

Out of the Ordinary®



Specialist Bank and
Asset Manager

Investec Bank (Mauritius) Limited

Unaudited financial reports for the quarter ended 30 June 2016

This document includes salient financial information in accordance with the
Bank of Mauritius Guideline on Public Disclosure





Unaudited financial report for the quarter ended 30 June 2016

The unaudited financial report for the quarter ended 30 June 2016 has been prepared in accordance with the Bank of Mauritius Guideline on Public Disclosure of Information. The annexed unaudited report including the explanatory notes are in conformity with International Financial Reporting Standards (IFRS).

An overview of the group's performance

Total operating income decreased by 90% to US\$1.8 million for the period ended 30 June 2016 from US\$17.0 million for the comparative period mainly due to the following:

- Net interest income decreased by US\$1.1 million as a result of a contraction in margin following a decrease in advances to customers and an increase in cash carry cost.
- Net fee and commission income decreased by US\$0.5 million as a result of a decrease in activity.
- Net trading loss increased by US\$2.3 million as a result of negative mark-to-market movements on derivatives.
- Net fair value adjustment amounted to a loss of US\$7.0 million as compared to a gain of US\$4.4 million for the comparative period.

Impairment reversal stood at US\$0.2 million and is mainly due to the decrease in book size.

Operating expenses decreased by 3% to US\$2.9 million.

The share of profit of associate amounted to US\$0.3 million.

Profit after tax amounted to US\$1.6 million for the quarter ended 30 June 2016 as compared to US\$16.8 million for the comparative period mainly due to the decrease in total operating income referred to above.

Loans and advances to customers decreased by 7% to US\$849.1 million while external deposits increased by 24% to US\$1,069 million for the period ended 30 June 2016, negatively impacting margins.

The bank remains well capitalised with a capital adequacy ratio of 28.2% as at 30 June 2016, well in excess of the regulatory requirements, with tier 1 capital representing 97% of the capital base.



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 were at least as favourable to the bank as the market conditions prevailing for prime clients at that time.

The conduct review committee 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 the related party transactions. After each meeting the matters approved and reviewed by the conduct review committee are reported to the board of directors. The bank reports on the proceedings of the conduct review committee during the year to the Bank of Mauritius on a yearly basis.

At 30 June 2016, the total on and off-balance sheet credit exposure to related parties amounted to US\$75.5 million (31 March 2016 – US\$85.6 million) representing 4.2% (31 March 2016 – 4.6%) of the bank's total exposure. The credit exposure to the six related parties with the highest exposure amounted to US\$74.8 million (31 March 2016 – US\$85.5 million) representing 21.2% (31 March 2016 – 24.1%) of the Tier 1 Capital. All the related party transactions were within the regulatory limits as recommended in the abovementioned guideline.

Risk management

In the ordinary course of business operations, the bank is exposed to a number of risks, including credit, market, liquidity, operational, legal and reputation risk. Various committees and forums have been set up to measure, monitor and mitigate these risks.

Prospects

Net interest and fee income is expected to improve slightly in the next quarter in tandem with an increase in net advances to customers.

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David M Lawrence
Chairman
Board of directors

Handwritten signature of Pierre de Chasteigner du Mée in blue ink.

Pierre de Chasteigner du Mée
Director

Handwritten signature of Craig C McKenzie in blue ink.

