
Securities sold under repurchase agreement	(119)	–	–	–	–	–	(119)
Other liabilities	–	–	–	–	–	(8)	(8)
Liabilities	**(687)**	**(15)**	**(45)**	**(43)**	**–**	**(8)**	**(798)**
Intercompany loans	(134)	–	(2)	(18)	(91)	–	(245)
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**(304)**	**(304)**
Balance sheet	**281**	**10**	**(40)**	**(35)**	**21**	**(237)**	**–**
Off-balance sheet	(21)	(1)	17	5	–	–	–
Repricing gap	**260**	**9**	**(23)**	**(30)**	**21**	**(237)**	**–**
Cumulative repricing gap	260	269	246	216	237	–	

The positive interest rate mismatch shown is largely attributable to the allocation of shareholders' funds to non-rate.

Economic value sensitivity

As discussed above, our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the value of the interest rate sensitive portfolios should such a hypothetical scenario arise. The sensitivity effect does not have a significant direct impact on our equity.

At 31 March	Sensitivity to the following interest rates (expressed in original currencies)					
'million	ZAR	GBP	USD	EUR	AUD	All (USD)
2015						
200bps down	0.24	3.26	1.48	0.41	(0.02)	6.76
200bps up	(0.13)	(2.83)	(1.46)	(0.38)	0.01	(6.07)
2014						
200bps down	0.83	4.18	4.09	0.27	0.43	11.89
200bps up	(0.72)	(3.57)	(3.51)	(0.24)	(0.42)	(10.26)
2013						
200bps down	(0.39)	0.34	2.86	0.31	(0.04)	3.70
200bps up	0.50	(0.33)	(2.68)	(0.26)	0.04	(3.41)

Liquidity risk

Liquidity risk description

Liquidity risk is the risk that, despite being solvent, we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

Liquidity risk is further broken down into:

- Funding liquidity: which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements in the normal course of business, without adversely affecting its financial position or its reputation
- Market liquidity: which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Sources of liquidity risk include:

- Unforeseen withdrawals of deposits
- Restricted access to new funding with appropriate maturity and interest rate characteristics
- Inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss
- Unpredicted customer non-payment of loan obligations
- Sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

Management and measurement of liquidity risk

Maturity transformation performed by banks is a crucial part of financial intermediation that contributes to efficient resource allocation and credit creation.

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost effective sources of funding. Inadequate liquidity can bring untimely demise of any financial institution. As such, the bank considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in our day-to-day practices.

The bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the bank maintains a statutory deposit with the Bank of Mauritius equal to 9.0% of Mauritian Rupee customer deposits and 6.0% Segment A foreign currency deposits. 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 bank. Liquidity risk is calculated by the contractual maturity cash flow mismatch between assets and liabilities.

The bank's liquidity management processes are based on the following elements:

- Preparation of cash flow projections (assets and liabilities) and funding requirements corresponding to the forecasted cash flow mismatch, which are translated into short-term and long-term funding strategies
- Maintaining an appropriate mix of term funding
- Management of concentration risk, being undue reliance on any single counterparty or counterparty group, sector, market, product, instrument, currency and tenor
- Daily monitoring and reporting of cash flow measurement and projections for the key periods for liquidity management, against the risk limits set
- Performing assumption-based scenario analysis to assess potential cash flows at risk
- Maintenance of liquidity contingency plans and the identification of alternative sources of funds in the market. This is to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse business and economic scenarios, while minimising detrimental long-term implications for the business.

Liquidity mismatch

The tables that follow show the bank's liquidity mismatch.

With respect to the contractual liquidity mismatch:

- No assumptions are made and we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered cash and near cash as a buffer against both expected and unexpected cash flows.

With respect to the behavioural liquidity mismatch:

- The new funding we would require under normal business circumstances is shown in the 'behavioural mismatch'. To this end, behavioural profiling is applied to liabilities with an indeterminable maturity as the contractual repayments of many customer accounts are on demand or at short notice, but expected cash flows vary significantly from contractual maturity
- An internal analysis model is used, based on statistical research of the historical series of products which models the point of probable maturity. In addition, re-investment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

Contractual liquidity

At 31 March 2015 US$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	170	32	78	–	–	–	–	280
Investment/trading assets	–	–	2	2	2	189	44	239
Advances	6	85	87	59	100	486	102	925
Other assets	–	–	–	–	–	–	4	4
Assets	176	117	167	61	102	675	150	1 448
Deposits – banks	–	–	–	–	–	–	–	–
Deposits – non-banks	(630)	(48)	(38)	(23)	(5)	(33)	–	(777)
Securities sold under repurchase agreement	–	–	–	–	–	(110)	–	(110)
Other liabilities	(10)	–	(3)	–	(1)	–	–	(14)
Liabilities	(640)	(48)	(41)	(23)	(6)	(143)	–	(901)
Intercompany loans	6	112	(1)	(36)	(6)	–	(248)	(173)
Shareholders' funds	–	–	–	–	–	–	(385)	(385)
Balance sheet	(458)	181	125	2	90	532	(483)	(11)
Off-balance sheet	–	6	–	–	–	5	–	11
Contractual liquidity gap	(458)	187	125	2	90	537	(483)	–
Cumulative liquidity gap	(458)	(271)	(146)	(144)	(54)	483	–	

At 31 March 2014 US$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	173	48	80	–	–	–	–	301
Investment/trading assets	–	–	–	17	1	102	161	281
Advances	5	14	85	27	127	518	115	891
Other assets	–	–	–	–	–	–	6	6
Assets	178	62	165	44	128	620	282	1 479
Deposits – banks	–	–	–	–	–	–	–	–
Deposits – non-banks	(614)	(62)	(27)	(35)	(85)	(9)	–	(832)
Securities sold under repurchase agreement	–	–	–	–	–	(18)	(103)	(121)
Other liabilities	(28)	–	(5)	–	–	(1)	–	(34)
Liabilities	(642)	(62)	(32)	(35)	(85)	(28)	(103)	(987)
Intercompany loans	6	128	40	–	(6)	(35)	(266)	(133)
Shareholders' funds	–	–	–	–	–	–	(349)	(349)
Balance sheet	(458)	128	173	9	37	557	(436)	10
Off-balance sheet	–	(6)	–	–	1	(4)	(1)	(10)
Contractual liquidity gap	(458)	122	173	9	38	553	(437)	–
Cumulative liquidity gap	(458)	(336)	(163)	(154)	(116)	437	–	

At 31 March 2013 US$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	211	55	55	–	25	–	–	346
Investment/trading assets	–	–	–	–	–	3	220	223
Advances	5	7	68	15	91	546	40	772
Other assets	–	–	–	6	–	–	–	6
Assets	216	62	123	21	116	549	260	1 347
Deposits – banks	–	(4)	–	–	–	–	–	(4)
Deposits – non-banks	(356)	(75)	(132)	(15)	(43)	(46)	–	(667)
Securities sold under repurchase agreement	–	–	–	–	–	–	(119)	(119)
Other liabilities	–	–	(5)	(3)	–	–	–	(8)
Liabilities	(356)	(79)	(137)	(18)	(43)	(46)	(119)	(798)
Intercompany loans	8	–	(1)	–	–	(53)	(199)	(245)
Shareholders' funds	–	–	–	–	–	–	(304)	(304)
Balance sheet	(132)	(17)	(15)	3	73	450	(362)	–
Off-balance sheet	–	–	–	–	–	–	–	–
Contractual liquidity gap	(132)	(17)	(15)	3	73	450	(362)	–
Cumulative liquidity gap	(132)	(149)	(164)	(161)	(88)	362	–	

Behavioural liquidity (as discussed on page 38)

At 31 March US$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
2015								
Behavioural liquidity gap	75	235	163	25	100	472	(1 070)	–
Cumulative	75	310	473	498	598	1 070	–	
2014								
Behavioural liquidity gap	35	160	149	94	127	287	(852)	–
Cumulative	35	195	344	438	565	852	–	
2013								
Behavioural liquidity gap	162	27	89	(46)	109	310	(651)	–
Cumulative	162	189	278	232	341	651	–	

Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency other than the functional currency. Foreign currency risk does not arise from financial instruments that are non-monetary or from financial instruments denominated in the functional currency.

The bank computes its net open foreign exchange position in accordance with the Bank of Mauritius Guideline for Calculation and Reporting of Foreign Exchange Exposures by taking the higher of the absolute values of all net short and net long positions. The bank monitors the net open position on a daily basis.

At 31 March US$'000	EUR	GBP	MUR	Other currencies	Aggregate net open foreign exchange position
Open position					
2015					
Long/(short) position	60	(449)	(135)	989	1 049
2014					
Long/(short) position	(1 360)	1 059	(819)	7 577	8 636
2013					
Long/(short) position	(38)	1 764	281	3 390	5 435

Operational risk management

Operational risk definition

Operational risk is the risk of loss arising from inadequate or failed internal processes, people or systems, or external events. Operational risk has both financial and non-financial impacts.

We recognise that there is significant operational risk inherent in the operations of a bank. Our objective is therefore to manage and mitigate risk exposures and events by adopting sound operational risk management practices.

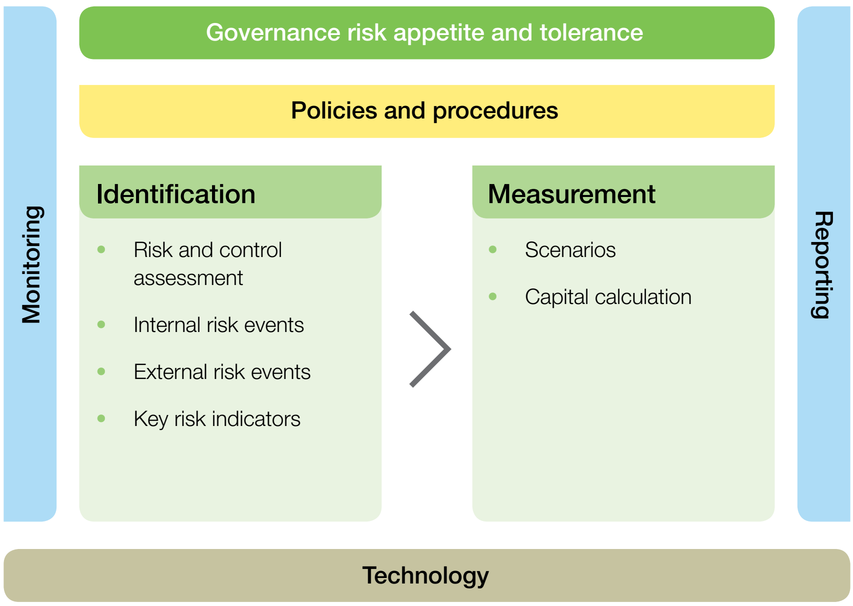
Operational risk management framework

The bank continues to operate under the standardised approach (TSA) to operational risk which forms the basis of the operational risk management framework. The framework is embedded at all levels of the organisation and is continually reviewed to ensure appropriate and effective management of operational risk.

During the year under review, enhancement of all the components of the operational risk management framework remained an area of focus.

The process of advancing practices and understanding regulatory requirements is supported by regular interaction with the regulator and with industry counterparts at formal industry forums.

The diagram below depicts how the components of operational risk are integrated.



Governance

The governance structure adopted to manage operational risk, within the bank, is enforced in terms of a level of defence model and supports the principle of combined assurance in the following manner:

Board and board committees

- Review and approval of the overall risk management strategy, including determination of the risk appetite and tolerance for the bank
- Monitor and review the operational risk exposures and metrics.

External assurance and supervision

- External assessment of operational risk environment
- Onsite reviews by the Bank of Mauritius.

Internal assurance

- Independent review of framework and its effectiveness
- Audit findings integrated into operational risk management process.

Group operational risk management

- Challenge and review business unit operational risk practices and data
- Maintain operational risk framework and policy
- Report to board and board committees on operational risk exposures, events and emerging issues.

Business unit management

- Identify, own and mitigate operational risk
- Establish and maintain an appropriate operational risk and control environment
- Maintain an embedded operational risk management capability.

Assurance

Reliance

The board has established and mandated an independent operational risk management function to manage operational risk within the bank. Policies and procedures, which the bank has adopted and implemented, are developed at a group level to ensure that operational risk is managed in an appropriate and consistent manner. The bank's embedded risk manager (ERM) manages operational risk through review, challenge and escalation of issues. Significant risk exposures and events are subject to action and escalation by the ERM in terms of the operational risk appetite policy. This policy sets out the operational risk exposure that the bank is willing to accept or retain.

The bank's management implements and embeds policies and procedures to manage operational risk and ensures alignment with the group's risk appetite.

Operational risk practices

The following practices are key to the management of operational risk as described below:

Practice	Activity
Risk and control assessment	• Qualitative assessments that identify key operational risks and controls • Identifies ineffective controls and improves decision-making through an understanding of the operational risk profile.
Internal risk events	• Incidents resulting from failed systems, processes, people or external events • A causal analysis is performed • Enables business to identify trends in risk events and address control weaknesses.
External risk events	• Access to data from an external data consortium • Events are analysed to inform potential control failures within the bank • The output of this analysis is used as input into the operational risk assessment process.
Key risk indicators	• Metrics are used to monitor risk exposures against identified thresholds • Assists in predictive capability.
Scenarios and capital calculation	• Extreme yet plausible scenarios are evaluated for financial and non-financial impacts • Used to measure exposure arising from key risks, which is considered in determining internal operational risk capital requirements.
Reporting and monitoring	• A reporting process is in place to ensure that risk exposures are identified and that key risks are appropriately escalated and managed • Monitoring compliance with operational risk policies and practices ensure the framework is embedded in day-to-day business activities.
Technology	• An operational risk system is in place to support operational risk practices and processes.

Operational risk year under review

Enhancement of the risk and control environment has remained a key focus for the year under review. In addition, the bank recognises the need to enhance practices relating to other components of the operational risk management framework. The enhancement of practices are currently being driven through identified project work streams at group level which, over the next few years, aim to deliver more effective management of operational risk aligned to industry best practice and regulatory requirements.

Key operational risk considerations

The following risks, which may result in a reduction of earnings and/or loss of value should they materialise, are a key focus of the group and the bank.

Financial crime

Financial crime is the risk of loss due to, but not limited to, fraud, terrorist financing, forgery, theft and corruption. It also includes the execution of trades which have not been appropriately authorised. It is identified, assessed, monitored and measured to ensure that the risk of loss is understood, managed and mitigated.

Financial crime is mitigated as follows:

- Ensuring that appropriate action is taken in respect of fraudulent activities
- Identifying criminal acts against the group and the bank and investigating and recovering losses
- Engaging with external specialists and industry forums
- Ensuring that effective identity security procedures are in place.

Senior management is responsible for implementing appropriate financial crime risk mitigation and control practices. Group Forensic Risk Management provides and maintains the framework, policies, practices and monitoring to promote sound risk management practices and provide investigative support.

Regulatory and compliance risk

Regulatory and compliance risk relates to the failure to comply with applicable laws, regulation or codes.

It has become increasingly significant due to the extent and complexity of laws and regulations with which the bank needs to comply. Group Compliance and Group Legal, in collaboration with the bank's legal and compliance officer, assist in the management of this risk through the identification and adherence to legal and regulatory requirements to which the bank is or will become subject.

Information security risk

Information security continues to remain a key area of focus. The bank ensures that information security risk is appropriately mitigated within a rapidly changing technology and threat landscape. The ERM, together with the bank's embedded information security officer, focuses on ensuring the confidentiality, integrity and availability of information.

Process management risk

This risk of loss arises due to failed process management. Losses in this area are continually mitigated through careful consideration of control effectiveness.

Insurance

The bank maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the bank's chief operating officer in consultation with the group insurance manager. Regular interaction between the bank, group operational risk management and group insurance risk management ensures that there is an exchange of information in order to enhance the mitigation of operational risks.

Reputational risk

Reputational risk is damage to our reputation, name or brand. Reputational risk arises as a result of other risks manifesting and not being mitigated.

The bank has various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles.

The board of directors and management are aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The bank's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not give rise to the rights and remedies anticipated when entering the transaction.

The legal team seeks to ensure that any agreement which the bank enters into provides the bank with appropriate rights and remedies. The bank has three qualified lawyers in permanent employment and also engages external legal counsel.

Capital management and allocation

Philosophy and approach

Over recent years, capital adequacy standards for banks globally have been raised as part of attempts to increase stability and resilience of the global banking sector. The bank has always held capital in excess of regulatory requirements and it intends to perpetuate this philosophy to ensure that it continues to remain well capitalised. Accordingly, the bank targets a minimum capital adequacy ratio of 14%.

The bank reports information on its capital position to the Investec Limited capital committee which in turn reports to the Investec group DLC capital committee.

The bank's internal capital framework approved by the board is based on processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet.

The objectives of the internal capital framework are to quantify the minimum capital required to:

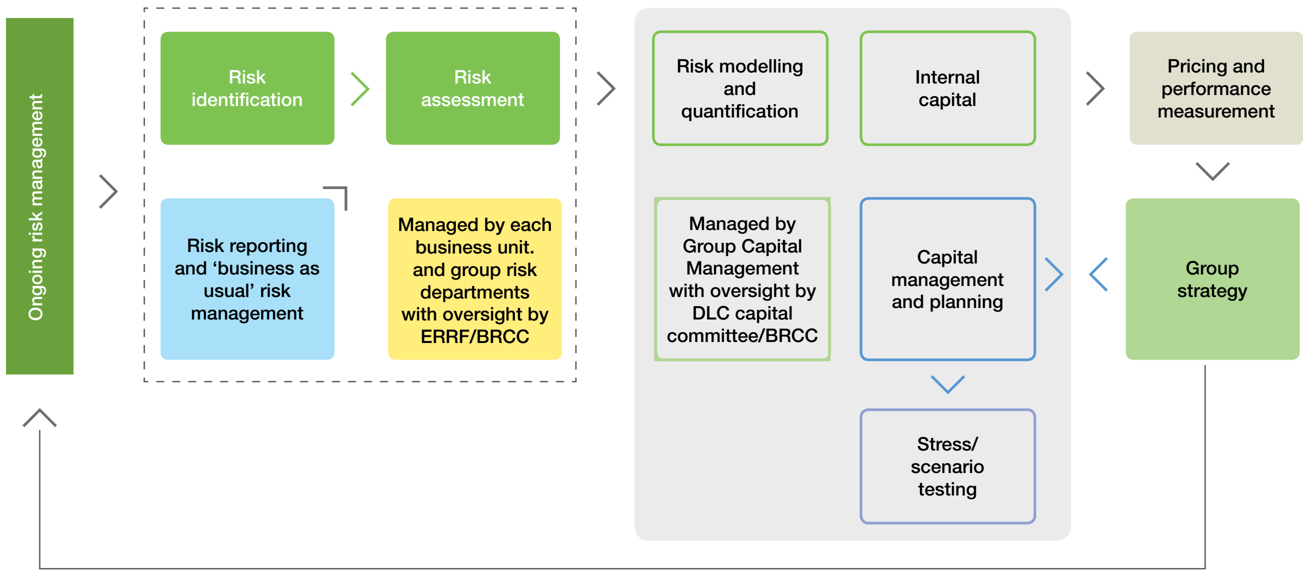
- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the bank
- Support a target level of financial strength aligned with long-term external rating of at least A
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the bank is able to retain its going concern basis under relatively severe operating conditions
- Maintain sufficient capital to meet regulatory requirements across each regulated entity
- Support our growth strategy

- Allow the exploration of acquisition opportunities where such opportunities are consistent with our strategy and risk appetite
- Facilitate pricing that is commensurate with the risk being taken
- Allocate capital according to the best available expected marginal risk-based return, and track performance on this basis
- Reward performance taking into account the relative levels of risk adopted.