Craig C McKenzie
Chief executive officer/Director

Dated: 12 August 2016



Consolidated balance sheets

As at US\$'000	Group		Bank		Group and Bank 30 June 2015
	30 June 2016	31 March 2016	30 June 2016	31 March 2016	
Assets					
Cash and balances at central bank	11,514	9,947	11,514	9,947	7,169
Due from banks	688,991	682,160	688,991	682,160	497,037
Sovereign debt securities	-	-	-	-	714
Bank debt securities	110,415	112,357	110,415	112,357	-
Other debt securities	94,309	95,699	94,309	95,699	234,201
Derivative financial instruments	36,223	25,289	36,223	25,289	21,181
Investment portfolio	12,833	17,045	12,833	17,045	-
Loans and advances to customers	849,141	891,098	849,141	891,098	916,282
Interest in associated undertakings	4,100	3,720	4,100	3,720	4,915
Deferred taxation assets	116	116	116	116	310
Other assets	4,090	2,476	3,985	2,476	2,190
Equipment	333	337	333	337	401
Amount due from group companies	3,539	3,536	4,091	3,958	3,395
Investment in subsidiary	-	-	17	17	-
Total assets	1,815,604	1,843,780	1,816,068	1,844,219	1,687,795
Liabilities					
Derivative financial instruments	4,823	6,610	4,823	6,610	1,753
Repurchase agreements	106,415	108,260	106,415	108,260	109,681
Customer accounts (deposits)	1,068,800	1,077,907	1,068,800	1,077,907	858,486
Debt securities in issue	251,968	253,547	251,968	253,547	251,837
Amount due to group companies	9,586	9,684	9,586	9,684	52,831
Current taxation liabilities	784	334	784	334	1,822
Other liabilities	10,898	27,555	10,898	27,555	10,490
Total liabilities	1,453,274	1,483,897	1,453,274	1,483,897	1,286,900
Equity					
Ordinary share capital	56,478	56,478	56,478	56,478	56,478
Other reserves	60,670	59,987	60,670	59,987	60,867
Retained income	245,182	243,418	245,646	243,857	283,550
Total equity	362,330	359,883	362,794	360,322	400,895
Total liabilities and equity	1,815,604	1,843,780	1,816,068	1,844,219	1,687,795



Consolidated income statements

For the period ended US\$'000	Group		Bank		Group and Bank
	Quarter 30 June 2016	Year 31 March 2016	Quarter 30 June 2016	Year 31 March 2016	Quarter 30 June 2015
Interest income	14,947	60,696	14,951	60,699	15,317
Interest expense	(3,377)	(11,381)	(3,377)	(11,381)	(2,669)
Net interest income	11,570	49,315	11,574	49,318	12,648
Fee and commission income	2,016	7,770	1,910	7,770	2,592
Fee and commission expense	(403)	(1,677)	(403)	(1,677)	(475)
Net fee and commission income	1,613	6,093	1,507	6,093	2,117
Investment (loss) / income	(7,036)	2,058	(7,036)	2,058	4,449
Net trading (loss) / income	(1,732)	(5,619)	(1,737)	(5,619)	582
Total operating income before impairment (reversals) / losses on loans and advances	4,415	51,847	4,308	51,850	19,796
Impairment reversals / (losses) on loans and advances	224	1,003	224	1,003	(12)
Operating income	4,639	52,850	4,532	52,853	19,784
Operating costs	(2,865)	(11,522)	(2,733)	(11,086)	(2,769)
Operating profit	1,774	41,328	1,799	41,767	17,015
Share of result in associate	335	(784)	335	(784)	-
Profit before taxation	2,109	40,544	2,134	40,983	17,015
Taxation	(470)	(2,565)	(470)	(2,565)	(242)
Profit after taxation	1,639	37,979	1,664	38,418	16,773
Analysed as follows:					
Transfer to statutory reserve	-	1,104	-	1,104	-
Transfer to retained earnings	1,639	36,875	1,664	37,314	16,773
Profit attributable to equity holder of the bank	1,639	37,979	1,664	38,418	16,773

Consolidated statements of other comprehensive income

For the period ended US\$'000	Group		Bank		Group and Bank
	Quarter 30 June 2016	Year 31 March 2016	Quarter 30 June 2016	Year 31 March 2016	Quarter 30 June 2015
Profit after taxation	1,639	37,979	1,664	38,418	16,773
Other comprehensive income:					
Items that may be reclassified to the income statement					
- Fair value movements on available-for-sale assets taken directly to other comprehensive income	763	(2,230)	763	(2,230)	(423)
- Foreign currency adjustments on translating associated undertakings	45	(411)	45	(411)	-
Total other comprehensive income / (loss)	808	(2,641)	808	(2,641)	(423)
Total comprehensive income attributable to equity holder of the bank	2,447	35,338	2,471	35,777	16,350



Consolidated statements of changes in equity

As at	Other reserves					Retained income	Total equity
	Ordinary share capital	Foreign currency reserve	Available-for-sale reserve	Regulatory general risk reserve	Statutory reserve		
US\$'000							
Group							
At 1 April 2016	56,478	(411)	(2,313)	6,233	56,478	243,418	359,883
Movement in reserves 1 April 2016 - 30 June 2016							
Profit after taxation	-	-	-	-	-	1,639	1,639
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	763	-	-	-	763
Foreign currency adjustments on translating associated undertakings	-	45	-	-	-	-	45
Total comprehensive income	-	45	763	-	-	1,639	2,447
Transfer to regulatory general risk reserve	-	-	-	(125)	-	125	-
At 30 June 2016	56,478	(366)	(1,550)	6,108	56,478	245,182	362,330
At 1 April 2015	56,478	-	(83)	6,109	55,374	266,667	384,545
Movement in reserves 1 April 2015 - 31 March 2016							
Profit after taxation	-	-	-	-	-	37,979	37,979
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	(2,230)	-	-	-	(2,230)
Foreign currency adjustments on translating associated undertakings	-	(411)	-	-	-	-	(411)
Total comprehensive income	-	(411)	(2,230)	-	-	37,979	35,338
Dividends paid to equity holder of the bank	-	-	-	-	-	(60,000)	(60,000)
Transfer to statutory reserve	-	-	-	-	1,104	(1,104)	-
Transfer to regulatory general risk reserve	-	-	-	124	-	(124)	-
At 31 March 2016	56,478	(411)	(2,313)	6,233	56,478	243,418	359,883
Bank							
At 1 April 2016	56,478	(411)	(2,313)	6,233	56,478	243,857	360,322
Movement in reserves 1 April 2016 - 30 June 2016							
Profit after taxation	-	-	-	-	-	1,664	1,664
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	763	-	-	-	763
Foreign currency adjustments on translating associated undertakings	-	45	-	-	-	-	45
Total comprehensive income	-	45	763	-	-	1,664	2,471
Transfer to statutory reserve	-	-	-	-	-	-	-
Transfer to regulatory general risk reserve	-	-	-	(125)	-	125	-
At 30 June 2016	56,478	(366)	(1,550)	6,108	56,478	245,646	362,794
At 1 April 2015	56,478	-	(83)	6,109	55,374	266,667	384,545
Movement in reserves 1 April 2016 - 31 March 2016							
Profit after taxation	-	-	-	-	-	38,418	38,418
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	(2,230)	-	-	-	(2,230)
Foreign currency adjustments on translating associated undertakings	-	(411)	-	-	-	-	(411)
Total comprehensive (loss) / income	-	(411)	(2,230)	-	-	38,418	35,777
Dividends paid to equity holder of the bank	-	-	-	-	-	(60,000)	(60,000)
Transfer to statutory reserve	-	-	-	-	1,104	(1,104)	-
Transfer to regulatory general risk reserve	-	-	-	124	-	(124)	-
At 31 March 2016	56,478	(411)	(2,313)	6,233	56,478	243,857	360,322
Group and Bank							
At 1 April 2015	56,478	-	(83)	6,109	55,374	266,667	384,545
Movement in reserves 1 April 2015 - 30 June 2015							
Profit after taxation	-	-	-	-	-	16,773	16,773
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	(423)	-	-	-	(423)
Total comprehensive (loss) / income	-	-	(423)	-	-	16,773	16,350
Transfer to regulatory general risk reserve	-	-	-	(110)	-	110	-
Balance at 30 June 2015	56,478	-	(506)	5,999	55,374	283,550	400,895