In order to achieve the above objectives, we adhere to the following approach to the integration of risk and capital management.

Risk assessment and identification

The (simplified) integration of risk and capital management



We review the business annually to map our universe of key risks, which are ultimately reviewed and agreed by the bank's board and the Investec group board risk and capital committee (BRCC) following an extensive process of engagement with the bank's senior management. Assessment of the materiality of risks is directly linked to the bank's stated risk appetite and risk management policies covering all key risks.

Risk reporting

As part of standard business practice, key identified risks are monitored by the bank together with Group Risk Management and by Internal Audit to ensure that risks are managed to an acceptable level of risk. Detailed performance and control metrics of these risks are reported to each executive risk review forum (ERRF) and BRCC meeting including, where appropriate, the results of scenario testing. Key risk types that are considered, fall within the following:

- Credit and counterparty risk
- Traded market risk
- Equity risk in the banking book
- Balance sheet liquidity and non-trading interest rate risk
- Legal risk (considered within operational risk for capital purposes)
- Operational, conduct and reputational risk.

Each of these risk categories may consist of a number of specific risks, each of which are analysed in detail and managed through the ERRF and BRCC.

Risk modelling and quantification (internal capital)

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite. Internal capital requirements are supported by the board-approved risk assessment process described above. Quantification of all risks is based on analysis of internal data, management expertise and judgement and external benchmarking.

The following risks are included within the internal capital framework and quantified for capital allocation purposes:

- Credit and counterparty risk, including:
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Equity and property risk held in the banking book
- Balance sheet risk, including:
  - Liquidity
  - Non-trading interest rate risk
- Strategic and reputational risks
- Business risk.

Operational risk is considered as an umbrella term and covers a range of independent risks including, but not limited to, risks relating to fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant assessment of the underlying business environment.

Capital management, planning and scenario testing

A capital plan is prepared and maintained under the guidance of the relevant group committees to facilitate discussion of the impact of business strategy and market conditions on our capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the board (via the BRCC) with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Capital planning is performed on the basis of both regulatory and internal capital,with regulatory capital being the key driver of decision-making. The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the DLC capital committee after consultation with relevant internal and external experts and research. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite.

The output of capital planning allows senior management to make decisions to ensure that the bank continues to hold sufficient capital to meet its targets against regulatory and internal capital targets. On certain occasions, especially under stressed scenarios, management may plan to undertake a number of actions. Assessment of the relative merits of undertaking various actions is then considered using an internal view of relative returns across portfolios which are themselves based on internal assessments of risk and capital.

Our capital plans are designed to allow senior management and the board to review:

- Changes to capital demand caused by implementation of agreed strategic objectives, including the creation or acquisition of new businesses, or as a result of the manifestation of one or more of the risks to which we are potentially susceptible
- The impact on profitability of current and future strategies
- Required changes to the capital structure
- The impact of alternate market or operating conditions on any of the above.

At a minimum level, the capital plan assesses the impact on our capital adequacy over expected case, upturn and downturn scenarios. On the basis of the results of this analysis the DLC capital committee, and the BRCC, are presented with the potential variability in capital adequacy and are responsible, in consultation with the board, for consideration of the appropriate response.

Pricing and performance measurement

The use of internal capital means that all transactions are considered in the context of the impact on the allocation of our capital resources, and hence on the basis of their contribution to return on risk-adjusted internal capital. This is to ensure that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. Using expectations of risk-based returns as the basis for pricing and deal acceptance ensures that risk management retains a key role in ensuring that the portfolio is appropriately managed for that risk.

In addition to pricing, returns on internal capital are monitored and relative performance is assessed on this basis. Assessment of performance in this way is a fundamental consideration used in setting strategy and risk appetite as well as rewarding performance.

The process is designed to ensure that risk and capital management form the basis for key decisions at both a group and a transactional level. Responsibility for oversight for each of these processes ultimately falls to the BRCC.

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite

Basel III

The Guideline on Scope of Application of Basel III and Eligible Capital was issued by the Bank of Mauritius during the year under review and was effective as from 1 July 2014. The guideline supersedes the Guideline on Eligible Capital issued in April 2008 and the Guideline on Scope of Application of Basel II issued in May 2008.

The guideline sets out the rules, text and timelines to implement some of the elements related to the strengthening of the capital framework. It formulates the characteristics that an instrument must have in order to qualify as regulatory capital, and the various adjustments that have to be made in determining the regulatory capital of a bank. In addition, it outlines the operation of the capital conservation buffer which is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. It also lays down the transitional arrangements for implementing certain elements of the Basel III capital framework, as well as the limits and minima of the different components of capital as per the table below.

	1 July 2014	1 January 2015	1 January 2016	1 January 2017	1 January 2018	1 January 2019	1 January 2020
Minimum common equity tier 1 CAR	5.5%	6.0%	6.5%	6.5%	6.5%	6.5%	6.5%
Capital Conservation Buffer				0.625%	1.25%	1.875%	2.5%
Minimum CAT 1 CAR plus Capital Conservation Buffer	5.5%	6.0%	6.5%	7.125%	7.75%	8.375%	9.0%
Phase-in of deductions from CAT 1*		50%	50%	60%	80%	100%	100%
Minimum tier 1 CAR	6.50%	7.50%	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum total CAR	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Minimum total CAR plus Capital Conservation Buffer	10.0%	10.0%	10.0%	10.625%	11.25%	11.875%	12.5%
Capital instruments that no longer qualify as tier 1 capital or tier 2 capital	Phased out over 10-year horizon beginning 1 July 2014						

* *Applicable to significant investments in the capital of banking, financial and insurance entities that are outside the scope of consolidation.*

Capital disclosures in terms of Basel III

The tables that follow provide information as required by the Guideline on Scope of Application of Basel III and Eligible Capital.

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided in the financial statements.

Capital structure

US$'000	31 March 2015	31 March 2014	31 March 2013
Common equity tier 1 capital: instruments and reserves			
Ordinary shares (paid-up) capital	56 478	56 478	56 478
Retained earnings	266 667	241 637	204 563
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surpluses on land and building assets)	55 291	47 604	40 320
Common equity tier 1 capital before regulatory adjustments	378 436	345 719	301 361
Common equity tier 1 capital: regulatory adjustments			
Deferred tax assets	310	293	262
50% of investment in capital of other banks and financial institutions	–	–	7
Total regulatory adjustments to common equity tier 1 capital	310	293	269
Common equity tier 1 capital (CET1)	378 126	345 426	301 092
Additional tier 1 capital before regulatory adjustments	–	–	–
Total regulatory adjustments to additional tier 1 capital	–	–	–
Additional tier 1 capital (AT1)	–	–	–
Tier 1 capital (T1 = CET1 + AT1)	378 126	345 426	301 092
Tier 2 capital: instruments and provisions			
Provisions or loan-loss reserves (subject to a maximum of 1.25 percentage points of credit risk-weighted risk assets calculated under the standardised approach)	12 762	12 976	9 895
Tier 2 capital before regulatory adjustments	12 762	12 976	9 895
Total regulatory adjustments to tier 2 capital	–	–	7
Tier 2 capital (T2)	12 762	12 976	9 888
Total capital (capital base) (TC = T1 + T2)	390 888	358 402	310 980
Risk-weighted assets			
Risk-weighted on-balance sheet assets	1 071 147	1 066 500	879 155
Non-market related off-balance sheet risk-weighted assets	84 328	80 385	107 866
Market related off-balance sheet risk-weighted assets	12 286	11 481	11 559
Operational risk	90 767	79 233	65 046
Aggregate net open foreign exchange position	1 049	8 636	5 435
Total risk-weighted assets	1 259 577	1 246 235	1 069 061
Capital ratios (as a percentage of risk-weighted assets)			
Common equity tier 1 capital ratio	30.0%	27.7%	28.2%
Tier 1 capital ratio	30.0%	27.7%	28.2%
Total capital ratio	31.0%	28.8%	29.1%

The table below reconciles the amounts as per the balance sheet to the regulatory capital elements.

US$'000	Balance sheet amount	Amounts included for regulatory purposes
Paid in capital and qualifying capital instruments	56 478	56 478
Retained earnings	266 667	266 667
Other reserves	61 400	55 291
Qualifying common equity tier 1 capital before regulatory adjustments	384 545	378 436
Regulatory adjustments	–	(310)
Qualifying common equity tier 1 capital (CET 1)	384 545	378 126
Additional tier 1 capital after regulatory adjustments	–	–
Qualifying tier 1 capital	384 545	378 126
Tier 2 capital after regulatory adjustments and general allowance for credit impairments (T2)	–	12 762
Total qualifying capital	384 545	390 888

Risk-weighted on-balance sheet assets

US$'000	31 March 2015 Exposure amount	31 March 2015 Risk weights %	31 March 2015 Risk-weighted asset	31 March 2014 Risk-weighted asset	31 March 2013 Risk-weighted asset
Cash items	2	0%	–	–	–
Claims on sovereigns	48 220	50% – 100%	33 732	44 582	–
Claims on central banks and international institutions	9 334	0% – 50%	2 300	4 386	2 100
Claims on multilateral development banks (MDBs)	20 719	50%	10 359	4 946	–
Claims on banks	570 980	20% – 50%	173 967	187 676	136 913
Claims on corporates	491 773	20% – 100%	478 421	432 927	326 488
Claims included in the regulatory retail portfolio	131	75%	99	99	142
Claims secured by residential property	38 975	35% – 125%	24 160	28 128	24 943
Claims secured by commercial real estate	311 845	100% – 125%	315 497	326 702	345 046
Past due claims	–	50% – 150%	436	924	6 669
Other assets	32 176	100%	32 176	36 130	36 854
Total on-balance sheet credit risk-weighted exposures	1 524 155		1 071 147	1 066 500	879 155

RWA non-market related off-balance sheet assets

US$'000 Non-market-related off-balance sheet credit exposures	31 March 2015 Notional amount	31 March 2015 Credit conversion factor %	31 March 2015 Credit equivalent amount	31 March 2015 Risk-weighted asset	31 March 2014 Risk-weighted asset	31 March 2013 Risk-weighted asset
Direct credit substitutes	10 684	100	10 684	6 836	2 888	4 146
Sales and repurchase agreements and asset sales with recourse	–	100	–	–	25 000	–
Transaction-related contingent items	11 016	50	5 508	5 477	9 677	2 924
Total other commitments	227 837	20 – 50	72 050	72 015	42 820	100 796
Total non-market-related off-balance sheet risk-weighted credit exposures	249 537		88 242	84 328	80 385	107 866

RWA market-related off-balance sheet assets

US$'000 Market-related off-balance sheet risk-weighted asset	31 March 2015 Notional principal amount	31 March 2015 Potential future exposure	31 March 2015 Current exposure	31 March 2015 Credit equivalent amount	31 March 2015 Risk-weighted asset	31 March 2014 Risk-weighted asset	31 March 2013 Risk-weighted asset
Interest rate contracts	144 624	716	153	869	474	2 172	2 141
Foreign exchange contracts	424 713	10 028	11 798	21 826	9 674	2 387	1 651
Credit derivative contracts	–	–	17 160	17 160	2 138	–	4 258
Other market-related contracts	–	–	–	–	–	6 922	3 508
Total market-related off-balance sheet risk-weighted credit exposures	569 337				12 286	11 481	11 558

Corporate governance report

Chairman's introduction

I am pleased to present the 2015 annual corporate governance report which sets out Investec Bank (Mauritius) Limited's approach to corporate governance and, more specifically, how I as chairman ensure that I discharge my duties of leading the board and ensuring the board's effectiveness in carrying out its role.

Regulatory context

The board, management and employees of the bank are committed to complying with the disclosure and transparency rules, requirements of the regulators of the bank and requirements of the Code of Corporate Governance for Mauritius (the Code), whereby all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practices.

Our culture and values

Underpinning these legislative, regulatory and best practice requirements are Investec's values and philosophies which provide the framework against which we measure behaviour and practices in order to maintain the highest level of good governance. Our values require that directors and employees act with integrity, displaying consistent and uncompromising moral strength and conduct in order to promote and maintain trust.

Sound corporate governance is therefore implicit in our values, culture, processes, functions and organisational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures and a written statement of values serves as our code of ethics.

The Investec group operates under a dual listed companies (DLC) structure, and considers the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate rule for the group.

All international business units operate in accordance with the above determined corporate governance requirements, in addition to those of their jurisdiction, but with clear adherence at all times to group values and culture.

Conclusion

We acknowledge that the environment in which we operate provides challenges from a governance and regulatory perspective; however, we are confident that our culture and values will continue, as ever, to provide the bank and the Investec group with a strong foundation that will enable the board and the Investec group to meet these challenges going forward.

David M Lawrence
Chairman, board of directors

18 June 2015

Statement of compliance under section 75(3) of the Financial Reporting Act 2004

The Code of Corporate Governance

As per the Financial Reporting Act 2004, public interest entities are required to comply with the Code of Corporate Governance for Mauritius (the Code) and provide justification for not adopting any of the provisions of the Code in their financial statements or reports.

In case of conflict between the Code and the Bank of Mauritius guideline, the Bank of Mauritius guideline takes precedence. The board reviews the implications of corporate governance best practices and accordingly it has taken all the required actions to comply with the requirements of the Guideline on Corporate Governance issued by Bank of Mauritius.

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation during the year under review, the bank has complied with all of its obligations and requirements under the Code except for the disclosure on directors' emoluments as explained below.

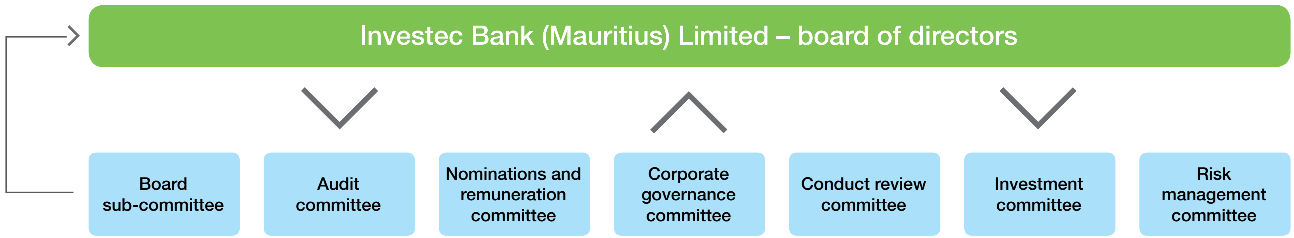
We, the directors of Investec Bank (Mauritius) Limited, confirm that Investec Bank (Mauritius) Limited has not complied with section 2.8 – Remuneration of directors – of the Code. Investec Bank (Mauritius) Limited is a wholly owned subsidiary of Investec Bank Limited. Investec Bank Limited has consented to the disclosure of the directors' emoluments on an aggregated basis in line with the resolution referred to under the section 'other statutory disclosures' of the 2015 annual report.

David M Lawrence
Chairman, board of directors

Pierre de Chasteigner du Mée
Chairman, corporate governance committee

18 June 2015

Governance framework



Board committees

In accordance with the Code of Corporate Governance for Mauritius issued by the National Committee on Corporate Governance established under the Financial Reporting Act 2004 (the Code), the board of directors of the bank established seven sub-committees of the board as well as various management committees and forums to assist it in discharging its duties and responsibilities. The seven sub-committees of the board are as follows:

Board sub-committee

This committee comprises three members, including the chief executive officer. The committee meets as and when required to take decisions as per its specific mandate conferred by the board.

Audit committee

This committee examines and reviews the findings of all internal and external audits conducted at the bank by the bank's duly appointed external auditors and the group internal auditors respectively, in order to ensure that there are adequate internal controls to safeguard its assets and integrity. The committee comprises three members; two of them are independent external directors. In addition to the chief executive officer, the global head of market risk, the chief operating officer, the head of finance, the head of treasury, the head of legal and compliance, the group head of internal audit, the group compliance officer and the external auditors are invitees. Four audit committee meetings were held during the year under review.

Nominations and remuneration committee

This committee comprises three members, with the chief executive officer, chief operating officer and the head of group HR being invitees. The committee reviews the salaries and bonuses of employees and senior management based on key performance indicators. The committee is also responsible for identifying and nominating candidates for the approval of the board to fill board vacancies, as and when required. The committee met twice during the year under review.

Corporate governance committee

This committee comprises three members with the chairman being an independent external director. The two other members are also directors on the parent company's board. The role of the corporate governance committee is to ensure that the reporting requirement with regards to corporate governance, whether in this annual report or on an ongoing basis, is in accordance with the principles of the applicable regulatory requirements and applicable code of corporate governance.

Conduct review committee

This committee comprises three members: the chairman of the board, one independent external director and one director who is also a director on the parent company's board. The committee monitors and reviews all related party transactions and ensures that market-based terms and conditions are applied to all related party transactions. The committee met six times during the year under review and noted no breaches of the Guideline on Related Party transactions issued by the Bank of Mauritius.

Investment committee

This committee comprises the chief executive officer, the chairman of the board and one independent external director. The committee is responsible for the review and management of the bank's investment portfolio and the review of new investment proposals. The investment committee meets on an *ad hoc* basis as circumstances dictate in order to conduct its affairs with respect to purchase or sell decisions.

Risk management committee

This committee comprises three members including the chief executive officer. The objectives of the committee are to:

- Review the principal risks, including but not limited to credit, market, liquidity, operational, legal, compliance and reputational risks and the actions taken to mitigate the risks
- Formulate and make recommendations to the board in respect of risk management issues
- Receive periodic information on risk exposures and risk management activities from senior officers
- Ensure that the chief executive officer facilitates training programmes for directors and senior management to enable them to have a robust understanding of the nature of the business, the nature of the risks, the consequences of risks being inadequately managed and the techniques for managing the risks effectively
- Review and approve discussions and disclosure of risks.

The risk management committee met four times during the year under review.

The day-to-day running of the bank's business is delegated to management. Issues are debated widely and decisions are taken in a transparent manner by various management committees and forums.

Financial reporting and going concern

The directors are required to confirm that they are satisfied that the bank has adequate resources to continue in business for the foreseeable future. The assumptions underlying the going concern statement are discussed at the time of the approval of the annual financial statements by the board and these include:

- Budgeting and forecasts
- Profitability
- Capital
- Liquidity.

In addition, the directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the bank's financial statements, accounting policies and the information contained in the annual report.

In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the significant risks that the bank faces in preparing the financial and other information contained in this annual report. This process was in place for the year under review and up to the date of approval of the annual report and financial statements. The process is implemented by management and independently monitored for effectiveness by the audit, risk and other sub-committees of the board.