Consolidated cash flow statements

For the period ended US\$'000	Group		Bank		Group and Bank
	Quarter 30 June 2016	Year 31 March 2016	Quarter 30 June 2016	Year 31 March 2016	Quarter 30 June 2015
Profit before taxation adjusted for non-cash items	15,843	47,770	15,867	48,209	10,049
Dividend received	-	91	-	91	-
Taxation paid	-	(3,618)	-	(3,618)	-
Decrease in operating assets	25,504	44,664	25,479	44,242	146,950
(Decrease) / increase in operating liabilities	(27,669)	277,524	(27,669)	277,524	79,325
Net cash inflows from operating activities	13,677	366,431	13,677	366,448	236,324
Purchase of investment securities	-	(22,555)	-	(22,555)	(16,301)
Proceeds from disposal of investment securities	-	9,959	-	9,959	3,188
Cash flow on acquisition of equipment	(24)	(50)	(24)	(50)	(23)
Cash flow on disposal of equipment	-	2	-	2	-
Cash flow on disposal of subsidiary	-	360	-	360	-
Cash flow on acquisition of subsidiary	-	-	-	(17)	-
Net cash outflows from investing activities	(24)	(12,284)	(24)	(12,301)	(13,136)
Dividends paid to ordinary shareholders	-	(60,000)	-	(60,000)	-
Net cash outflows from financing activities	-	(60,000)	-	(60,000)	-
Effects of exchange rates on cash and cash equivalents	(7,645)	3,121	(7,645)	3,121	2,884
Net increase in cash and cash equivalents	6,008	297,268	6,008	297,268	226,072
Cash and cash equivalents at beginning of the period/year	690,314	389,781	690,314	389,781	264,147
Cash and cash equivalents at end of the period/year	696,322	687,049	696,322	687,049	490,219
Cash and cash equivalents is defined as including:					
Cash in hand	4	5	4	5	2
Cash and balances at central bank	7,327	4,884	7,327	4,884	7,167
Due from banks	688,991	682,160	688,991	682,160	497,037
Cash and cash equivalents at end of the quarter/year	696,322	687,049	696,322	687,049	504,206



Notes to the unaudited financial accounts for the quarter ended 30 June 2016

1. General information

Investec Bank (Mauritius) Limited (the "bank") is a public company incorporated and domiciled in the Republic of Mauritius on 20 April 1990 and established as a wholly-owned subsidiary of Investec Bank Limited ("IBL") in 1997. The bank's principal activity is the provision of banking services. Its registered office is situated on the 6th Floor, Dias Pier Building, Le Caudan Waterfront, Caudan, Port Louis, Mauritius.

2. Significant accounting policies

(a) Statement of compliance

The financial reports for the quarter ended 30 June 2016 have been prepared in accordance with Bank of Mauritius Guideline on Public Disclosure of Information and International Financial Reporting Standards (IFRS).

(b) Basis of preparation

The reports are presented in United States Dollar.

The reports have been prepared using the same accounting policies as those applied in the accounts for the financial year ended 31 March 2016.

(c) Functional currency of the group and the bank

The group's and the bank's functional currency is USD.



Notes to the unaudited financial accounts for the quarter ended 30 June 2016

3. Related party transactions

As at US\$'000	Group		Bank		Group and Bank
	30 June 2016	31 March 2016	30 June 2016	31 March 2016	30 June 2015
Net fair value of derivatives held with group companies	31,397	3,230	31,397	3,230	860
Interest income	1,349	6,698	1,353	6,701	1,727
Interest expense	(1,626)	(6,671)	(1,626)	(6,671)	(1,685)
Loans and advances	52,394	1,667	52,394	1,667	57,098
Deposits	(8,447)	(2,278)	(8,447)	(2,278)	(5,950)
Net amount due to group companies	(6,047)	(6,148)	(5,495)	(5,726)	(49,436)

Terms and conditions of transactions with related parties

The abovementioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates. Loans and advances to related parties at 30 June 2016 were secured. For the period ended 30 June 2016, the bank has not made any impairment relating to amounts owed by related parties (31 March 2016: Nil and 30 June 2015: Nil).



Credit and counterparty risk information

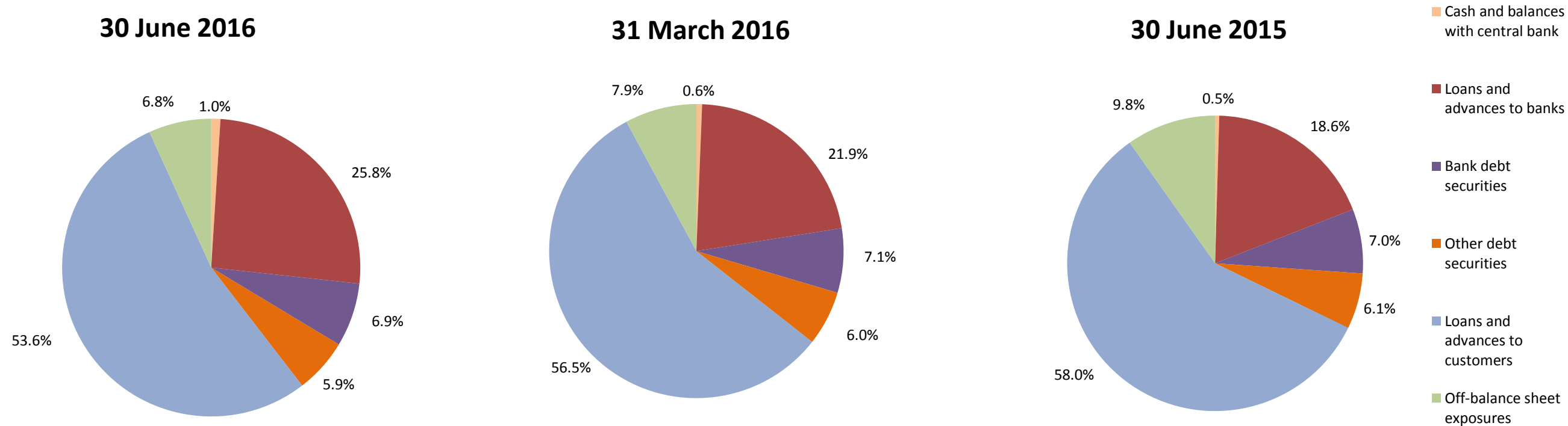
The table that follows provides an analysis of gross credit and counterparty exposures

Group and Bank

US\$'000	30 June 2016	31 March 2016	30 June 2015	31 December 2015 vs 31 March 2015 % change	Average*
On-balance sheet exposures	1,482,139	1,463,230	1,436,409	3.2	1,472,685
Cash and balances with central bank	11,510	9,943	7,167	15.8	10,727
Loans and advances to banks	410,296	347,420	296,324	18.1	378,858
Investment securities - bank debt securities	110,415	112,357	112,123	(1.7)	111,386
Investment securities - other debt securities	94,309	95,699	97,135	(1.5)	95,004
Investment securities - sovereign debt securities	-	-	714	-	-
Derivative financial instruments	-	23	-	(100.0)	12
Loans and advances to customers	855,609	897,788	922,946	(4.7)	876,698
Off-balance sheet exposures	108,442	125,195	156,021	(30.5)	116,818
Guarantees [^]	10,962	17,138	25,874	(36.0)	14,050
Contingent liabilities, committed facilities and other	97,480	108,057	130,147	(9.8)	102,768
Total gross credit and counterparty exposures pre collateral or other credit enhancements	1,590,581	1,588,425	1,592,430	0.1	1,589,503

*Where the average is based on a straight line average for period 1 April 2016 to 30 June 2016.

[^]Excludes guarantees provided to clients which are backed/secured by cash deposits with the bank.





Asset quality and impairments

Group and Bank

US\$'000	30 June 2016	31 March 2016	30 June 2015
Gross core loans and advances to customers	855,609	897,788	922,946
Total impairments	(6,468)	(6,690)	(6,664)
Specific impairments	-	-	-
Portfolio impairments	(6,468)	(6,690)	(6,664)
Net core loans and advances to customers	849,141	891,098	916,282
Average gross core loans and advances to customers	876,698	915,177	927,756
Current loans and advances to customers	776,545	863,626	869,247
Past due loans and advances to customers (1-60 days)	8,489	11,095	27,791
Special mention loans and advances to customers	69,588	22,142	24,555
Default loans and advances to customers	987	925	1,353
Gross core loans and advances to customers	855,609	897,788	922,946
Current loans and advances to customers	776,545	884,970	869,247
Gross core loans and advances to customers that are past due but not impaired	79,064	12,818	53,699
Gross core loans and advances to customers that are impaired	-	-	-
Gross core loans and advances to customers	855,609	897,788	922,946
Total income statement reversal / (loss) for impairments on core loans and advances	224	1,003	(12)
Gross default loans and advances to customers	987	925	1,353
Specific impairments	-	-	-
Portfolio impairments	(6,468)	(6,690)	(6,664)
Defaults net of impairments	(5,480)	(5,765)	(5,311)
Collateral and other credit enhancements	3,138	1,793	4,180
Net default loans and advances to customers (limited to zero)	-	-	-
Ratios:			
Total impairments as a % of gross core loans and advances to customers	0.76%	0.75%	0.72%
Total impairments as a % of gross default loans	>100%	>100%	>100%
Gross defaults as a % of gross core loans and advances to customers	0.12%	0.10%	0.15%
Defaults (net of impairments) as a % of net core loans and advances to customers	(0.65%)	(0.65%)	(0.58%)
Net defaults as a % of gross core loans and advances to customers	-	-	-
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average gross core loans and advances)	(0.10%)	(0.11%)	0.01%