The significant risks that the bank faces include risks flowing from the instability in the global financial market and recent economic environment that could affect the bank's businesses, earnings and financial condition.

The bank's financial statements are prepared on a going concern basis, taking into consideration:

- The group's strategy and prevailing market conditions and business environment
- Nature and complexity of the business
- Risks the bank assumes, and its management and mitigation
- Key business and control processes in operation
- Credit rating and access to capital
- Needs of all its stakeholders
- Operational soundness
- Accounting policies adopted
- Corporate governance practices
- Desire to provide relevant and clear disclosures
- Operation of board committee support structures.

The board is of the opinion – based on its knowledge of the bank, key processes in operation and specific enquiries – that there are adequate resources to support the bank as a going concern for the foreseeable future.

Further information on the liquidity and capital position is provided on pages 38 to 40 and pages 43 to 48.

Furthermore, the board is of the opinion that the bank's risk management processes and systems of internal control are effective.

Management and succession planning

Business unit heads are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function.

Matters of succession are considered regularly. Decision-making is spread to encourage and develop an experienced pool of talent.

Internal control

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Investec group's board risk and capital committee and the audit committee assist the board in this regard. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

Internal control is designed to mitigate, not eliminate, significant risks faced by the bank. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and assurance and control functions such as Risk Management, Internal Audit and Compliance. These ongoing processes were in place throughout the year under review and until the date of approval of the annual report and accounts.

Internal Audit reports any control recommendations to senior management and the audit committee. Appropriate processes ensure that timely corrective action is taken on matters raised by Internal Audit.

Internal financial controls

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the audit committee and are independently assessed by Internal Audit and Compliance.

Processes are in place to monitor internal control effectiveness; identify and report material breakdowns; and ensure that timely and appropriate corrective action is taken.

Board of directors

The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity. The board operates within the group's governance framework and is accountable for the performance and affairs of the bank. It provides leadership for the bank within a framework of prudent and effective controls which allows risks to be assessed and managed.

The board:

- Approves the bank's strategy
- Ensures that the bank complies with the applicable laws and considers adherence to non-binding rules and standards
- Is responsible for the governance of risk, including that of information technology (IT)
- Acts as focal point for, and custodian of, corporate governance
- Provides effective leadership on an ethical foundation

The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity

- Ensures the bank is and is seen to be a responsible corporate citizen.

The board meets its objectives by reviewing and guiding corporate strategy, setting the bank's values and standards, promoting high standards of corporate governance, approving key policies and objectives, ensuring that obligations to its shareholders and other stakeholders are understood and met, understanding the key risks the bank faces, determining the bank's risk tolerance and approving and reviewing the processes in operation to mitigate risk from materialising, including the approval of the terms of reference of key supporting board committees.

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain of its duties and functions to various board committees, bank forums or the chief executive officer, without abdicating its own responsibilities:

- The board has formally defined and documented, by way of terms of reference, the authority it has delegated to the various board committees and bank forums
- In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board.

Furthermore, directly or through its sub-committees, the board:

- Assesses the quantitative and qualitative aspects of the bank's performance through a comprehensive system of financial and non-financial monitoring involving an annual budget process, detailed monthly reporting, regular review of forecasts and regular management strategic and operational updates
- Approves annual budgets, capital plans, projections and business plans
- Monitors compliance with relevant laws, regulations and codes of business practice
- Ensures there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders, and monitors communication with all stakeholders and disclosures made to ensure transparent and effective communication
- Identifies and monitors key risk areas and key performance indicators
- Reviews processes and procedures to ensure the effectiveness of its internal systems of control
- Ensures the bank adopts sustainable business practices, including social and environmental activities
- Assisted by the audit committee, ensures appropriate IT governance processes are in place for the implementation of which management is responsible, and ensuring that the process is aligned to the performance and sustainability objectives of the board
- Monitors and evaluates significant IT investments and expenditure
- Ensures information assets are managed effectively
- Ensures that appropriate risk governance, including IT, is in place including continual risk monitoring by management, determines the levels of risk tolerance and that risk assessments are performed on a continual basis
- Ensures the integrity of the company's annual report, which includes sustainability reporting
- Ensures the induction of, and ongoing training and development of, directors
- Evaluates the performance of senior management and considers succession planning.

In accordance with the Code of Corporate Governance for Mauritius and the Bank of Mauritius' Guidelines on Corporate Governance, there is a clear division of responsibility between the chairman and the chief executive officer to ensure balance of power and authority. The board is led by the chairman while the chief executive officer leads the executive management team responsible for the day-to-day running of the business and affairs of the bank.

The majority of the board members are non-executive directors. The board comprises five members: the bank's chief executive officer, two independent external directors and two directors who are also directors on the parent company's board. Three of the directors are residents of Mauritius. A brief profile of each director is included on the following pages.

Directorate

Name	Age at 30 June 2015	Qualifications	Current other directorships	Committee membership	Brief biography
David M Lawrence (chairman)	64	BA(Econ) (Hons) MCom	Investec Bank Limited, various Investec companies and various listed and unlisted companies	1, 3, 4, 5, 6, 7	David is currently the deputy chairman of Investec Bank Limited and chairman of the board of directors of the bank. Former chairman and managing director of Citibank (South Africa), and managing director of FirstCorp Bank Limited.
Peter RS Thomas	70	CA(SA)	Investec plc, Investec Limited, Investec Bank Limited, various Investec companies, JCI Limited and various unlisted companies	2, 3, 4, 5, 7 (invitee)	Peter was the former managing director of The Unisec Group Limited. Currently chairman of the audit committee of the bank.
Pierre de Chasteigner du Mée	62	ACEA, FBIM, FMAAT	P.O.L.I.C.Y Ltd, and various private companies	1, 2, 3, 4, 5, 6, 7	Pierre is the director and secretary of Associated Brokers Ltd. He is a sworn broker, a stockbroker, on the Stock Exchange of Mauritius, a licensed company secretary and a fellow member of the Chartered Management Institute (England). He is a member of the National Pensions Board, National Savings Fund Technical Committee, National Pension/National Savings Fund's investment committee. He is also the vice-president and the chairperson of the investment committee of P.O.L.I.C.Y. Ltd. (listed on the Port Louis Stock Exchange). Since completing his chartered accountancy studies in the UK, he has occupied various functions as group financial controller and sugar estate general manager within the Constance Group, and as executive director of Constance Hotels Services Ltd.

Directorate

Name	Age at 30 June 2015	Qualifications	Current other directorships	Committee membership	Brief biography
Angelique A Desvaux de Marigny	39	LLB, barrister-at-law Maîtrise en Droit Privé (Université Paris 1 Panthéon-Sorbonne)	None	2, 7 (invitee)	Angelique is a barrister-at-law, who was admitted to the Mauritian Bar in 2001. She graduated from King's College London and Université Paris 1 Panthéon-Sorbonne with an LLB (First Class Honours) and a Maîtrise en Droit Privé (Droit des Affaires), and completed her vocational training at the Inns of Courts School of Law, London. She initially practised as a litigation counsel for the first six years of her career before joining the CIEL group as head of legal affairs. In 2009, she returned to private practice and has since undertaken advisory work and litigation before the domestic courts in various fields. In 2014, she was actively involved in setting up De Speville-Desvaux, a multi-disciplinary set of chambers where she is currently practising. She has a marked interest in employment, commercial and private international law matters.
Craig C McKenzie	54	BSc, MSc, CFA	Various unlisted companies	1, 6, 7	Chief executive officer with 26 years of banking experience.

1. *Board sub-committee.*
2. *Audit committee.*
3. *Nominations and remuneration committee.*
4. *Conduct review committee.*
5. *Corporate governance committee.*
6. *Investment committee.*
7. *Risk management committee.*

Details of the attendance at the board meetings held during the year are shown in the table below:

	Number of meetings	
	held during the year	attended during the year
David M Lawrence	4	4
Craig C McKenzie	4	4
Pierre de Chasteigner du Mée	4	4
Angelique A Desvaux de Marigny	4	4
Peter RS Thomas	4	4

Skills, knowledge, experience and attributes of directors

The board considers that the skills, knowledge, experience and attributes of the directors as a whole are appropriate for their responsibilities and the bank's activities. The directors bring a range of skills to the board including:

- International business and operational experience
- Understanding of the economics of the sectors in which we operate
- Knowledge of the regulatory environments in which we operate
- Financial, accounting, legal and banking experience and knowledge.

The skills and experience profile of the board and its committees are regularly reviewed to ensure an appropriate and relevant composition from a governance, succession and effectiveness perspective.

Board and board committees

The board's performance is evaluated annually and covers areas of the board's processes and responsibilities according to leading practice. The board committees are evaluated every three years.

The performance evaluation process takes place both informally, through personal observations and discussions, and/or in the form of evaluation questionnaires. The results are considered and discussed by the board. The chairman holds regular one-on-one meetings with each director to discuss the results of the formal and informal evaluations and, in particular, to seek comments on strengths and developmental areas of the members, the chairman and the board as a whole. Individual training and development needs are discussed with each board member and any requests for training are communicated to the company secretary for implementation.

Performance evaluation of the board as well as training and development of directors are matters that are often raised at the board.

Ongoing training and development

Board members receive regular formal presentations on regulatory and governance matters as well as on the business and support functions. Regular interactive workshops are arranged between directors and the heads of risk management, control functions and business units.

The company secretary liaises with directors to source relevant seminars and conferences which directors could attend, funded by Investec.

Following the board's and board committee's performance evaluation process, any training needs are communicated to the company secretary who ensures these needs are addressed.

During the period under review, three sessions for directors' training were organised in collaboration with the Investec group.

Directors' interest and dealings in shares

All the shares of the bank are held by its sole shareholder namely, Investec Bank Limited.

Directors' emoluments

The executive and non-executive directors received emoluments amounting to US$1 611 139 (2014: US$941 491) for the year under review.

The remuneration of directors has not been disclosed on an individual basis due to commercial sensitivity.

Directors' service contracts and terms of employment

The chief executive officer, who is the only executive director of the bank, has an indefinite contract of employment, terminable by either party giving the required written notice to the other. The chief executive officer is entitled to receive a basic salary and is also eligible for an annual bonus, the amount of which is determined at the discretion of the nominations and remuneration committee.

The non-executive directors do not have service contracts, but letters of appointment confirming the terms and conditions of their service. Unless the non-executive directors resign earlier or are removed from their positions, they will remain as directors until the close of the next annual general meeting.

Directors' and officers' liability insurance

The bank has arranged for appropriate insurance cover in respect of any legal action against its directors and officers.

Donations

Any donations provided by the bank are made as part of the bank's corporate social and business responsibility. No political donations are made.

Dividend policy

Although the bank does not have a formal dividend policy, dividends are paid to its sole shareholder subject to profitability and subject to the approval from the Bank of Mauritius and the solvency test required under section 61(2) of the Companies Act 2001 of Mauritius being satisfied.

Executive management

The board has delegated the day-to-day running of the business and affairs of the bank to its executive management. Issues are debated and decisions in management forums are taken unanimously. The executive management team of the bank is made up of the chief executive officer and chief operating officer. Below is the profile of the management team.

Craig C McKenzie – chief executive officer

Craig C McKenzie joined Investec Bank (Mauritius) Limited in 2000 as chief executive officer. He has more than 26 years' banking experience and holds Bachelor and Master of Science degrees in agricultural economics from the University of Natal (South Africa). He is also a chartered financial analyst (CFA) charterholder.

Lara Ann Vaudin – chief operating officer

Lara Ann Vaudin qualified as an attorney-at-law in Johannesburg, South Africa in 1996. She holds a BA LLB from the University of the Witwatersrand and an LLM (corporate law) from the University of South Africa. She joined the bank in 2004 as the bank's legal adviser and is currently the chief operating officer of the bank.

Other statutory disclosures

In accordance with section 221(4) of the Companies Act 2001, the sole shareholder of the bank has, by way of written resolution, agreed that the annual report of the bank does not need to comply with paragraphs (a) and (d) to (i) of section 221(1) of the Companies Act 2001.

External audit

Ernst & Young are the bank's external auditors. The independence of the external auditors is reviewed by the audit committee each year. The audit committee meets with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services rendered and all other audit matters.

The external auditors are invited to attend audit committee meetings and have access to the chairman of the audit committee.

Regulation and supervision

The bank is subject to regulation by its host regulator, Bank of Mauritius as well as the South African Reserve Bank. It seeks to achieve open and active dialogue with its regulators and supervisors in order to comply with the various regulatory and supervisory requirements. The bank reports to regulators and supervisory bodies regularly and is subject to an annual on-site inspection.

Values and code of conduct

Investec has a strong organisational culture of entrenched values, which forms the cornerstone of its behaviour towards all stakeholders. These values are embodied in a written statement of values which serves as its code of ethics, and is continually reinforced.

The bank conducts its business with uncompromising integrity and fairness, so as to promote trust and confidence in the banking industry.

Human resources and remuneration policy

The bank's philosophy is to employ high calibre individuals who are characterised by integrity and innovation and who adhere and subscribe to its culture, values and philosophies. The bank promotes entrepreneurship by providing a working environment which stimulates extraordinary performance.

The bank rewards its employees for their contribution through payment of a competitive annual package, a variable performance bonus and ownership in the form of share incentive scheme participation in Investec Limited. Other factors are also considered important such as the organisation's core values, work content and management style in the attraction, retention and motivation of employees.

Related party transactions

Refer to note 35 to the financial statements.

Risk management

Refer to pages 10 to 48.

Internal Audit

The Internal Audit function is managed at group level and is tasked with providing the board with an independent and objective opinion as to the bank's control environment in relation to the risks it faces. Internal Audit recommends enhancements to risk management, control and governance processes where weaknesses are identified.

A representative from Group Internal Audit reports at each audit committee meeting and has a direct reporting line to the chairman of the audit committee. He/she operates independently of executive management, but has access to the chief executive officer and the chairman of the audit committee.

Annually, Group Internal Audit conducts a formal risk assessment of the bank's business from which a comprehensive risk-based annual audit plan is derived. The assessment and programme are validated by executive management and approved by the audit committee.

The Group Internal Audit team comprises well-qualified, experienced staff and ensures that the function has the competence to match the bank's diverse requirements. Where specific specialist skills or additional resources are required, these will be obtained from third parties as appropriate. The internal audit resources are subject to review by the audit committee.

The audit committee receives a report on significant issues and actions taken by management to enhance related controls.

Compliance

Compliance risk is the risk that the bank fails to comply with the letter and spirit of all statutes, regulations, supervisory requirements and industry codes of conduct which apply to the bank's business. The bank seeks to bring the highest standard of compliance best practice. In keeping with its core values, the bank also endeavours to comply with the highest professional standards of integrity and behaviour, which build trust.

The Compliance function ensures that the bank complies with existing and emerging regulations impacting on its operations. The bank recognises its responsibility to conduct business in accordance with the laws and regulations of the country and areas in which it operates. The Compliance function is supported by Group Compliance and the compliance officer of the bank.

The bank is subject to extensive supervisory and regulatory governance. Significant business developments in any of its operations must be approved by both the Bank of Mauritius and the South African Reserve Bank.

The bank's compliance officer reports to the chief executive officer, as well as to the group head of compliance and the audit committee. The bank's compliance officer provides regular training to ensure that all employees are familiar with their regulatory obligations; provides advice on regulatory issues; and works closely with business and operational units to ensure consistent management of compliance risk.

Sustainability

The bank believes in making a positive contribution to the society and the environment in which we operate.

Our Corporate Social Investment strategy is to focus on projects and initiatives in the following areas:

- Education
- Environment
- Sports development.

We look to spend 30% of our budget in each of the areas above. We allocate 10% of our budget to discretionary philanthropic donations which may fall out of our focus areas, but allow us to make small but meaningful donations to worthwhile causes.

Corporate social responsibility (CSR) was legislated by the Government of Mauritius in July 2009. In terms of the legislation, all Mauritian companies need to allocate 2% of their chargeable income to CSR-approved NGOs or projects. Segment B profits pertaining to offshore income derived by banks is, however, exempt. Notwithstanding this the bank has chosen to contribute an additional 0.5% of Segment B profit to Corporate Social Investment.

In line with the government's focus on poverty alleviation, Investec's CSI projects are directed at communities or beneficiaries that are financially disadvantaged. Our approach is to ensure long-term sustainability. This means making multi-faceted interventions in selected communities and may include building operational skills and organisational capacity.

Our criteria for assessing projects are:

- Ability to make a meaningful difference
- Capacity to deliver sustained benefits
- Measurability
- Potential to engage co-sponsors to increase leverage and provide an integrated solution
- Opportunity for staff involvement.

Investec encourages its staff to contribute and participate in our CSI programme. Staff have given their time to assist the Terrain or the Interactive Pedagogy through Arts (TIPA) with their Art Festival at the Guy Rosemont Government School and providing Christmas and grocery boxes for communities in need from Grand Gaube.

Projects supported by Investec Bank Mauritius

Education

Education is the key to empowering disadvantaged communities and enables individuals to make a better life for themselves.

Investec has supported the Guy Rosemont Government School in Tranquebar for the past five years.

We have worked with them on a number of projects:

- Assistance for children preparing to write thier CPE exams
- Upgrading the children's playground areas by:
  - providing playground equipment;
  - landscaping the gardens;
  - constructing a covered shelter; and
  - providing tables and benches.
- Club de Parents – Investec sponsors the monthly meeting of parents and school representatives. The purpose of this club is to provide a forum for parental participation in education. The club also uses this forum as an opportunity to upgrade and enhance the skills of parents
- TIPA develops essential life skills of vulnerable children. Their focus is to empower children to become critical thinkers, participate in discussions, be responsible and be team players through art, drama and cultural education. They also develop teachers' skills and organise an annual art festival at the school.

Investec supports Education for Sustainability (EFS) at St Mary's College in Rose Hill. The project develops ecologically literate students who will play a role in society, steering business and the Mauritian economy towards a responsible approach to our non-renewable resources and an attitude of care and stewardship towards our natural environment. The EFS programme embeds the ecosystems education into the curriculum. The project is a partnership between the Bureau de l'Education Catholique and Ecological Living Action, an entity focusing on education, training and consulting for sustainability.

Environment

Investec believes that the natural heritage of Mauritius is a critical resource to the country and needs to be respected and protected.

Investec supports the Mauritian Wildlife Foundation's 'Learning with Nature' education project at L'îles aux Aigrettes that teaches children about the flora and fauna of Mauritius. The project allows students to experience and understand their natural environment, and appreciate its relevance in their day-to-day lives and their school curriculum.

Investec partners with the Protection of Animal Welfare Society (PAWS) to implement its education programme focusing on the health and welfare of companion animals and the dire need to have them sterilised. Aside from the cruelty and the negative image to tourists, stray dogs and cats can be a danger to community health.

A new environmental project has been initiated in collaboration with Ecole Pere Henri Souchon and Animaterra – Vegetable Farming Project. The project teaches pupils basic crop cultivation skills in a sustainable manner using principals of biological farming and no chemical pesticides. This school is a vocational school for those pupils who are unable to continue in mainstream government education. This project is part of the school curriculum and provides pupils with skills that assist them in finding employment in the agricultural/horticultural sector.