Capital structure

As at US\$'000	Group		Bank		Group and Bank
	30 June 2016	31 March 2016	30 June 2016	31 March 2016	30 June 2015
Common equity tier 1 capital: instruments and reserves					
Ordinary shares (paid-up) capital	56,478	56,478	56,478	56,478	56,478
Retained earnings	242,214	243,418	242,238	243,857	265,314
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surpluses on land and building assets)	54,562	53,755	54,562	53,755	55,374
Common equity tier 1 capital before regulatory adjustments	353,254	353,651	353,279	354,090	377,166
Common equity tier 1 capital: regulatory adjustments					
Deferred tax assets	116	116	116	116	816
Total regulatory adjustments to common equity tier 1 capital	116	116	116	116	816
Common equity tier 1 capital (CET1)	353,138	353,535	353,163	353,974	376,350
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)	353,138	353,535	353,163	353,974	376,350
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)	12,575	12,923	12,575	12,923	12,663
Tier 2 capital before regulatory adjustments	12,575	12,923	12,575	12,923	12,663
Total regulatory adjustments to Tier 2 capital	-	-	-	-	-
Tier 2 capital (T2)	12,575	12,923	12,575	12,923	12,663
Total capital (capital base) (TC = T1 + T2)	365,713	366,458	365,738	366,897	389,013
Risk-weighted assets					
Risk-weighted on-balance sheet assets	1,114,322	1,141,392	1,114,786	1,141,873	1,094,130
Non-market related off-balance sheet risk-weighted assets	70,988	81,653	70,988	81,653	85,058
Market related off-balance sheet risk-weighted assets	11,111	9,224	11,111	9,224	6,439
Operational risk	95,580	95,580	95,580	95,580	90,767
Aggregate net open foreign exchange position	4,257	2,534	4,257	2,534	2,065
Total risk-weighted assets	1,296,258	1,330,383	1,296,722	1,330,864	1,278,459
Capital adequacy ratio (%)	28.2%	27.5%	28.2%	27.6%	30.4%
Tier 1 ratio	27.2%	26.6%	27.2%	26.6%	29.4%

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

As at 30 June 2016 US\$'000	Group		Bank	
	Balance sheet amount	Amounts included for regulatory purposes	Balance sheet amount	Amounts included for regulatory purposes
Paid in capital and qualifying capital instruments	56,478	56,478	56,478	56,478
Retained earnings	245,182	243,418	245,646	243,857
Other reserves	60,670	53,755	60,670	53,755
Qualifying common equity tier 1 capital before regulatory adjustments	362,330	353,651	362,794	354,090
Deferred tax assets	-	116	-	116
Tier 1 capital	362,330	353,767	362,794	354,206
Tier 2 capital after regulatory adjustments and general allowance for credit impairments (T2)	-	12,923	-	12,923
Total qualifying capital	362,330	366,690	362,794	367,129