Sports development

Investec believes that access to sport should be available to all. We also believe that aside from the importance of physical exercise, sport also teaches children discipline, perseverance, team work and develops self-esteem.

Investec supports the following sport development projects:

- Tranquebar Black Rangers Women's Volley Ball Club
- Sailing Pour Tous
- Tranquebar Boxing Club
- Tranquebar Dalton Football Club.

Tranquebar Black Rangers Women's Volley Ball Club

The bank has sponsored this club for the past five years. The Tranquebar Women's Volley Ball Club has a membership of 45. The club is based at the Tranquebar Women's Centre. Aside from their strong first team, they also have a junior development team. The team practises three times a week and competes most weekends.

Sailing Pour Tous

Sailing Pour Tous makes sailing accessible to underprivileged children in Port Louis and surrounding areas. It offers free sailing lessons to any child who would like to learn how to sail. Optimists are provided for the younger children and lasers are provided at a later stage for older children. Initially the school will prepare young sailors to compete at a national level and over time at the international level. Aside from learning nautical skills, the children participating in this sailing school will benefit from team work, discipline and responsibility. Gaining knowledge of the sea and sailing skills could assist participants in finding employment in marine activities at a later stage.

Tranquebar Boxing Club

IBM sponsors the Tranquebar Boxing Club. The aim of the club is to give young men in the area the opportunity to learn the skill of boxing, to train and to compete in boxing competitions.

Environmental footprint

In terms of the bank's environmental footprint, we measure our use of energy, paper and water. We continue to work towards reducing our overall energy and resource usage.

Shareholder diary

Financial year:	31 March
Unaudited quarterly report:	Within 45 days from the quarters ending June, September and December
Audited financial statements:	Within three months of 31 March 2015
Annual general meeting:	June 2015

Signed on behalf of the board

David M Lawrence
Chairman

Pierre de Chasteigner du Mée
Chairman, corporate governance committee

Craig C McKenzie
Chief executive officer

18 June 2015

3

Annual financial statements

Statement of management's responsibility for financial reporting

Directors' statement

The financial statements in this annual report have been prepared by management which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards of the International Accounting Standards Board as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied and management has exercised its judgement and made best estimates where deemed necessary.

The bank has designed and maintained its accounting systems, related internal controls and supporting procedures to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well-defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the bank's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the bank.

The bank's board of directors, acting in part through the audit committee and conduct review committee which comprise independent directors, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The bank's internal auditor, who has full and free access to the audit committee, conducts a well-designed programme of internal audits in coordination with the bank's external auditors. In addition, the bank's compliance function maintains policies, procedures and programmes directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the bank as it deems necessary.

The bank's external auditors, Ernst & Young, have full and free access to the board of directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Signed on behalf of the board

David M Lawrence
Chairman, board of directors

Pierre de Chasteigner du Mée
Chairman, corporate governance committee

Craig C McKenzie
Chief executive officer

18 June 2015

Secretary's report

Under section 166(d) of the Companies Act 2001, I certify that, to the best of my knowledge and belief, the bank has lodged with the Registrar of Companies all such returns as are required of the bank in terms of the Act.

Prithiviraj Jeewooth
Secretary

18 June 2015

Independent auditors' report to the member of Investec Bank (Mauritius) Limited

Report on the financial statements

We have audited the financial statements of Investec Bank (Mauritius) Limited (the bank) on pages 62 to 121 which comprise the statement of financial position at 31 March 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001 and the Banking Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 62 to 121 give a true and fair view of the financial position of the bank at 31 March 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Other matter

This report has been prepared solely for the bank's member, in accordance with section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the bank's member those matters we are required to state to the latter in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not assume responsibility to anyone other than the bank and the bank's member for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Companies Act 2001

We have no relationship with or interests in the bank other than in our capacities as auditors and tax advisers and in dealings with the bank in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the bank as far as appears from our examination of those records.

Banking Act 2004

In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius. The explanations or information called for or given to us by the officers or agents of the bank were satisfactory.

Financial Reporting Act 2004

The directors are responsible for preparing the corporate governance report.

Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the Code) as disclosed in the annual report and whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the corporate governance report is consistent with the requirements of the Code.

Ernst & Young
Ebène
Mauritius

Thierry Leung Hing Wah, FCCA
Licensed by FRC

18 June 2015

Statement of profit or loss

For the year to 31 March US$'000	Notes	2015	2014	2013
Interest income	3	69 368	64 374	55 797
Interest expense	3	(12 940)	(14 991)	(14 820)
Net interest income		56 428	49 383	40 977
Fee and commission income	4	10 815	6 643	3 670
Fee and commission expense	4	(3 036)	(1 222)	(504)
Net fee and commission income		7 779	5 421	3 166
Net trading (loss)/income	5	(2 056)	2 329	1 327
Net gain/(loss) on financial instruments designated at fair value through profit or loss	6	3 439	427	(1 199)
Net other operating income	7	539	2 517	–
Total operating income		66 129	60 077	44 271
Impairment reversal/(loss) on loans and advances	8	2 359	(3 654)	(377)
Net operating income		68 488	56 423	43 894
Personnel expenses	9	(5 810)	(4 735)	(4 080)
Depreciation of equipment	20	(125)	(128)	(126)
Other operating expenses	10	(5 466)	(5 460)	(5 439)
Total operating expenses		(11 401)	(10 323)	(9 645)
Profit before tax		57 087	46 100	34 249
Income tax expense	11	(2 630)	(199)	(1 255)
Profit for the year		54 457	45 901	32 994
Analysed as follows:				
Transfer to statutory reserve		8 169	6 885	4 949
Transfer to retained earnings		46 288	39 016	28 045
Profit attributable to equity holder of the bank		54 457	45 901	32 994

Statement of other comprehensive income

For the year to 31 March US$'000	2015	2014	2013
Profit for the year	54 457	45 901	32 994
Other comprehensive income to be reclassified to profit or loss in subsequent period			
– Fair value movements on available-for-sale assets	(482)	399	–
Total other comprehensive income to be reclassified to profit or loss in subsequent period	(482)	399	–
Total comprehensive income for the year	53 975	46 300	32 994
Attributable to:			
Equity holder of the bank	53 975	46 300	32 994

Statement of financial position

At 31 March US$'000	Notes	2015	2014	2013
Assets				
Cash and balances with central bank	13	9 337	16 710	4 556
Due from banks	14	256 603	284 161	340 995
Reverse repurchase agreement	14	13 987	–	–
Derivative financial instruments	15	29 110	35 163	31 584
Investment securities	16	216 701	243 751	189 756
Amount due from holding bank	35	125 634	182 430	18 625
Amount due from group companies	35	3 693	3 877	3 122
Loans and advances to customers	17	925 913	890 702	772 245
Equity accounted investment in associate	18	4 915	4 915	4 915
Investment in subsidiary	19	–	–	15
Equipment	20	409	338	387
Deferred tax assets	11	310	293	262
Other assets	21	3 284	5 136	5 136
Total assets		1 589 896	1 667 476	1 371 598
Liabilities				
Deposits by banks	22	–	–	3 527
Securities sold under repurchase agreement	23	110 025	121 403	119 378
Derivative financial instruments	15	1 038	11 250	3 234
Amount due to holding bank	35	43 182	42 632	35 554
Amount due to group companies	35	9 459	10 115	13 788
Due to customers	24	777 206	832 204	666 854
Debt securities in issue	25	249 512	266 299	217 060
Current tax liabilities	11	1 582	1 107	1 015
Other liabilities	26	13 347	32 060	7 082
Total liabilities		1 205 351	1 317 070	1 067 492
Equity				
Stated capital	28	56 478	56 478	56 478
Other reserves	29	61 400	52 291	43 065
Retained earnings		266 667	241 637	204 563
Total equity		384 545	350 406	304 106
Total liabilities and equity		1 589 896	1 667 476	1 371 598

Signed on behalf of the board

David M Lawrence
Chairman

Pierre de Chasteigner du Mée
Chairman, corporate governance committee

Craig C McKenzie
Chief executive officer

18 June 2015

Statement of changes in equity

US$'000	Stated capital	Available-for-sale reserve	General banking reserve	Statutory reserve	Retained earnings	Total
At 1 April 2014	56 478	399	4 687	47 205	241 637	350 406
Movement in reserves 1 April 2014 – 31 March 2015						
Total comprehensive income						
Profit for the year	–	–	–	–	54 457	54 457
Other comprehensive income	–	(482)	–	–	–	(482)
Total comprehensive income for the year	–	(482)	–	–	54 457	53 975
Appropriations to other reserves	–	–	1 422	8 169	(9 591)	–
Ordinary dividend paid (note 12)	–	–	–	–	(19 836)	(19 836)
At 31 March 2015	56 478	(83)	6 109	55 374	266 667	384 545
At 1 April 2013	56 478	–	2 745	40 320	204 563	304 106
Movement in reserves 1 April 2013 – 31 March 2014						
Total comprehensive income						
Profit for the year	–	–	–	–	45 901	45 901
Other comprehensive income	–	399	–	–	–	399
Total comprehensive income for the year	–	399	–	–	45 901	46 300
Appropriations to other reserves	–	–	1 942	6 885	(8 827)	–
At 31 March 2014	56 478	399	4 687	47 205	241 637	350 406
At 1 April 2012	56 478	–	2 885	35 371	176 378	271 112
Movement in reserves 1 April 2012 – 31 March 2013						
Total comprehensive income						
Profit for the year	–	–	–	–	32 994	32 994
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	32 994	32 994
Appropriations to other reserves	–	–	(140)	4 949	(4 809)	–
At 31 March 2013	56 478	–	2 745	40 320	204 563	304 106

Statement of cash flows

For the year to 31 March US$'000	Notes	2015	2014	2013
Operating activities				
Profit before tax		57 087	46 100	34 249
Adjustments for:				
Change in operating assets	32	33 860	(238 587)	(84 711)
Change in operating liabilities	32	(84 027)	198 227	62 205
Repurchase agreements made with banks		–	–	119 743
Reverse repurchase agreements made with banks		(13 984)	–	–
Non-cash item included in profit before tax	32	(4 716)	19 578	(40 402)
Dividends received		–	(1 857)	–
Income tax paid		(2 170)	(140)	(272)
Net cash (outflows)/inflows from operating activities		**(13 950)**	**23 321**	**90 812**
Investing activities				
Proceeds from disposal of subsidiary		–	658	–
Purchase of investment securities		(1 867)	(74 270)	–
Proceeds from disposal of investment securities		27 969	938	–
Dividend received		–	1 857	–
Purchase of equipment		(203)	(79)	(28)
Net cash flows generated from/(invested in) investing activities		**25 899**	**(70 896)**	**(28)**
Financing activities				
Dividend paid	12	(19 836)	–	–
Redemption of preference shares		(256 841)	–	–
Issue of preference shares		256 841	44 000	–
Net cash (outflows)/inflows from financing activities		**(19 836)**	**44 000**	**–**
Net (decrease)/increase in cash and cash equivalents		(7 887)	(3 575)	90 784
Net foreign exchange differences		(23 294)	7 388	(517)
Cash and cash equivalents at the beginning of the year		295 328	291 515	201 248
Cash and cash equivalents at the end of the year	32	**264 147**	**295 328**	**291 515**

1. Corporate information

Investec Bank (Mauritius) Limited (the bank) is a public company incorporated and domiciled in the Republic of Mauritius on 20 April 1990. The bank's principal activity is the provision of banking facilities. Its registered office is 6th Floor, Dias Pier Building, Caudan Waterfront, Caudan, Port Louis, Mauritius.

The financial statements for the year ended 31 March 2015 were authorised for issue in accordance with a resolution of the directors on 18 June 2015.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss, available-for-sale financial assets that have been measured at fair value and the investment in associate which has been equity accounted. All values are rounded to the nearest thousand United States Dollars (US$), unless otherwise indicated.

Statement of compliance

The financial statements of the bank have been prepared in accordance with International Financial Reporting Standards (IFRS).

The bank does not prepare consolidated financial statements since it is not a parent and is equity accounting its associates in the separate financial statements. The bank is wholly owned by Investec Bank Limited which prepares consolidated financial statements that comply with International Financial Reporting Standards. Investec Bank Limited is incorporated in the Republic of South Africa and its registered office, where the consolidated financial statements are obtainable, is at 100 Grayston Drive, Sandown Sandton, South Africa.

Presentation of information

Some disclosures under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements, relating to the nature and extent of risks, have been included in the risk management report on pages 10 to 48 in sections marked as audited.

Going concern

The bank's management has made an assessment of the bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.2 Significant accounting judgements and estimates

In the process of applying the bank's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data are not available, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Further details in respect of the fair valuation of financial instruments are included in note 31 to the financial statements.

Impairment losses on loans and advances

The bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, etc.), and judgements on the effect of concentrations of risks and economic data (including real estate prices indices, country risk and the performance of different individual groups).

The impairment loss on loans and advances is disclosed in more detail in note 17.

2.3 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 April 2014:

Early adopted:	Effective for accounting period beginning on or after
Amendments to IAS 27 Equity Method in Separate Financial Statements	1 January 2014
Effective as of 1 April 2014:	
IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
Recoverable Amount Disclosures for Non-Financial Assets (amendments to IAS 36)	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (amendments to IAS 39)	1 January 2014
IFRIC 21 Levies	1 January 2014

Where the changes in standards and interpretations had an effect on the financial statements of the bank, these have been explained below:

Amendments to IAS 27 Equity Method in Separate Financial Statement – early adopted.

The bank has early adopted the amendments to IAS 27 which now allows the latter to use the equity method to account for its investment in associates in its separate financial statements. The change to this accounting policy has been retrospectively applied. Additional disclosure has been made in note 18 where the restatement has been detailed out.

2.4 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Foreign currency translation

The bank's functional currency and presentation currency is US Dollars.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency at the rate of exchange ruling on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to 'net trading income or loss' in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Financial instruments – initial recognition and subsequent measurement

Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the bank becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Derivatives recorded at fair value through profit or loss

The bank uses derivatives such as interest rate swaps and futures, credit default swaps, cross currency swaps and forward foreign exchange contracts. Derivatives are recorded at fair value and are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'net trading income or loss'.

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held-for-trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the statement of profit or loss.

Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'net loss or gain on financial instruments designated at fair value through profit or loss'. Relevant interest earned or incurred is accrued in 'interest income' or 'interest expense', respectively, using the effective interest rate (EIR), while any dividend income is recorded in 'net other operating income' when the right to the payment has been established.

Included in this classification are equities and debt securities.

'Day 1' profit or loss

Where the transaction price in a non-active market is different to the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the statement of profit or loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the statement of profit or loss when the inputs become observable, or when the instrument is derecognised.

Available-for-sale (AFS) financial investments

Available-for-sale investments relates to debt securities. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in 'other comprehensive income' in the 'available-for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of profit or loss in 'net other operating income'. Interest earned while holding available-for-sale financial investments is reported as interest income using the EIR. The losses arising from impairment of such investments are recognised in the statement of profit and loss in 'impairment losses on financial investments' and removed from the 'available-for-sale reserve'.

Held-to-maturity financial assets

Held-to-maturity financial assets are those which carry fixed or determinable payments and have fixed maturities and which the bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The losses arising from impairment of such assets are recognised in the statement of profit or loss line, 'impairment loss on financial assets held-to-maturity'.

If the bank was to sell or reclassify more than an insignificant amount of held-to-maturity financial assets before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

Due from banks and loans and advances to customers

'Due from banks' and 'loans and advances to customers' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the bank intends to sell immediately or in the near term (held-for-trading) and those that the bank upon initial recognition designates as fair value through profit or loss; or
- Those that the bank, upon initial recognition, designates as available-for-sale; or
- Those for which the bank may not recover substantially all of its initial investment, other than because of credit deterioration which is accounted for at fair value through profit and loss.

After initial measurement, amounts 'due from banks' and 'loans and advances to customers' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest and similar income' in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in 'impairment loss on loans and advances'.

The bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss. Where the loan, on drawdown, is expected to be retained by the bank, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract and it is likely to give rise to a loss (e.g. due to a counterparty credit event).

Debt securities in issue

The debt securities relate to preference shares. The legal form of payout is dividend and this is accounted for as interest expense.

Financial instruments issued by the bank, which are not designated at fair value through profit or loss, are classified as liabilities under 'debt securities in issue' where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

An analysis of the bank's issued debt is disclosed in note 25 to the financial statements.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset or where applicable a part of a financial asset or part of a group of similar financial assets is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the bank has transferred substantially all the risks and rewards of the asset or (b) the bank has neither transferred nor retained substantially all the risks and rewards on the asset, but has transferred control of the asset.

When the bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the bank's continuing involvement in the asset. In that case, the bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the bank could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of profit or loss.

Repurchase agreements

Securities sold under agreements to repurchase at a specified future date (repos) are not derecognised from the statement of financial position as the bank retains substantially all the risks and rewards of ownership. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a 'securities sold under repurchase agreement', reflecting its economic substance as a loan to the bank.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or re-pledge the securities, the bank reclassifies those securities in its statement of financial position to 'financial assets held-for-trading pledged as collateral' or to 'financial investments available-for-sale pledged as collateral', as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'cash collateral on securities borrowed and reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the bank. The difference between the purchase and resale prices is recorded in 'net interest income' and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'financial liabilities held-for-trading' and measured at fair value with any gains or losses included in 'net trading income'.

Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'net trading income or loss'.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in note 30.

Impairment of financial assets

The bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The following sets out the policies of the bank regarding the impairment of specific classes of assets:

Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks and loans and advances to customers as well as held-to-maturity financial assets), the bank first assesses individually whether objective evidence of impairment exists. If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. If the bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new effective interest rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale (AFS) financial asset

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Renegotiated loans

Where possible, the bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Collateral valuation

The bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/ guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception.

To the extent possible, the bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest and similar income and expenses

For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (e.g. prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The bank earns fee and commission income from a diverse range of services it provides to its customers.

Fees earned for the provision of services over a period of time are accrued over that period and recognised as an adjustment to the effective interest rate. These fees include commission income and raising fees.

Dividend income

Revenue is recognised when the bank's right to receive the payment is established, which is generally when the dividend is declared.

Net trading income or loss

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense for financial assets and financial liabilities held-for-trading.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

Investment in associates

An associate is an entity in which the bank has significant influence and which is neither a subsidiary nor a joint venture. The bank has early adopted the amendments to IAS 27 which allows the latter to equity account its investment in associates. The bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the bank calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value, and recognises the amount in profit or loss.

Equipment

Equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

	Rate %
Furniture and fittings	10
Office equipment	20
Computer equipment	33
Motor vehicles	20

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'net other operating income' in the statement of profit or loss in the year the asset is derecognised.

Residual values and useful lives are reviewed at least at each financial year end.

Impairment of non-financial assets

The bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss in the period in which they are identified.

Contingent liabilities

Contingent liabilities, which include certain guarantees, other than financial guarantees, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the bank's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

Pension benefits

Defined contribution pension plan

The bank operates a defined contribution pension plan. The contribution payable to the defined contribution plan is in proportion to the services rendered to the bank by the employees and is recorded as an expense under 'personnel expenses'. Unpaid contributions are recorded as a liability.