Risk-weighted assets

US\$'000	Exposures amount	Risk-weights %	Group		Bank		Group and Bank
			30 June 2016	31 March 2016	30 June 2016	31 March 2016	30 June 2015
Risk-weighted on-balance sheet assets			Risk-weighted assets	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets
Cash items	6	0%	-	-	-	-	-
Claims on sovereigns	56,082	50%-100%	37,198	37,346	37,198	37,346	53,539
Claims on central banks and international institutions	11,511	0%-50%	3,370	3,748	3,370	3,748	3,048
Claims on multilateral development banks (MDBs)	-	50%	-	-	-	-	6,838
Claims on banks	768,503	20%-50%	188,855	229,454	188,855	229,454	178,543
Claims on corporates	644,499	20%-150%	636,503	566,923	637,072	567,404	532,965
Claims included in the regulatory retail portfolio	-	75%	-	84	-	84	48
Claims secured by residential property	44,909	35%-125%	34,458	34,905	34,458	34,905	29,187
Claims secured by commercial real estate	189,023	100%-125%	192,201	244,441	192,201	244,441	253,870
Past due claims	337	100%-150%	337	920	337	920	541
Other assets	21,270	100%-250%	21,400	23,571	21,295	23,571	35,551
Total on-balance sheet credit risk-weighted exposures	1,736,140		1,114,322	1,141,392	1,114,786	1,141,873	1,094,130



Risk-weighted assets

Group and Bank

US\$'000	30 June 2016				31 March 2016	30 June 2015
	Notional amount	Credit conversion factor %	Credit equivalent amount	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets
Non-market related off-balance sheet risk-weighted assets						
Direct credit substitutes	6,373	100	6,679	6,424	8,201	5,615
Transaction-related contingent items	2,295	50	2,298	1,652	3,561	7,084
Total other commitments	63,147		63,164	62,913	69,891	72,359
Total non-market-related off-balance sheet risk-weighted credit exposures	71,816		72,141	70,988	81,653	85,058

Group and Bank

US\$'000	30 June 2016				31 March 2016	30 June 2015	
	Notional principal amount	Potential future exposure	Current exposure	Credit equivalent amount	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets
Market related off-balance sheet risk-weighted assets							
Interest rate contracts	80,121	403	305	708	354	432	460
Foreign exchange and gold contracts	404,637	5,753	23,276	29,029	9,183	6,867	3,665
Other market-related contracts	-	-	12,639	12,639	1,575	1,925	2,314
Total market-related off-balance sheet risk-weighted credit exposures	484,758	6,156	36,220	42,376	11,111	9,224	6,439



Balance sheet risk management

The tables that follow show the bank's liquidity mismatch. The tables reflect that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

No assumptions are made, and we record all asset 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 30 June 2016 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	256	115	51	-	-	-	-	422
Investment/trading assets	-	0	14	1	3	191	25	234
Advances	12	7	69	54	117	403	187	849
Other assets	-	-	-	-	-	-	4	4
Assets	268	122	134	55	120	594	216	1,509
Deposits - non-banks	(890)	(41)	(16)	(25)	(76)	(21)	-	(1,069)
Securities sold under repurchase agreement	(3)	-	-	-	-	(103)	-	(106)
Other liabilities	(7)	-	-	(5)	-	-	-	(12)
Liabilities	(900)	(41)	(16)	(30)	(76)	(124)	-	(1,187)
Intercompany loans	118	100	55	-	-	-	(252)	21
Shareholders' funds	-	-	-	-	-	-	(363)	(363)
Balance sheet	(514)	181	174	25	44	470	(400)	(20)
Off-balance sheet	-	15	-	6	-	2	(2)	20
Contractual liquidity gap	(514)	196	174	31	44	472	(402)	-
Cumulative liquidity gap	(514)	(318)	(144)	(114)	(69)	402	-	-

At 31 March 2016 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	236	70	51	-	-	-	-	357
Investment/trading assets	-	-	-	15	-	183	46	244
Advances	7	3	21	139	165	405	151	891
Other assets	-	-	-	-	-	-	3	3
Assets	243	73	72	154	165	588	200	1,495
Deposits - non-banks	(904)	(28)	(82)	(9)	(32)	(23)	-	(1,078)
Securities sold under repurchase agreement	(3)	-	-	-	-	(105)	-	(108)
Other liabilities	(23)	-	-	(5)	-	-	-	(28)
Liabilities	(930)	(28)	(82)	(14)	(32)	(128)	-	(1,214)
Intercompany loans	176	120	33	-	-	-	(253)	76
Shareholders' funds	-	-	-	-	-	-	(360)	(360)
Balance sheet	(511)	165	23	140	133	460	(413)	(3)
Off-balance sheet	-	1	-	-	6	(2)	(2)	3
Contractual liquidity gap	(511)	166	23	140	139	458	(415)	-
Cumulative liquidity gap	(511)	(345)	(322)	(182)	(43)	415	-	-