Provisions

Provisions are recognised when the bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Share-based payment transactions

Employees of the bank receive remuneration in the form of share-based payment transactions which can only be settled in cash (cash-settled transactions).

The cost of cash-settled transactions is measured initially at fair value at the grant date and taking into account the terms and conditions upon which the instruments were granted (note 38).

The cost is expensed in personnel expenses over the period until the vesting date.

Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of 'other assets' or 'other liabilities' in the statement of financial position.

Corporate social responsibility

Corporate social responsibility (CSR) was legislated by the government of Mauritius in July 2009. In terms of the legislation, the bank is required to allocate 2% of its Segment A chargeable income of the preceding financial year to government-approved CSR NGOs. This is recorded as part of income tax expense.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the bank's board of directors. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Equity reserves

The reserves recorded in equity on the bank's statement of financial position include:

- 'Statutory reserve' which represents 15% of the net profit transferred in accordance with the Banking Act 2004, and
- 'General banking reserve' which comprises: (i) the difference between the actual historical loss ratio and the statutory general provision of 1% in line with the Bank of Mauritius Guidelines on Credit Impairment Measurement and Income Recognition; and (ii) country risk allowance computed in accordance with the Bank of Mauritius Guidelines on Country Risk Management.

Statutory segmental reporting

The bank's segmental reporting is based on the requirements of the Bank of Mauritius Guideline on Public Disclosure of Information, which requires that segment information should be provided by segment A and segment B banking businesses.

Segment B

Segment B activity essentially relates to the provision of international financial services that give rise to 'foreign source income'. Such services may be fund-based and/or non-fund-based. Segment B assets will generally consist of placements with and advances to foreign companies, institutions as well as individuals including stocks and debt instruments and claims on non-resident and/or GBLs. Segment B liabilities will normally arise from deposits, borrowings, funds deposited by non-residents and GBLs and capital.

Segment A

Segment A activity relates to all banking business other than Segment B activity. The financial services provided under Segment A may be funded and/or non-fund-based. Segment A business will essentially consist of transactions with residents of Mauritius, excluding GBLs companies, both on the liability side and asset side.

Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the bank's financial statements are listed below. This listing is of standards and interpretations issued, which the bank reasonably expects to be applicable at a future date. The bank intends to adopt those standards when they become effective.

Where the standards and interpretations may affect the bank's financial position and performance in the future periods, the impact has been disclosed below:

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments: Classification and measurement of financial assets, Accounting for financial liabilities and derecognition, impairment and hedging	1 January 2018
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)	1 January 2016
Investment Entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11)	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38)	1 January 2016
Agriculture: Bearer Plants (amendments to IAS 16 and IAS 41)	1 January 2016
Annual Improvements 2012-2014 Cycle	1 July 2016
Disclosure initiative – amendments to IAS 1	1 January 2016
Defined Benefit Plans: Employee Contributions (amendments to IAS 19)	1 July 2014
Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements 2011-2013 Cycle	1 July 2014

IFRS 9 Financial Instruments: Classification and Measurement of Financial Assets, Accounting for Financial Liabilities and Derecognition – 1 January 2018

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognise either 12 months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

Hedge accounting

Hedge effectiveness testing is prospective without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, can be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

The bank will quantify the effect in conjunction with the other phases. when the final standard, including all phases, is issued.

IFRS 15 Revenue from Contracts with Customers – effective 1 January 2017

IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The bank is still assessing the impact of this new standard, but it is not expected to have a significant effect on its financial performance. There may be an impact on the level of disclosure provided.

Annual improvements 2012-2014 Cycle – effective 1 July 2016

The annual improvements 2012-2014 Cycle make amendments to the following standards:

- IFRS 5 – Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or *vice versa* and cases in which held-for-distribution accounting is discontinued
- IFRS 7 – Additional guidance given to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification made on offsetting disclosures in condensed interim financial statements
- IAS 9 – Clarifies that the high-quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- IAS 34 – Clarifies the meaning of 'elsewhere in the interim report' and require a cross reference.

The directors will assess the impact of the amendments when they become effective.

Disclosure Initiative (amendments to IAS 1) – effective 1 January 2016

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply
- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss
- Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

Annual Improvements 2010-2012 Cycle – effective 1 July 2014

The annual improvements 2010-2012 Cycle make amendments to the following standards:

- IFRS 2 – Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'
- IFRS 3 – Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 – Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 – Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 – Clarify how payments to entities providing management services are to be disclosed.

Additional disclosure will be made in the financial statements of the bank to cater for these amendments when they become effective.

Annual Improvements 2011-2013 Cycle

The annual improvements 2011-2013 Cycle make amendments to the following standards:

- IFRS 1 – Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only)
- IFRS 3 – Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- IFRS 13 – Clarify the scope of the portfolio exception in paragraph 52
- IAS 40 – Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

Additional disclosure will be made in the financial statements of the bank to cater for these amendments when they become effective.

No early adoption of these standards and interpretations is intended by the board of directors.

For the year to 31 March US$'000	2015	2014	2013
3. Interest income/(expense)			
Interest income			
Due from banks	783	1 248	835
Loans and advances to customers	57 380	49 983	43 929
Holding bank and group companies	1 000	1 262	545
Financial assets – loans and receivables	1 297	2 507	3 161
Financial assets – held-to-maturity	6 927	5 764	4 805
Financial assets – available-for-sale	1 557	2 441	–
	68 944	63 205	53 275
Financial assets designated at fair value through profit or loss	424	1 169	2 522
	69 368	64 374	55 797
Interest expense			
Deposits by banks	(38)	(69)	(137)
Repurchase agreements	(931)	(1 012)	(223)
Due to customers	(4 090)	(5 817)	(4 574)
Debt securities in issue	(7 293)	(6 438)	(5 867)
Holding bank and group companies	(588)	(1 655)	(4 019)
	(12 940)	(14 991)	(14 820)

For the year to 31 March US$'000	2015	2014	2013
4. Fee and commission income			
Fee and commission income			
Credit-related fees and commissions	7 205	5 163	2 428
Brokerage fees received	1 743	1 337	1 174
Client transactions and maintenance fees	1 514	99	–
Other fees received	353	44	68
	10 815	6 643	3 670
Fee and commission expense			
Brokerage fees paid	(71)	(65)	(16)
Portfolio and other management fees	(2 963)	(607)	(454)
Other fees paid	(2)	(550)	(34)
	(3 036)	(1 222)	(504)

For the year to 31 March US$'000	2015	2014	2013
5. Net trading (loss)/income			
Net interest expense on trading derivatives	(7 996)	(6 271)	(6 861)
Changes in fair value of derivative financial instruments	6 611	9 018	8 515
Foreign exchange loss	(671)	(418)	(327)
	(2 056)	2 329	1 327

Included in 'foreign exchange loss' are gains and losses from spot and forward contracts and other currency derivatives.

For the year to 31 March US$'000	2015	2014	2013
6. Net gain/(loss) on financial instruments designated at fair value through profit or loss			
The fair value gain/(loss) arise on:			
Debt securities			
– Realised gain	78	–	–
– Unrealised (loss)/gain	(741)	(2 569)	2 192
Equities			
– Realised gain/(loss)	128	(662)	–
– Unrealised gain/(loss)	3 974	3 658	(3 391)
	3 439	427	(1 199)

For the year to 31 March US$'000	2015	2014	2013
7. Net other operating income			
Other operating income			
Loss on disposal of equipment	(6)	–	–
Profit on disposal of investment in subsidiary	–	643	–
Profit on disposal of loans and advances	540	–	–
Dividends received	–	1 857	–
Other income	16	27	–
	550	2 527	–
Other operating loss			
Risk-event loss	(11)	(10)	–
	539	2 517	–

For the year to 31 March US$'000	2015	2014	2013
8. Impairment reversal/(loss) on loans and advances			
Movement in allowance for credit impairment (note 17)	1 636	(1 071)	(377)
Loss on disposal of loans and advances	(1 299)	(2 583)	–
Loans and advances recovered	2 022	–	–
	2 359	(3 654)	(377)

For the year to 31 March US$'000	2015	2014	2013
9. Personnel expenses			
Wages and salaries	(5 068)	(4 057)	(3 530)
Pension costs – defined contribution plan	(117)	(98)	(73)
Other benefits	(625)	(580)	(477)
	(5 810)	(4 735)	(4 080)

For the year to 31 March US$'000	2015	2014	2013
10. Other operating expenses			
Administrative expenses	(4 795)	(4 836)	(4 770)
Advertising and marketing	(19)	(43)	(68)
Audit fees	(149)	(151)	(144)
Non-audit fees*	(56)	(21)	(11)
Professional fees	(79)	(68)	(115)
Rental charges payable under operating lease	(368)	(341)	(331)
	(5 466)	(5 460)	(5 439)

* *Non-audit fees relate to work performed by Ernst & Young Mauritius in respect of the preference shares listing, pension fund, tax and half-year reviews.*

For the year to 31 March US$'000	2015	2014	2013
11. Taxation			
Statement of financial position			
Income tax liability:			
– Current year	2 536	1 694	1 413
Corporate social responsibility	2	–	–
Tax refund	–	(562)	–
Tax paid under Advance Payment Scheme	(956)	(25)	(398)
	1 582	1 107	1 015
Statement of profit or loss			
The components of income tax expense for the years ended 31 March 2015, 31 March 2014 and 31 March 2013 are:			
Current income tax	2 536	1 694	1 413
Corporate social responsibility	42	9	5
Adjustment in respect of current income tax of prior years	101	(1 473)	(151)
Deferred tax			
– Relating to origination and reversal of temporary differences	(32)	(31)	(13)
– Adjustment in respect of deferred tax of prior years	(17)	–	1
Income tax expense reported in the statement of profit or loss	2 630	199	1 255
Reconciliation of the total tax charge			
A reconciliation between the tax expense and the accounting profit multiplied by the domestic tax rate for the years ended 31 March 2015, 2014 and 2013 is as follows:			
Profit before tax	57 087	46 100	34 249
At statutory income tax rate of 15% (2014 and 2013: 15%)	8 563	6 915	5 137
Foreign tax credit	(6 685)	(5 033)	(3 864)
Adjustment in respect of current income tax of prior years	101	(1 473)	(151)
Special levy	738	406	343
Corporate social responsibility	42	9	5
Other deductible items	(332)	(2 096)	(1 298)
Non-deductible expenses	220	1 471	1 082
Deferred tax			
– Adjustment in respect of deferred tax of prior years	(17)	–	1
Income tax expense reported in the statement of profit or loss	2 630	199	1 255
Effective income tax rate	5%	0%	4%

11. Taxation (continued)

The corporate tax rate of the bank is 15%. The bank benefits from a presumed foreign tax credit of 80% on its tax payable insofar as it relates to income earned from Segment B activities.

Tax paid under Advance Payment Scheme

The Finance Act 2007 introduced an Advance Payment System (APS) whereby companies having a turnover of 100 million Mauritian Rupee or more are required to file a quarterly corporate tax return as from 1 July 2008.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) was legislated by the government of Mauritius in July 2009. In terms of the legislation, the bank is required to allocate 2% of its Segment A activities of the preceding financial year to government-approved CSR projects.

Special Levy

The bank is liable to a special levy pursuant to the provisions of the Income Tax Act 1995. For the year under review, the levy on Segment A activities is computed at 10% of the preceding year chargeable income; the levy for Segment B activities is computed at 3.4% of its book profit and 1.0% of the preceding year operating income.

Deferred tax

The deferred tax included in the statement of financial position and changes recorded in the income tax expense are as follows:

	2015			2014			2013		
For the year to 31 March US$'000	Deferred tax asset	Deferred tax liability	Statement of profit or loss	Deferred tax asset	Deferred tax liability	Statement of profit or loss	Deferred tax asset	Deferred tax liability	Statement of profit or loss
The movement on deferred income tax account is as follows:									
Provisions for credit impairment	343	–	70	273	–	31	242	–	12
Other temporary differences:									
– Accelerated tax depreciation	–	(1)	–	–	(1)	–	–	(1)	–
– Deferred fees income	–	(48)	(37)	21	–	–	21	–	–
Other	16	–	16	–	–	–	–	–	–
	359	(49)	49	294	(1)	31	263	(1)	12

For the year to 31 March US$'000	2015	2014	2013
12. Dividend proposed and paid			
Declared and paid during the year			
Equity dividends on ordinary shares:			
Final dividends for 2015: US$0.35 (2014 and 2013: US$nil)	(19 836)	–	–

At 31 March US$'000	2015	2014	2013
13. Cash and balances with central bank			
Cash in hand (note 32)	2	5	4
Cash reserve with the central bank			
– Restricted	1 793	5 543	4 026
– Unrestricted (note 32)	7 542	11 162	526
	9 337	16 710	4 556

The restricted reserve with the Central Bank of Mauritius is not available to finance the bank's day-to-day operations.

At 31 March US$'000	2015	2014	2013
14. Due from banks and reverse repurchase agreement			
(a) Due from banks:			
Placements with other banks (note 32)	256 603	284 161	290 985
Loans and advances	–	–	50 010
	256 603	284 161	340 995
(b) Reverse repurchase agreement:			
Reverse repurchase agreement			
Carrying amount	13 987	–	–
	13 987	–	–

15. Derivative financial instruments

The table shows the fair values of derivatives financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	2015			2014			2013		
At 31 March US$'000	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Interest rate swaps	153	(1 014)	143 747	2 486	(775)	145 494	2 519	(1 335)	99 478
Currency swaps	10 468	–	144 530	159	(4 436)	65 997	229	(1 344)	142 494
Forward foreign exchange contracts	1 329	(24)	280 185	36	(6 039)	325 114	683	(555)	287 038
Equity derivative – stay-in option	17 160	–	–	32 482	–	–	28 153	–	–
Credit default swaps	–	–	–	–	–	–	–	–	3 576
	29 110	(1 038)	568 462	35 163	(11 250)	536 605	31 584	(3 234)	532 586

Most of the bank's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. The bank may also take positions with the expectation of profiting from favourable movements in prices, rates and indices.

Forwards

Forwards contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. The bank has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and are therefore considered to bear a high liquidity risk. Such contracts also result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payment over time based on specified notional amounts in relation to movements in interest rate, foreign currency rate or equity index. In case of credit default swaps, it is the streams of payment with respect to defined credit events based on specified notional amounts. Collateral given in respect of the credit default swaps amounted to US$nil as the swap has matured during the year ended 31 March 2014 (2014: US$nil and 2013: US$4.5 million).

Equity derivative – stay-in option

The equity derivative relates to the bank's right in listed share and is measured at fair value through profit and loss using quoted market price as observable input.

At 31 March US$'000	2015	2014	2013
16. Investment securities			
Financial assets designated at fair value through profit or loss (a)	23 565	22 387	23 119
Financial assets – loans and receivable	11 100	24 347	44 897
Financial assets – held-to-maturity	127 948	140 816	121 740
Financial assets – available-for-sale	54 088	56 201	–
	216 701	243 751	189 756
At year end, loans and receivables were neither past due nor impaired.			
(a) Financial assets designated at fair value through profit or loss			
Debt securities	2 979	5 620	8 582
Quoted equities	33	213	174
Unquoted equities	20 553	16 554	14 363
	23 565	22 387	23 119

At 31 March US$'000	2015	2014	2013
17. Loans and advances to customers			
Personal	1 837	1 734	881
Business	217 597	94 884	54 043
Entities outside Mauritius	713 132	802 451	725 022
Gross loans and advances	932 566	899 069	779 946
Less: allowance for impairment losses	(6 653)	(8 367)	(7 701)
	925 913	890 702	772 245

Set-off

The bank has entered into a lease and sub-lease agreement with two different counterparties in prior years. Under this transaction, the bank will only make payment for the lease when funds are received from the sub-lease. Since both agreements are linked, the bank has netted off the lease receivable and payable of US$899K (2014: US$4.2 million and 2013: US$7.7 million) and the amount recognised in the statement of financial position is nil.

Refer to page 32 for cash collateral which the bank has a right to invoke in an event of default by the borrower.

17. Loans and advances to customers (continued)

Impairment allowance on loans and advances to customers

A reconciliation of the allowance for impairment losses on loans and advances by class is as follows:

At 31 March US$'000	Personal	Business	Entities outside Mauritius	Total
At 1 April 2014	15	1 376	6 976	8 367
Provisions charged/(reversed) to statement of profit or loss (note 8)	7	300	(1 943)	(1 636)
Written off out of allowance	–	–	(78)	(78)
At 31 March 2015	22	1 676	4 955	6 653
Individual impairment	–	–	–	–
Collective impairment	22	1 676	4 955	6 653
	22	1 676	4 955	6 653
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	–	–	–	–
At 1 April 2013	7	440	7 254	7 701
Provisions charged to statement of profit or loss (note 8)	8	936	127	1 071
Written off out of allowance	–	–	(348)	(348)
Exchange difference	–	–	(57)	(57)
At 31 March 2014	15	1 376	6 976	8 367
Individual impairment	–	–	78	78
Collective impairment	15	1 376	6 898	8 289
	15	1 376	6 976	8 367
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	–	–	78	78
At 1 April 2012	8	463	6 907	7 378
Provisions (reversed)/charged to statement of profit or loss (note 8)	(1)	(23)	401	377
Exchange difference	–	–	(54)	(54)
At 31 March 2013	7	440	7 254	7 701
Individual impairment	–	–	551	551
Collective impairment	7	440	6 703	7 150
	7	440	7 254	7 701
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	–	–	4 237	4 237

The following is a reconciliation of the individual and collective allowances for impairment losses on loans and advances:

At 31 March US$'000	Individual impairment	Collective impairment	Total
17. Loans and advances to customers (continued)			
At 1 April 2014	78	8 289	8 367
Provisions reversed to statement of profit or loss (note 8)	–	(1 636)	(1 636)
Written off out of allowance	(78)	–	(78)
At 31 March 2015	–	6 653	6 653
At 1 April 2013	551	7 150	7 701
Provisions (reversed)/charged to statement of profit or loss (note 8)	(68)	1 139	1 071
Written off out of allowance	(348)	–	(348)
Exchange difference	(57)	–	(57)
At 31 March 2014	78	8 289	8 367
At 1 April 2012	220	7 158	7 378
Provisions charged/(reversed) to statement of profit or loss (note 8)	385	(8)	377
Exchange difference	(54)	–	(54)
At 31 March 2013	551	7 150	7 701

The fair value of collaterals that the bank holds relating to loans individually determined to be impaired as at March 2015 is US$nil (2014: US$nil and 2013: US$10.24 million).

At 31 March US$'000	2015	2014 Restated	2013 Restated
18. Investment in associate			
Equity accounted:			
At 1 April	4 915	4 915	4 915
Share of profit in associate	–	–	–
Dividends received during the year	–	–	–
Equity accounted	4 915	4 915	4 915

The associate relates to:

	Class of shares	Country of incorporation	Nominal value	% holding
Dolphin Coast Marina Estate Limited	Ordinary	Mauritius	4 915	34.54%

The bank has early adopted the amendments to IAS 27 Equity Method in Separate Financial Statements whereby it has equity accounted its investment in associate in the separate financial statements. The restatement had no effect on the amounts reported as the cost previously reported approximates the amount that is shown under the equity accounting method.

At 31 March US$'000	2015	2014	2013
19. Investment in subsidiary			
Cost	–	–	15

	Class of shares	Country of incor-poration	Nominal value 2015	Nominal value 2014	Nominal value 2013	% holding 2015	% holding 2014	% holding 2013
Investec Trust (Mauritius) Limited	Ordinary	Mauritius	–	–	15	–	–	100%

The subsidiary was disposed of during the financial year ended 31 March 2014.

At 31 March US$'000	Computer equipment	Furniture and fittings	Office equipment	Motor vehicles	Total
20. Equipment					
Cost					
At 1 April 2014	188	380	333	87	988
Additions	20	76	107	–	203
Reclassification and disposal	(18)	7	(89)	9	(91)
At 31 March 2015	190	463	351	96	1 100
Depreciation					
At 1 April 2014	134	188	263	65	650
Charge for the year	31	40	47	7	125
Reclassification and disposal adjustment	(35)	3	(63)	11	(84)
At 31 March 2015	130	231	247	83	691
Net book values at 31 March 2015	60	232	104	13	409
Cost					
At 1 April 2013	167	374	313	87	941
Additions	53	6	20	–	79
Disposal	(32)	–	–	–	(32)
At 31 March 2014	188	380	333	87	988
Depreciation					
At 1 April 2013	140	151	204	59	554
Charge for the year	26	37	59	6	128
Disposal adjustment	(32)	–	–	–	(32)
At 31 March 2014	134	188	263	65	650
Net book values at 31 March 2014	54	192	70	22	338
Cost					
At 1 April 2012	160	374	312	87	933
Additions	27	–	1	–	28
Disposal	(20)	–	–	–	(20)
At 31 March 2013	167	374	313	87	941
Depreciation					
At 1 April 2012	137	114	144	53	448
Charge for the year	23	37	60	6	126
Disposal adjustment	(20)	–	–	–	(20)
At 31 March 2013	140	151	204	59	554
Net book values at 31 March 2013	27	223	109	28	387

At 31 March US$'000	2015	2014	2013
21. Other assets			
Accrued income	81	1 776	985
Prepayments	72	10	3
Other receivables	3 131	3 350	4 148
	3 284	5 136	5 136

Other receivables consist mainly of exit fees on loans and advances to customers which are deferred over the term of the loan.

At 31 March US$'000	2015	2014	2013
22. Deposits by banks			
Term deposits from other banks			
– Bank in Mauritius	–	–	3 527
	–	–	3 527

At 31 March US$'000	2015	2014	2013
23. Securities sold under repurchase agreement			
Held-to-maturity bonds			
Carrying amount assets	123 250	123 978	121 740
Carrying amount associated liabilities	(110 025)	(121 403)	(119 378)

The bank has a programme to sell securities under agreements to repurchase (repos).

The securities sold under agreements to repurchase are transferred to a third party and the bank receives cash in exchange. These transactions are conducted under terms based on the applicable ISDA Collateral Guidelines. If the securities increase or decrease in value the bank may, in certain circumstances, require, or be required, to pay additional cash collateral. The bank has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

The associated liabilities, which are recorded against the cash received for such transactions has a carrying amount and fair value of US$110 million at 31 March 2015 (2014: US$121 million and 2013: US$119 million) and are presented in the statement of financial position in the line item 'securities' sold under repurchase agreements with banks.

For the year to 31 March US$'000	2015	2014	2013
24. Due to customers			
Personal			
– Current accounts	35 426	29 273	29 243
– Term deposits	62 980	60 282	47 621
Business			
– Current accounts	594 759	585 188	326 980
– Term deposits	84 041	157 461	263 010
	777 206	832 204	666 854

At 31 March US$'000	Carrying value 2015	Carrying value 2014	Carrying value 2013
25. Debt securities in issue			
Redeemable cumulative non-participating preference shares of nominal value US$191 525 000 and EUR52 700 000 at no par value (2014: US$191 525 000 and EUR52 700 000 and 2013: US$147 525 000 and EUR52 700 000).	249 512	266 299	217 060

As the preference shares were going to be listed on the Johannesburg Stock Exchange market, the existing preference shares were fully redeemed in December 2014 and new redeemable cumulative non-participating preference shares were issued to the sole shareholder, Investec Bank Limited. The terms and conditions relating to the new preference shares were not significantly different from those redeemed.

31 March 2015

The 10-year redeemable preference shares bear interest as follows and are listed on the Johannesburg Stock Exchange.

CLASS IMRP1	Fixed rate 3.962% up to 4 September 2019 thereafter three-month EURIBOR+1.35%
CLASS IMRP2	Fixed rate 3.99% up to 23 October 2019 thereafter three-month EURIBOR+1.35%
CLASS IMRP3	Three-month EURIBOR+1.63% up to 28 November 2021
CLASS IMRP4	Fixed rate 3.075% up to 1 April 2018 thereafter three-month US$ LIBOR+1.35%
CLASS IMRP5	Fixed rate 1.912% up to 28 July 2017 thereafter three-month US$ LIBOR+1%
CLASS IMRP6	Three-month US$ LIBOR+1.35% up to 31 August 2021
CLASS IMRP7	Fixed rate 3.394% up to 22 May 2019 thereafter three-month US$ LIBOR+1.35%

31 March 2014 and 2013

The 10-year redeemable preference shares bear interest as follows:

CLASS A1	Three-month US$ LIBOR+1.35%
CLASS A2	Fixed rate 3.394% up to 25 November 2019 thereafter three-month US$ LIBOR+1.35%
CLASS A3	Fixed rate 3.075% up to 31 March 2018 thereafter three-month US$ LIBOR+1.35%
CLASS B1	Fixed rate 3.99% up to 29 October 2019 thereafter three-month EURIBOR+1.35%
CLASS B2	Fixed rate 3.962% up to 30 September 2019 thereafter three-month EURIBOR+1.35%
CLASS B3	Three-month EURIBOR+1.63%
CLASS CU1	Fixed rate 1.912% up to 28 July 2017 thereafter three-month US$ LIBOR+1%

At 31 March US$'000	2015	2014	2013
26. Other liabilities			
Accounts payable and sundry creditors	12 578	30 593	4 408
Deferred income	769	1 467	2 674
	13 347	32 060	7 082

Accounts payable and sundry creditors mainly consist of settlement liabilities (unallocated deposits) of US$8.1 million as at 31 March 2015 (2014: US$26.1 million and 2013: US$0.5 million).

27. Retirement benefit costs

Defined contribution plan

The assets of the plan are held separately from those of the bank in a fund under the control of the trustees.

Where employees leave the plan prior to vesting fully in the contributions, the contributions payable by the bank are reduced by the amount of forfeited contributions.

The total cost charged to profit or loss of US$117 405 (2014: US$98 015 and 2013: US$73 327) represents contributions payable to these plans by the bank at rates specified in the rules of the plan.

The defined contribution made in respect of key management personnel amounts to US$50 945 (2014: US$48 918 and 2013: US$50 419).

At 31 March	2015 Number of shares	2015 Amount US$'000	2014 Number of shares	2014 Amount US$'000	2013 Number of shares	2013 Amount US$'000
28. Stated capital						
Ordinary shares (issued)	56 478 463	56 478	56 478 463	56 478	56 478 463	56 478

At 31 March US$'000	Available-for-sale reserve	General banking reserve	Statutory reserve	Total
29. Reserves				
At 1 April 2014	399	4 687	47 205	52 291
Fair value movement on available-for-sale assets	(482)	–	–	(482)
Appropriations to other reserves	–	1 422	8 169	9 591
At 31 March 2015	(83)	6 109	55 374	61 400
At 1 April 2013	–	2 745	40 320	43 065
Fair value movement on available-for-sale assets	399	–	–	399
Appropriations to other reserves	–	1 942	6 885	8 827
At 31 March 2014	399	4 687	47 205	52 291
At 1 April 2012	–	2 885	35 371	38 256
Appropriations to other reserves	–	(140)	4 949	4 809
At 31 March 2013	–	2 745	40 320	43 065

Available-for-sale reserve

This reserve comprises fair value movements recognised on available-for-sale financial assets.

General banking reserve

It includes among others:

- The difference between the actual historical loss ratio and the statutory general provision of 1% which is done through a transfer from Retained Earnings in line with the Bank of Mauritius Guidelines on Credit Impairment Measurement and Income Recognition; and
- Country risk allowance computed in accordance with the Bank of Mauritius Guidelines on Country Risk Management.

Statutory reserve

This reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the profit for the year is transferred each year until the balance is equal to the amount paid as stated capital.

30. Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the bank's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

At 31 March US$'000	Category of financial instruments	Carrying value 2015	Fair value 2015	Carrying value 2014	Fair value 2014	Carrying value 2013	Fair value 2013
Financial assets							
Cash and balances with central bank	Loans and receivables	9 337	9 337	16 710	16 710	4 556	4 556
Due from banks	Loans and receivables	256 603	256 603	284 161	284 161	340 995	340 995
Reverse repurchase agreement	Loans and receivables	13 987	13 987	–	–	–	–
Derivative financial instruments	Held-for-trading	29 110	29 110	35 163	35 163	31 584	31 584
Investment securities	Held to maturity	127 948	143 579	140 816	152 505	121 740	136 146
Investment securities	Loans and receivables	11 100	11 100	24 347	24 347	44 897	44 897
Investment securities	Assets at fair value through profit or loss	23 565	23 565	22 387	22 387	23 119	23 119
Investment securities	Available-for-sale	54 088	54 088	56 201	56 201	–	–
Amount due from holding bank	Loans and receivables	125 634	125 634	182 430	182 430	18 625	18 625
Amount due from group companies	Loans and receivables	3 693	3 693	3 877	3 877	3 122	3 122
Loans and advances to customers	Loans and receivables	925 913	935 431	890 702	892 117	772 245	780 348
Other assets	Loans and receivables	3 212	3 212	5 126	5 126	5 132	5 132
		1 584 190	1 609 339	1 661 920	1 675 024	1 366 015	1 388 524
Financial liabilities							
Deposits by banks	Liabilities at amortised cost	–	–	–	–	3 527	3 527
Derivative financial instruments	Held-for-trading	1 038	1 038	11 250	11 250	3 234	3 234
Amount due to holding bank	Liabilities at amortised cost	43 182	43 182	42 632	42 632	35 554	35 554
Amount due to group companies	Liabilities at amortised cost	9 459	9 459	10 115	10 115	13 788	13 788
Due to customers	Liabilities at amortised cost	777 206	777 766	832 204	832 380	666 854	665 179
Debt securities in issue	Liabilities at amortised cost	249 512	264 808	266 299	268 270	217 060	221 222
Other liabilities	Liabilities at amortised cost	13 347	13 347	32 060	32 060	7 082	7 082
		1 093 744	1 109 600	1 194 560	1 196 707	947 099	949 586

Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying values approximate their fair value. This assumption also applies to demand deposits, savings accounts without specific maturity and variable rate financial instruments.

Fixed-rate financial instruments

The fair value of fixed-rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity.

30. Fair value of financial instruments (continued)

Investment securities held-to-maturity

The fair value of held-to-maturity investments is based on quoted prices obtained from the relevant exchanges.

Financial instruments recorded at fair value

Determination of fair value and fair value hierarchy

The bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 March US$'000	Level 1	Level 2	Level 3	Total
At 31 March 2015				
Financial assets				
Derivative financial instruments	–	29 110	–	29 110
Financial assets designated at fair value through profit or loss	33	20 553	2 979	23 565
Financial assets – available-for-sale	54 088	–	–	54 088
Total unrecognised change in unrealised fair value	54 121	49 663	2 979	106 763
Financial liabilities				
Derivative financial instruments	–	1 038	–	1 038
Total unrecognised change in unrealised fair value	–	1 038	–	1 038
At 31 March 2014				
Financial assets				
Derivative financial instruments	–	35 163	–	35 163
Financial assets designated at fair value through profit or loss	213	16 554	5 620	22 387
Financial assets – available-for-sale	56 201	–	–	56 201
Total unrecognised change in unrealised fair value	56 414	51 717	5 620	113 751
Financial liabilities				
Derivative financial instruments	–	11 250	–	11 250
Total unrecognised change in unrealised fair value	–	11 250	–	11 250
At 31 March 2013				
Financial assets				
Derivative financial instruments	–	31 584	–	31 584
Financial assets designated at fair value through profit or loss	174	12 939	10 006	23 119
Financial assets – available-for-sale	–	–	–	–
Total unrecognised change in unrealised fair value	174	44 523	10 006	54 703
Financial liabilities				
Derivative financial instruments	–	3 234	–	3 234
Total unrecognised change in unrealised fair value	–	3 234	–	3 234

Certain financial instruments are recorded at fair value using valuation techniques as current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against the prices of actual market transactions and using the bank's best estimate of the most appropriate model inputs.

30. Fair value of financial instruments (continued)

Financial instruments whose fair value is disclosed

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent imported loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include data from third parties.

To improve the accuracy of the valuation estimate, homogeneous loans are grouped into portfolios with similar characteristics such as LTV ratios, the quality of collateral, product and borrower type and default probability.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at reporting date.

The fair value disclosed on financial instruments accounted for at amortised cost would have been classified as level 2.

Movements in level 3 financial instruments measured at fair value

The level of the fair value hierarchy of financial instruments is determined at the beginning of each reporting period and reassessed as and when required. The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets and liabilities which are recorded at fair value:

At 31 March US$'000	2015	2014	2013
Opening balance	5 620	10 006	8 196
Total (losses)/gains in the statement of profit or loss	(663)	(2 982)	2 278
Disposals	(1 051)	(1 424)	–
Exchange difference	(927)	20	(468)
Closing balance	2 979	5 620	10 006

31. Valuation process and technique and assumptions for financial instruments measured at fair value

Valuation techniques

Listed investment in equity securities

When fair values of publicly traded equity securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within level 1 of the hierarchy. The bank values these investments at bid price for long positions and ask price for short positions.

Unlisted equity investment

The bank invests in the unquoted equity shares of an entity which holds listed shares. The fair value of the investment is based on the underlying security which is quoted on the stock exchange and no significant adjustment to this value was required. The bank therefore categorises these investments as level 2.

Over-the-counter derivatives

The bank uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs into models are market observable and are included within level 2.

Unlisted debt securities

The fair values of investments in debt securities, for which there is currently no active market, are calculated using a valuation model which is accepted in the industry. The model uses discounted cash flow analysis which incorporates both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest and real estate prices. Unobservable inputs include assumptions regarding expected future default rates and market liquidity discounts. Such instruments are included within level 3.

31. Valuation process and technique and assumptions for financial instruments measured at fair value (continued)

Quantitative information of significant unobservable inputs – level 3

Valuation process for level 3 instrument

The valuation of unlisted debt securities is obtained on a monthly basis from the valuation department of Investec Bank plc. The investment committee considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

At 31 March US$'000 Description	2015	Valuation basis/ technique	Main assumptions	Range
Debt securities	2 979	Discounted cash flow model	Discount rate	15% – 30%

Sensitivity analysis to significant changes in unobservable inputs within level 3 hierarchy – level 3

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 March 2015 are as shown below:

At 31 March 2015 US$'000 Description	Input	Sensitivity used	Effect on fair value	Effect on income statement
		13%	3 368	390
Debt securities	Discount rate	(11%)	2 648	(331)

At 31 March 2014 US$'000 Description	Input	Sensitivity used	Effect on fair value	Effect on income statement
		(3%)	6 351	731
Debt securities	Discount rate	2%	4 932	(688)

For the year to 31 March US$'000	2015	2014	2013
32. Additional cash flow information			
Cash and cash equivalents			
Cash in hand (note 13)	2	5	4
Current account with the central bank (note 13) – unrestricted	7 542	11 162	526
Placements with other banks (note 14)	256 603	284 161	290 985
	264 147	295 328	291 515
Change in operating assets			
Derivative financial instruments	4 130	(405)	(3 125)
Loans and advances to banks	–	50 010	(29 956)
Loans and advances to customers	(32 852)	(122 111)	(47 858)
Balance with central bank – restricted	3 750	(1 517)	(475)
Amount due from holding bank	56 796	(163 805)	(5 095)
Amount due from group companies	184	(755)	(55)
Other assets	1 852	(4)	1 853
	33 860	(238 587)	(84 711)
Change in operating liabilities			
Due to customers	(54 997)	165 350	269 124
Derivative financial instruments	(10 212)	8 016	–
Deposits from banks	–	(3 527)	1 488
Amount due to holding bank	550	7 078	(204 906)
Amount due to group companies	(656)	(3 664)	3 141
Other operating liabilities	(18 712)	24 974	(6 642)
	(84 027)	198 227	62 205
Non-cash items included in profit before tax			
Depreciation of equipment	125	128	126
Gain on investment securities and derivatives	(1 998)	(3 174)	(455)
Loss on disposal of equipment	6	–	–
Loss on disposal of investment	–	19	–
Interest received on reverse repurchase agreement	(3)	–	–
Foreign exchange loss/(gain) on investment securities	4 386	19 076	(37 757)
Interest and foreign exchange (gain)/loss on debt securities	(16 788)	5 238	(2 843)
Interest and foreign exchange (gain)/loss on securities sold under repurchase agreement	(11 378)	2 025	(367)
Foreign exchange loss/(gain) on cash and cash equivalent	23 293	(7 388)	517
Impairment (reversal)/loss on loans and advances	(2 359)	3 654	377
	(4 716)	19 578	(40 402)

33. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

At 31 March 2015 US$'000	Less than 12 months	Over 12 months	Total
Assets			
Cash and current account with central bank	7 544	1 793	9 337
Due from banks	256 603	–	256 603
Reverse repurchase agreement	13 987	–	13 987
Derivative financial instruments	18 568	10 542	29 110
Financial assets designated at fair value through profit or loss	–	23 565	23 565
Financial assets at amortised cost	–	11 100	11 100
Financial assets – available-for-sale	–	54 088	54 088
Financial assets – held-to-maturity	1 642	126 306	127 948
Amount due from holding bank	125 634	–	125 634
Amount due from group companies	3 693	–	3 693
Loans and advances to customers	300 445	625 468	925 913
Investment in associate	–	4 915	4 915
Equipment	–	409	409
Deferred tax assets	–	310	310
Other assets	3 284	–	3 284
Total	731 400	858 496	1 589 896
Liabilities			
Securities sold under repurchase agreement with banks	–	110 025	110 025
Derivative financial instruments	144	894	1 038
Amount due to holding bank	43 182	–	43 182
Amount due to group companies	9 459	–	9 459
Due to customers	743 895	33 311	777 206
Debt securities in issue	–	249 512	249 512
Current tax liabilities	1 582	–	1 582
Other liabilities	13 347	–	13 347
Total	811 609	393 742	1 205 351
Net	(80 209)	464 754	384 545

33. Maturity analysis of assets and liabilities
(continued)

At 31 March 2014 US$'000	Less than 12 months	Over 12 months	Total
Assets			
Cash and current account with central bank	11 167	5 543	16 710
Due from banks	284 161	–	284 161
Derivative financial instruments	17 354	17 809	35 163
Financial assets designated at fair value through profit or loss	–	22 387	22 387
Financial assets at amortised cost	–	24 347	24 347
Financial assets – held-to-maturity	–	56 201	56 201
Amount due from holding bank	–	140 816	140 816
Amount due from group companies	182 430	–	182 430
Loans and advances to customers	3 877	–	3 877
Investment in associate	211 574	679 128	890 702
Investment in subsidiary	–	4 915	4 915
Equipment	–	338	338
Deferred tax assets	–	293	293
Other assets	2 002	3 134	5 136
Total	712 565	954 911	1 667 476
Liabilities			
Securities sold under repurchase agreement with banks	–	121 403	121 403
Derivative financial instruments	6 044	5 206	11 250
Amount due to holding bank	7 541	35 091	42 632
Amount due to group companies	10 115	–	10 115
Due to customers	823 571	8 633	832 204
Debt securities in issue	–	266 299	266 299
Current tax liabilities	1 107	–	1 107
Other liabilities	31 319	741	32 060
Total	879 697	437 373	1 317 070
Net	(167 132)	517 538	350 406

33. Maturity analysis of assets and liabilities

(continued)

At 31 March 2013 US$'000	Less than 12 months	Over 12 months	Total
Assets			
Cash and current account with central bank	530	4 026	4 556
Due from banks	340 995	–	340 995
Derivative financial instruments	1 424	30 160	31 584
Financial assets designated at fair value through profit or loss	–	23 119	23 119
Financial assets at amortised cost	11 659	33 238	44 897
Financial assets – held-to-maturity	–	121 740	121 740
Amount due from holding bank	18 625	–	18 625
Amount due from group companies	3 122	–	3 122
Loans and advances to customers	140 002	632 243	772 245
Investment in associate	–	4 915	4 915
Investment in subsidiary	–	15	15
Equipment	–	387	387
Deferred tax assets	–	262	262
Other assets	1 705	3 431	5 136
Total	518 062	853 536	1 371 598
Liabilities			
Deposits by banks	3 527	–	3 527
Securities sold under repurchase agreement with banks	–	119 378	119 378
Derivative financial instruments	1 399	1 835	3 234
Amount due to holding bank	458	35 096	35 554
Amount due to group companies	13 722	66	13 788
Due to customers	622 086	44 768	666 854
Debt securities in issue	–	217 060	217 060
Current tax liabilities	1 015	–	1 015
Other liabilities	5 435	1 647	7 082
Total	647 642	419 850	1 067 492
Net	(129 580)	433 686	304 106

34. Contingent liabilities and commitments

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though the obligations may not be recognised on the reporting date they do contain credit risk and are therefore part of the overall risk of the bank. The table below sets out such contingent liabilities and commitments.

At 31 March US$'000	2015	2014	2013
Contingent liabilities			
Guarantees	16 447	28 880	22 710
Commitments			
Undrawn commitments to lend	114 315	65 923	81 374
Total contingent liabilities	130 762	94 803	104 084

Guarantees

Guarantees commit the bank to make payments on behalf of customers on the occurrence or non-occurrence of a specific, uncertain future event.

Undrawn commitments to lend

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the year end, there was no legal claim against the bank.

35. Related party disclosures

For the year to 31 March US$'000	2015	2014	2013
Compensation of key management personnel of the bank			
Short-term employee benefits	1 813	1 766	1 797
Other benefits	625	580	477
	2 438	2 346	2 274

The non-executive directors do not receive pension entitlements from the bank.

Transactions with key management personnel of the bank

The bank enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at market-related rates.

The following table provides the total amount of transactions, which has been entered into with the related parties for the relevant financial year:

At 31 March US$'000	2015	2014	2013
Loans and advances to key management personnel	345	25	61
Deposits from key management personnel	2 372	2 136	2 396

35. Related party disclosures (continued)

Transactions with other related parties

In addition to transactions with key management, the bank enters into transactions with its holding company, associates, fellow subsidiaries of the group as well as the Pension Fund and the CSR Fund.

Significant influence relates to companies where directors of the bank and/or the holding company has power to participate in the operating decisions.

The corporate social responsibilty fund: see page 56 of the MDA.

For the year to 31 March 2015 US$'000	Holding bank	Associate	Subsidiaries and fellow subsidiaries	Person with significant influence	Pension fund	Corporate social responsibility fund	Total
Statement of profit or loss							
Interest income	875	37	124	6 846	–	–	7 882
Interest expense	(7 874)	–	(7)	–	–	–	(7 881)
Fees expense	(425)	–	(2 538)	–	–	–	(2 963)
Contribution	–	–	–	–	(117)	–	(117)
Statement of financial position							
Assets							
Derivative assets	11 856	–	15	–	–	–	11 871
Investment securities	–	–	–	23 532	–	–	23 532
Investment in associate	–	4 915	–	–	–	–	4 915
Amount due from holding bank and group companies	125 634	–	3 693	–	–	–	129 327
Loans and advances	–	7 259	–	44 602	–	–	51 861
Liabilities							
Derivative liabilities	(1 010)	–	(28)	–	–	–	(1 038)
Amount due to holding bank and group companies	(43 182)	–	(9 459)	–	–	–	(52 641)
Deposits	–	(856)	–	(490)	–	(2)	(1 348)
Debt securities in issue	(249 512)	–	–	–	–	–	(249 512)
Off-balance sheet							
Guarantees received from	(89 366)	–	–	–	–	–	(89 366)

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35. Related party disclosures
(continued)

For the year to 31 March 2014 US$'000	Holding bank	Associate	Subsidiaries and fellow subsidiaries	Person with significant influence	Pension fund	Corporate social responsi-bility fund	Total
Statement of profit or loss							
Interest income	1 129	–	134	5 008	–	–	6 271
Interest expense	(6 853)	–	(1 241)	(58)	–	–	(8 152)
Fees expense	(289)	–	(318)	–	–	–	(607)
Contribution	–	–	–	–	(98)	(93)	(191)
Statement of financial position							
Assets							
Derivative assets	1 971	–	–	–	–	–	1 971
Investment securities	–	–	–	24 441	–	–	24 441
Investment in associate	–	4 915	–	–	–	–	4 915
Amount due from holding bank and group companies	182 430	–	3 877	–	–	–	186 307
Loans and advances	–	–	–	72 169	–	–	72 169
Liabilities							
Derivative liabilities	(11 170)	–	(80)	–	–	–	(11 250)
Amount due to holding bank and group companies	(42 632)	–	(10 115)	–	–	–	(52 747)
Deposits	–	–	–	(4 432)	–	(15)	(4 447)
Debt securities in issue	(266 299)	–	–	–	–	–	(266 299)
Off-balance sheet							
Guarantees received from	(75 637)	–	–	–	–	–	(75 637)

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35. Related party disclosures

(continued)

For the year to 31 March 2013 US$'000	Holding bank	Associate	Subsidiaries and fellow subsidiaries	Person with significant influence	Pension fund	Corporate social responsibility fund	Total
Statement of profit or loss							
Interest income	418	–	128	573	–	–	1 119
Interest expense	(7 678)	–	(2 207)	(118)	–	–	(10 003)
Fees expense	(238)	–	(216)	–	–	–	(454)
Contribution	–	–	–	–	(73)	(119)	(192)
Statement of financial position							
Asset							
Derivative assets	1 442	–	694	–	–	–	2 136
Investment securities	–	–	–	21 930	–	–	21 930
Investment in associate	–	4 915	–	–	–	–	4 915
Investment in subsidiary	–	–	15	–	–	–	15
Amount due to holding bank and group companies	18 625	–	3 122	–	–	–	21 747
Loans and advances	–	–	–	1 039	–	–	1 039
Liabilities							
Derivative liabilities	(3 081)	–	(153)	–	–	–	(3 234)
Amount due to holding bank and group companies	(35 554)	–	(13 788)	–	–	–	(49 342)
Deposits	–	–	–	(4 248)	–	(19)	(4 267)
Debt securities in issue	(217 060)	–	–	–	–	–	(217 060)
Off-balance sheet							
Guarantees received from	(17 798)	–	–	–	–	–	(17 798)

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates. Outstanding balances at year end are unsecured except for loans and advances where security is given. For the year ended 31 March 2015, the bank has not made any impairment loss relating to amounts owed by related parties (2014 and 2013: nil).

36. Holding companies

The immediate holding company is Investec Bank Limited, and ultimate holding is Investec Limited, both incorporated in Republic of South Africa.

37. Liquidity analysis of financial liabilities based on undiscounted cash flows

At 31 March 2015 US$'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	> Five years	Total
Derivative financial instruments	–	24	114	–	6	877	17	1 038
Amount due to holding bank	527	1 241	–	35 185	6 359	–	–	43 312
Amount due to group companies	9 459	–	–	–	–	–	–	9 459
Due to customers	630 185	47 574	38 340	23 289	4 800	34 713	–	778 901
Securities sold under repurchase agreement with banks	–	69	138	207	413	112 471	–	113 298
Debt securities in issue	–	178	1 225	1 571	3 183	25 431	258 586	290 174
Other liabilities	10 328	59	2 371	177	239	176	–	13 350
	650 499	49 145	42 188	60 429	15 000	173 668	258 603	1 249 582

The balances in the above table will not agree directly to the balances in the statement of financial position as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments.

At 31 March 2014 US$'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	> Five years	Total
Deposits by banks	–	–	–	–	–	–	–	–
Derivative financial instruments	–	6 044	–	–	–	5 138	68	11 250
Amount due to holding bank	388	950	–	–	6 247	35 550	–	43 135
Amount due to group companies	10 082	–	–	–	33	–	–	10 115
Due to customers	614 461	62 047	27 114	34 971	86 601	9 171	–	834 365
Securities sold under repurchase agreement with banks	–	86	173	259	518	31 471	94 078	126 585
Debt securities in issue	1 869	541	1 100	1 658	3 281	25 544	274 639	308 632
Other liabilities	27 623	60	3 155	181	362	679	–	32 060
	654 423	69 728	31 542	37 069	97 042	107 553	368 785	1 366 142

37. Liquidity analysis of financial liabilities based on undiscounted cash flows
(continued)

At 31 March 2013 US$'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	> Five years	Total
Deposits by banks	–	3 527	–	–	–	–	–	3 527
Derivative financial instruments	–	555	–	18	827	1 816	18	3 234
Amount due to holding bank	458	–	–	–	–	35 885	–	36 343
Amount due to group companies	8 670	4 220	837	–	–	68	–	13 795
Due to customers	356 223	75 600	131 724	15 283	44 189	46 759	–	669 778
Securities sold under repurchase agreement with banks	–	565	1 567	2 805	2 224	29 013	121 761	157 935
Debt securities in issue	–	–	–	–	–	21 271	235 032	256 303
Other liabilities	–	–	5 435	–	–	1 647	–	7 082
	365 351	84 467	139 563	18 106	47 240	136 459	356 811	1 147 997

38. Share-based payments

Options granted relate to Investec Limited shares which are listed on the Johannesburg Stock Exchange and are accordingly denominated in South African Rands. The US$/ZAR rate was 12.109 at 31 March 2015 (2014: 10.529 and 2013: 9.2014).

	2015		2014		2013	
Details of options outstanding during the year	Number of share options	WAEP ZAR	Number of share options	WAEP ZAR	Number of share options	WAEP ZAR
Outstanding at the beginning of the year	543 265	–	481 538	–	465 913	–
Granted during the year	65 000	–	140 850	–	103 650	–
Exercised during the year	(186 162)	–	(69 973)	–	(88 025)	–
Lapsed during the year	–	–	(9 150)	–	–	–
Outstanding at the end of the year	422 103	–	543 265	–	481 538	–
Exercisable at the end of the year	–	Nil	–	Nil	–	Nil

The exercise price range and weighted average remaining contractual life for options outstanding at 31 March, were as follows:

	2015	2014	2013
Options with strike prices			
Exercise price range	ZARnil	ZARnil	ZARnil
Weighted average remaining contractual life	Nil years	Nil years	Nil years
Long-term incentive grants with no strike price			
Exercise price range	ZARnil	ZARnil	ZARnil
Weighted average remaining contractual life	1.96 years	2.59 years	2.72 years

38. Share-based payments (continued)

The fair value of options granted were calculated using a Black-Scholes option pricing model. For options granted during the period, the inputs were as follows:

	2015	2014	2013
– Share price at date of grant	ZAR90 – ZAR100.57	ZAR70.00 – ZAR71.20	ZAR43.85 – ZAR54.85
– Exercise price	ZARnil	ZARnil	ZARnil
– Expected volatility	25.24% – 30%	30%	30%
– Option life	4.5 – 5 years	5 years	5 years
– Expected dividend yield	4.45% – 4.62%	3.89% – 5.08%	5.42% – 6.70%
– Risk-free rate	6.78% – 7.18%	6.04% – 7.08%	5.46% – 6.29%
	ZAR'000	ZAR'000	ZAR'000
Fair value of options granted in the year	4 671	7 316	3 871

Expected volatility was determined based on the implied volatility levels quoted by the equity derivatives' trading desk of our holding company. The expected volatility is based on the respective share price movement over the last six months, but also includes an element of forward expectation.

39. Operating lease commitments

The bank has entered into operating leases for its office buildings with lease terms between three and five years.

Future minimum rentals payable under non-cancellable operating leases as at 31 March, are as follows:

At 31 March US$'000	2015	2014	2013
Not later than one year	390	357	349
Later than one year and not later than five years	1 922	1 917	1 898
	2 312	2 274	2 247

40. Segmental analysis – Business analysis

For management purposes, the bank is organised into three operating segments based on products and services as follows:

Private Clients – Individual and corporate customers' loans

Corporate Clients – Treasury function and corporate customers' loans

Investment Strategies – Investment banking services and finance

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following table presents income and profit and certain asset and liability information regarding the bank's operating segments.

For the year to 31 March 2015 US$'000	Private Clients	Corporate Clients	Investment strategies	Interdivisional adjustment	Total
Interest income	21 652	67 843	14 666	(34 793)	69 368
Interest expense	(12 358)	(30 975)	(4 400)	34 793	(12 940)
Net interest income	**9 294**	**36 868**	**10 266**	**–**	**56 428**
Fee and commission income	1 227	9 482	106	–	10 815
Fee and commission expense	(158)	(2 822)	(56)	–	(3 036)
Net fee and commission income	**1 069**	**6 660**	**50**	**–**	**7 779**
Net trading (loss)/income	(99)	(9 772)	7 815	–	(2 056)
Net (loss)/gain on financial instruments designated at fair value through profit or loss	–	(58)	3 497	–	3 439
Net other operating income/(expenses)	–	556	(17)	–	539
Total operating income	**10 264**	**34 254**	**21 611**	**–**	**66 129**
Impairment (losses)/reversals on loans and advances	(310)	2 453	216	–	2 359
Net operating income	**9 954**	**36 707**	**21 827**	**–**	**68 488**
Personnel expenses	(845)	(3 114)	(1 851)	–	(5 810)
Depreciation of equipment	–	–	(125)	–	(125)
Other operating expenses	(794)	(2 930)	(1 742)	–	(5 466)
Total operating expenses	**(1 639)**	**(6 044)**	**(3 718)**	**–**	**(11 401)**
Profit before income tax	**8 315**	**30 663**	**18 109**	**–**	**57 087**
Cost to income ratio	**16.0%**	**17.6%**	**17.2%**	**–**	**17.2%**
Total assets	**422 963**	**2 282 509**	**504 674**	**(1 620 250)**	**1 589 896**
Total liabilities	**(412 484)**	**(2 256 610)**	**(156 507)**	**1 620 250**	**(1 205 351)**

40. Segmental analysis – Business analysis (continued)

For the year to 31 March 2014 US$'000	Private Clients	Corporate Clients	Investment strategies	Interdivisional adjustment	Total
Interest income	22 785	62 163	11 629	(32 203)	64 374
Interest expense	(13 477)	(29 408)	(4 309)	32 203	(14 991)
Net interest income	9 308	32 755	7 320	–	49 383
Fee and commission income	1 126	5 412	105	–	6 643
Fee and commission expense	(206)	(777)	(239)	–	(1 222)
Net fee and commission income/(expense)	920	4 635	(134)	–	5 421
Net trading income/(loss)	48	(5 023)	7 304	–	2 329
Net (loss)/gain on financial instruments designated at fair value through profit or loss	–	(966)	1 393	–	427
Net other operating income	–	18	2 499	–	2 517
Total operating income	10 276	31 419	18 382	–	60 077
Impairment reversals/(losses) on loans and advances	808	(3 826)	(636)	–	(3 654)
Net operating income	11 084	27 593	17 746	–	56 423
Personnel expenses	(930)	(2 315)	(1 490)	–	(4 735)
Depreciation of equipment	–	–	(128)	–	(128)
Other operating expenses	(1 073)	(2 670)	(1 717)	–	(5 460)
Total operating expenses	(2 003)	(4 985)	(3 335)	–	(10 323)
Profit before income tax	9 081	22 608	14 411	–	46 100
Cost to income ratio	19.5%	15.9%	18.1%	–	17.2%
Total assets	422 497	2 363 742	489 354	(1 608 117)	1 667 476
Total liabilities	(410 683)	(2 344 300)	(170 204)	1 608 117	(1 317 070)

40. Segmental analysis – Business analysis (continued)

For the year to 31 March 2013 US$'000	Private Clients	Corporate Clients	Investment strategies	Interdivisional adjustment	Total
Interest income	24 743	52 605	6 176	(27 727)	55 797
Interest expense	(13 526)	(27 293)	(1 728)	27 727	(14 820)
Net interest income	11 217	25 312	4 448	–	40 977
Fee and commission income	424	3 246	–	–	3 670
Fee and commission expense	(151)	(290)	(63)	–	(504)
Net fee and commission income/(expense)	273	2 956	(63)	–	3 166
Net trading (loss)/income	(115)	(5 129)	6 571	–	1 327
Net (loss)/gain on financial instruments designated at fair value through profit or loss	–	(1 621)	422	–	(1 199)
Total operating income	11 375	21 518	11 378	–	44 271
Impairment (losses)/reversals on loans and advances	(404)	70	(43)	–	(377)
Net operating income	10 971	21 588	11 335	–	43 894
Personnel expenses	(1 040)	(2 285)	(755)	–	(4 080)
Depreciation of equipment	–	–	(126)	–	(126)
Other operating expenses	(1 786)	(3 041)	(612)	–	(5 439)
Total operating expenses	(2 826)	(5 326)	(1 493)	–	(9 645)
Profit before income tax	8 145	16 262	9 842	–	34 249
Cost to income ratio	24.8%	24.8%	13.1%	–	21.8%
Total assets	485 484	817 446	289 709	(221 041)	1 371 598
Total liabilities	(420 302)	(840 861)	(27 370)	221 041	(1 067 492)

41. Statutory segmental reporting

At 31 March US$'000	Notes	Segment A 2015	2014	2013
Statement of financial position				
Cash and balances with central bank		9 337	16 710	4 556
Due from banks		45 583	30 236	55 497
Reverse repurchase agreement		–	–	–
Derivative financial instruments		–	–	–
Investment securities	I	1 642	–	–
Amount due from holding bank	II(a)	–	–	–
Amount due from group companies	III(a)	–	–	–
Loans and advances to customers	IV(a)	34 551	30 266	30 565
Investment in associates		4 915	4 915	4 915
Investment in subsidiary		–	–	15
Equipment		409	338	387
Deferred tax assets		310	293	262
Other assets	V	161	107	80
		96 908	82 865	96 277
Liabilities and equity				
Deposits by banks	VI	–	–	3 527
Securities sold under repurchase agreement with bank		–	–	–
Derivative financial instruments		–	–	–
Amount due to holding bank	II(b)	–	–	–
Amount due to group companies	III(b)	–	–	1 214
Due to customers	VII	31 953	120 801	56 211
Debt securities in issue		–	–	–
Current tax liabilities		1 582	1 107	1 015
Other liabilities	VIII	2 335	3 243	3 626
		35 870	125 151	65 593
Equity				
Stated capital				
Other reserves				
Retained earnings				
Total equity				
Total liabilities and equity				

Segment B			Total		
2015	2014	2013	2015	2014	2013
–	–	–	9 337	16 710	4 556
211 020	253 925	285 498	256 603	284 161	340 995
13 987	–	–	13 987	–	–
29 110	35 163	31 584	29 110	35 163	31 584
215 059	243 751	189 756	216 701	243 751	189 756
125 634	182 430	18 625	125 634	182 430	18 625
3 693	3 877	3 122	3 693	3 877	3 122
891 362	860 436	741 680	925 913	890 702	772 245
–	–	–	4 915	4 915	4 915
–	–	–	–	–	15
–	–	–	409	338	387
–	–	–	310	293	262
3 123	5 029	5 056	3 284	5 136	5 136
1 492 988	1 584 611	1 275 321	1 589 896	1 667 476	1 371 598
–	–	–	–	–	3 527
110 025	121 403	119 378	110 025	121 403	119 378
1 038	11 250	3 234	1 038	11 250	3 234
43 182	42 632	35 554	43 182	42 632	35 554
9 459	10 115	12 574	9 459	10 115	13 788
745 253	711 403	610 643	777 206	832 204	666 854
249 512	266 299	217 060	249 512	266 299	217 060
–	–	–	1 582	1 107	1 015
11 012	28 817	3 456	13 347	32 060	7 082
1 169 481	1 191 919	1 001 899	1 205 351	1 317 070	1 067 492
			56 478	56 478	56 478
			61 400	52 291	43 065
			266 667	241 637	204 563
			384 545	350 406	304 106
			1 589 896	1 667 476	1 371 598

41. Statutory segmental reporting (continued)

For the year ended 31 March US$'000	Segment A 2015	Segment A 2014	Segment A 2013
Statement of profit or loss			
Interest income	1 529	1 873	1 887
Interest expense	(1 527)	(1 984)	(1 432)
Net interest income/(expense)	**2**	**(111)**	**455**
Fee and commission income	1 121	551	81
Fee and commission expense	–	–	–
Net fee and commission income	**1 121**	**551**	**81**
Net trading (loss)/income	–	–	–
Net gain/(loss) on financial instruments designated at fair value through profit or loss	–	–	–
Net other operating (loss)/income	(17)	1 298	–
Total operating income	**1 106**	**1 738**	**536**
Impairment reversal/(loss) on loans and advances	26	(19)	(37)
Net operating income	**1 132**	**1 719**	**499**
Personnel expenses	(96)	(144)	(43)
Depreciation of equipment	(2)	(4)	(1)
Other operating expenses	(90)	(166)	(57)
Total operating expenses	**(188)**	**(314)**	**(101)**
Profit before tax	**944**	**1 405**	**398**
Income tax expense	**(531)**	**(19)**	**(122)**
Profit for the year	**413**	**1 386**	**276**

Segment B			Total		
2015	2014	2013	2015	2014	2013
67 839	62 501	53 910	69 368	64 374	55 797
(11 413)	(13 007)	(13 388)	(12 940)	(14 991)	(14 820)
56 426	49 494	40 522	56 428	49 383	40 977
9 694	6 092	3 589	10 815	6 643	3 670
(3 036)	(1 222)	(504)	(3 036)	(1 222)	(504)
6 658	4 870	3 085	7 779	5 421	3 166
(2 056)	2 329	1 327	(2 056)	2 329	1 327
3 439	427	(1 199)	3 439	427	(1 199)
556	1 219	–	539	2 517	–
65 023	58 339	43 735	66 129	60 077	44 271
2 333	(3 635)	(340)	2 359	(3 654)	(377)
67 356	54 704	43 395	68 488	56 423	43 894
(5 714)	(4 591)	(4 037)	(5 810)	(4 735)	(4 080)
(123)	(124)	(125)	(125)	(128)	(126)
(5 376)	(5 294)	(5 382)	(5 466)	(5 460)	(5 439)
(11 213)	(10 009)	(9 544)	(11 401)	(10 323)	(9 645)
56 143	44 695	33 851	57 087	46 100	34 249
(2 099)	(180)	(1 133)	(2 630)	(199)	(1 255)
54 044	44 515	32 718	54 457	45 901	32 994

41. Statutory segmental reporting (continued)

At 31 March US$'000	Segment A 2015	Segment A 2014	Segment A 2013
I. Investment securities			
Financial assets designated at fair value through profit or loss			
– Government-related debt securities	1 642	–	–
– Other debt securities	–	–	–
– Quoted equities	–	–	–
– Unquoted equities	–	–	–
Held-to-maturity financial assets	–	–	–
Available-for-sale financial assets	–	–	–
	1 642	–	–
II. Amounts due from/(to) holding bank			
Remaining term to maturity			
(a) Amount due from holding bank			
Within three months	–	–	–
	–	–	–
(b) Amount due to holding bank			
Within three months	–	–	–
Over three to six months	–	–	–
Over six to 12 months	–	–	–
Over one to five years	–	–	–
	–	–	–
III. Amount due from/(to) subsidiaries and other group companies			
Remaining term to maturity			
(a) Amount due from subsidiaries and other group companies			
Within three months	–	–	–
	–	–	–
(b) Amount due to subsidiaries and other group companies			
Within three months	–	–	1 214
Over six to 12 months	–	–	–
Over one to five years	–	–	–
	–	–	1 214

Segment B			Total		
2015	2014	2013	2015	2014	2013
–	–	–	1 642	–	–
14 079	29 967	53 479	14 079	29 967	53 479
33	213	174	33	213	174
20 553	16 554	14 363	20 553	16 554	14 363
126 306	140 816	121 740	126 306	140 816	121 740
54 088	56 201	–	54 088	56 201	–
215 059	243 751	189 756	216 701	243 751	189 756
125 634	182 430	18 625	125 634	182 430	18 625
125 634	182 430	18 625	125 634	182 430	18 625
1 766	1 338	458	1 766	1 338	458
35 091	–	–	35 091	–	–
6 325	6 203	–	6 325	6 203	–
–	35 091	35 096	–	35 091	35 096
43 182	42 632	35 554	43 182	42 632	35 554
3 693	3 877	3 122	3 693	3 877	3 122
3 693	3 877	3 122	3 693	3 877	3 122
9 459	10 082	12 508	9 459	10 082	13 722
–	33	–	–	33	–
–	–	66	–	–	66
9 459	10 115	12 574	9 459	10 115	13 788

41. Statutory segmental reporting (continued)

At 31 March US$'000	Segment A 2015	2014	2013
IV. Loans and advances to customers			
(a) Remaining term to maturity			
Within three months	5 564	9 105	4 963
Over three to six months	–	–	3 661
Over six to 12 months	812	1 119	–
Over one to five years	7 518	594	3 651
Over five years	20 657	19 448	18 290
	34 551	30 266	30 565
(b) Credit concentration of risk by industry sectors			
Credit exposures to any one customer exceeding 15% of capital base, classified by industry sectors			
Global business licence holders (GBL)	–	–	–
	–	–	–
(c) Allowance for credit impairment losses			
(i) Portfolio provision			
At 1 April	439	449	275
Loans written off out of allowance	–	–	–
Provision for/(release of) credit losses for the year	(26)	(10)	174
At 31 March	413	439	449
(ii) Specific provision			
At 1 April	–	–	–
Loans written off out of allowance	–	–	–
(Release of)/provision for credit losses for the year	–	–	–
Differences due to foreign currency translation	–	–	–
At 31 March	–	–	–
(iii) Total provision			
At 1 April	439	449	275
Loans written off out of allowance	–	–	–
(Release of)/provision for credit losses for the year	(26)	(10)	174
Differences due to foreign currency translation	–	–	–
At 31 March	413	439	449

Segment B			Total		
2015	2014	2013	2015	2014	2013
159 744	79 295	65 709	165 308	88 400	70 672
51 666	16 447	185	51 666	16 447	3 846
82 659	105 608	65 593	83 471	106 727	65 593
465 350	502 112	553 159	472 868	502 706	556 810
131 943	156 974	57 034	152 600	176 422	75 324
891 362	860 436	741 680	925 913	890 702	772 245
–	127 784	–	–	127 784	–
–	127 784	–	–	127 784	–
7 850	6 701	6 883	8 289	7 150	7 158
–	–	–	–	–	–
(1 610)	1 149	(182)	(1 636)	1 139	(8)
6 240	7 850	6 701	6 653	8 289	7 150
78	551	220	78	551	220
(78)	(348)	–	(78)	(348)	–
–	(68)	385	–	(68)	385
–	(57)	(54)	–	(57)	(54)
–	78	551	–	78	551
7 928	7 252	7 103	8 367	7 701	7 378
(78)	(348)	–	(78)	(348)	–
(1 610)	1 081	203	(1 636)	1 071	377
–	(57)	(54)	–	(57)	(54)
6 240	7 928	7 252	6 653	8 367	7 701

41. Statutory segmental reporting (continued)

At 31 March US$'000	Gross amount of loans	Non-performing loans
IV. Loans and advances to customers (continued)		
(d) Allowance for credit losses by sector		
Agriculture	1 993	–
Manufacturing	32 235	–
Tourism	23 280	1 141
Transport	148 882	–
Construction	319 830	–
Information, communication and technology	23 685	–
Financial and business services	95 455	–
Traders	–	–
Personal	29 413	436
Professional	–	–
Global business licence holders (GBL)	184 408	–
Media, entertainment and recreational activities	707	–
Infrastructure	53 331	–
Other sector	19 347	–
	932 566	1 577
Analysed by segments:		
Segment A		
Agriculture	–	–
Tourism	17 686	–
Transport	–	–
Construction	15 423	–
Financial and Business Services	–	–
Personal	1 831	–
Professional	–	–
Other entities	–	–
	34 940	–
Segment B		
Agriculture	1 993	–
Manufacturing	32 235	–
Tourism	5 595	1 141
Transport	148 882	–
Construction	304 408	–
Information, communication and technology	23 685	–
Financial and business services	95 455	–
Traders	–	–
Personal	27 582	436
Professional	–	–
Global business licence holders (GBL)	184 408	–
Media, entertainment and recreational activities	707	–
Infrastructure	53 331	–
Other entities	19 345	–
	897 626	1 577
	932 566	1 577

Specific provision	Portfolio provision	Total 2015	2014	2013
–	14	14	–	–
–	230	230	561	762
–	166	166	263	275
–	1 062	1 062	709	525
–	2 282	2 282	3 060	3 305
	169	169	306	161
–	681	681	603	910
–	–	–	184	478
–	210	210	1	3
–	–	–	394	509
–	1 316	1 316	1 264	219
–	5	5	16	62
–	380	380	818	417
–	138	138	188	75
–	6 653	6 653	8 367	7 701
–	–	–	–	–
–	126	126	256	327
–	–	–	–	–
–	265	265	159	106
–	–	–	–	–
–	22	22	1	3
–	–	–	23	13
–	–	–	–	–
–	413	413	439	449
–	14	14	–	–
–	230	230	561	762
–	40	40	7	(52)
–	1 062	1 062	709	525
–	2 017	2 017	2 901	3 199
–	169	169	306	161
–	681	681	603	910
–	–	–	184	478
–	188	188	–	–
–	–	–	371	496
–	1 316	1 316	1 264	219
–	5	5	16	62
–	380	380	818	417
–	138	138	188	75
–	6 240	6 240	7 928	7 252
–	6 653	6 653	8 367	7 701

41. Statutory segmental reporting (continued)

At 31 March US$'000	Segment A 2015	 2014	 2013
V. Other assets			
Accrued fee income	48	45	–
Prepayments	57	10	–
Other receivables	56	52	80
	161	107	80
VI. Deposit by banks			
Bank in Mauritius and banks abroad			
Remaining term to maturity			
Within three months	–	–	3 527
Over three to six months	–	–	–
	–	–	3 527
VII. Due to customers			
Demand	18 580	17 932	6 863
Term deposits with remaining term to maturity			
Within three months	6 225	21 505	7 884
Over three to six months	4 083	20 763	222
Over six to 12 months	646	58 867	20 655
Over one to five years	2 419	1 734	20 587
	31 953	120 801	56 211
VIII. Other liabilities			
Amounts payable and sundry creditors	2 335	3 243	3 626
	2 335	3 243	3 626
IX. Contingent liabilities			
To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though the obligations may not be recognised on the statement of financial position they do contain credit risk and are therefore part of the overall risk of the bank.			
Guarantees	11 016	20 850	11 969
Commitments – irrevocable unutilised facilities	5 701	36	11 006
	16 717	20 886	22 975

Commitments to extend credit represent contractual commitments to make loans and revolving credits.

	Segment B			Total		
	2015	2014	2013	2015	2014	2013
	33	1 731	985	81	1 776	985
	15	–	3	72	10	3
	3 075	3 298	4 068	3 131	3 350	4 148
	3 123	5 029	5 056	3 284	5 136	5 136
	–	–	–	–	–	3 527
	–	–	–	–	–	–
	–	–	–	–	–	3 527
	611 606	596 530	349 360	630 186	614 462	356 223
	80 522	67 587	199 344	86 747	89 092	207 228
	18 184	13 873	14 902	22 267	34 636	15 124
	4 049	26 515	22 855	4 695	85 382	43 510
	30 892	6 898	24 182	33 311	8 632	44 769
	745 253	711 403	610 643	777 206	832 204	666 854
	11 012	28 817	3 456	13 347	32 060	7 082
	11 012	28 817	3 456	13 347	32 060	7 082
	5 431	8 030	10 741	16 447	28 880	22 710
	108 614	65 887	70 368	114 315	65 923	81 374
	114 045	73 917	81 109	130 762	94 803	104 084

41. Statutory segmental reporting (continued)

For the year ended 31 March US$'000	Segment A 2015	2014	2013
Cash flow statement			
Operating activities			
Profit before tax	944	1 405	398
Adjustments for:			
Change in operating assets	(4 338)	273	(2 656)
Change in operating liabilities	(89 756)	59 466	24 509
Repurchase agreements made with banks	–	–	–
Reverse repurchase agreements made with banks	–	–	–
Non-cash item included in profit before tax	(1 998)	115	143
Dividend income	–	(655)	–
Income tax paid	(2 170)	(140)	(272)
Net cash flows (used in)/from operating activities	(97 318)	60 464	22 122
Investing activities			
Proceed from disposal of subsidiary	–	658	–
Purchase of investment securities	(1 867)	–	–
Proceeds on disposal of investment securities	–	938	–
Dividend received	–	655	–
Proceed from disposal of equipment	–	–	–
Purchase of equipment	(203)	(79)	(28)
Net cash flows (used in)/from investing activities	(2 070)	2 172	(28)
Financing activities			
Dividend paid	–	–	–
Redemption of preference shares	–	–	–
Issue of preference shares	–	–	–
Net cash flows (used in)/from financing activities	–	–	–
Net (decrease)/increase in cash and cash equivalents	(99 388)	62 636	22 094
Cash and cash equivalents at the beginning of the year	85 191	22 542	466
Effect of exchange rate changes on cash and cash equivalents	3	13	(18)
Cash and cash equivalents at the end of the year	(14 194)	85 191	22 542

Segment B			Total		
2015	2014	2013	2015	2014	2013
56 143	44 695	33 851	57 087	46 100	34 249
38 198	(219 784)	(119 812)	33 860	(219 511)	(122 468)
5 729	138 761	37 696	(84 027)	198 227	62 205
(13 984)	–	–	(13 984)	–	–
–	–	119 743	–	–	119 743
(2 718)	387	(2 788)	(4 716)	502	(2 645)
–	(1 202)	–	–	(1 857)	–
–	–	–	(2 170)	(140)	(272)
83 368	(37 143)	(51 053)	(13 950)	23 321	90 812
–	–	–	–	658	–
–	(74 270)	–	(1 867)	(74 270)	–
27 969	–	–	27 969	938	–
–	1 202	–	–	1 857	–
–	–	–	–	–	–
–	–	–	(203)	(79)	(28)
27 969	(73 068)	–	25 899	(70 896)	(28)
(19 836)	–	–	(19 836)	–	–
(256 841)	–	–	(256 841)	–	–
256 841	44 000	–	256 841	44 000	–
(19 836)	44 000	–	(19 836)	44 000	–
91 501	(66 211)	68 690	(7 887)	(3 575)	90 784
210 137	268 973	200 782	295 328	291 515	201 248
(23 297)	7 375	(499)	(23 294)	7 388	(517)
278 341	210 137	268 973	264 147	295 328	291 515

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Directorate

David M Lawrence (64)
BA(Econ) (Hons), MCom
Chairman

Peter RS Thomas (70)
CA(SA)

Craig C McKenzie (54)
BSc, MSc (Agric Economics), CFA
Chief executive officer (CEO)

Pierre de Chasteigner du Mée (62)
ACEA, FBIM, FMAAT

Angelique A Desvaux de Marigny (39)
LLB, Barrister-at-Law
Maitrise en Droit Privé (Université de Paris
I Panthéon-Sorbonne)

Board committees

Board sub-committee

David M Lawrence (chairman)
Pierre de Chasteigner du Mée
Craig C McKenzie

Audit committee

Peter RS Thomas (chairman)
Angelique A Desvaux de Marigny
Pierre de Chasteigner du Mée

In attendance

Craig C McKenzie (CEO)
Lara Ann Vaudin (COO)
Nicolas F Hardy (head of treasury)
David Desvaux de Marigny (head of finance)
Mark Muller (head of legal and compliance)
Group head of market risk
Group head of internal audit
Group compliance officer
External auditors

Nominations and remuneration committee

David M Lawrence (chairman)
Peter RS Thomas
Pierre de Chasteigner du Mée

In attendance

Craig C McKenzie (CEO)
Lara Ann Vaudin (COO)
Group head of HR

Conduct review committee

David M Lawrence (chairman)
Peter RS Thomas
Pierre de Chasteigner du Mée

In attendance

Craig C McKenzie (CEO)

Corporate governance committee

Pierre de Chasteigner du Mée (chairman)
David M Lawrence
Peter RS Thomas

Investment committee

Craig C McKenzie (chairman)
David M Lawrence
Pierre de Chasteigner du Mée

Risk management committee

Craig C McKenzie (chairman)
Pierre de Chasteigner du Mée
David M Lawrence

In attendance

Peter RS Thomas
Angelique A Desvaux de Marigny
Lara Ann Vaudin (COO)
Nicolas F Hardy (head of treasury)
David Desvaux de Marigny (head of finance)
Mark Muller (head of legal and compliance)

Notes