At 30 June 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	156	69	78	-	-	-	-	303
Investment/trading assets	-	-	1	1	3	193	60	258
Advances	17	52	72	57	72	490	156	916
Other assets	-	-	-	-	-	-	3	3
Assets	173	121	151	58	75	683	219	1,480
Deposits - non-banks	(696)	(26)	(14)	(38)	(51)	(33)	-	(858)
Securities sold under repurchase agreement	(6)	-	-	-	-	(104)	-	(110)
Other liabilities	(7)	-	-	(5)	-	-	-	(12)
Liabilities	(709)	(26)	(14)	(43)	(51)	(137)	-	(980)
Intercompany loans	95	60	-	(4)	-	(149)	(102)	(100)
Shareholders' funds	-	-	-	-	-	-	(401)	(401)
Balance sheet	(441)	155	137	11	24	397	(284)	(1)
Off-balance sheet	-	-	-	-	2	(2)	1	1
Contractual liquidity gap	(441)	155	137	11	26	395	(283)	-
Cumulative liquidity gap	(441)	(286)	(149)	(138)	(112)	283	-	-



Behavioural liquidity

At 30 June 2016 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
Behavioural liquidity gap	247	237	119	15	241	88	(947)	-
Cumulative	247	484	603	618	859	947	-	-

At 31 March 2016 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
Behavioural liquidity gap	264	254	114	27	246	64	(969)	-
Cumulative	264	518	632	659	905	969	-	-

At 30 June 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
Behavioural liquidity gap	138	158	92	131	89	97	(705)	-
Cumulative	138	296	388	519	608	705	-	-

Repricing - all currencies

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
- **Optionality:** the bank is not materially exposed to optionality 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.

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.

Interest rate sensitivity gap

The tables below show our non-trading interest rate mismatch. These exposures affected 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 30 June 2016 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	422	-	-	-	-	-	422
Investment/trading assets	8	-	1	188	-	37	234
Advances	760	2	16	71	-	-	849
Other assets	-	-	-	-	-	4	4
Assets	1,190	2	17	259	-	41	1,509
Deposits - non-banks	(945)	(25)	(76)	(22)	-	-	(1,069)
Repurchase agreements with banks	(106)	-	-	-	-	-	(106)
Other liabilities	-	-	-	-	-	(12)	(12)
Liabilities	(1,051)	(25)	(76)	(22)	-	(12)	(1,187)
Intercompany loans	171	-	-	(150)	-	-	21
Shareholders' funds	-	-	-	-	-	(363)	(363)
Balance sheet	310	(23)	(59)	87	-	(334)	(20)
Off-balance sheet	136	(57)	36	(92)	-	(3)	20
Repricing gap	446	(80)	(23)	(5)	-	(337)	-
Cumulative repricing gap	446	365	343	337	337	-	-

At 31 March 2016 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	352	-	-	-	-	5	357
Investment/trading assets	8	-	-	172	19	45	244
Advances	774	24	13	79	1	-	891
Other assets	-	-	-	-	-	3	3
Assets	1,134	24	13	251	20	53	1,495
Deposits - non-banks	(1,013)	(10)	(32)	(23)	-	-	(1,078)
Securities sold under repurchase agreement	(108)	-	-	-	-	-	(108)
Other liabilities	-	-	-	-	-	(28)	(28)
Liabilities	(1,121)	(10)	(32)	(23)	-	(28)	(1,214)
Intercompany loans	227	-	-	(151)	-	-	76
Shareholders' funds	-	-	-	-	-	(360)	(360)
Balance sheet	240	14	(19)	77	20	(335)	(3)
Off-balance sheet	127	(3)	(20)	(78)	(21)	(2)	3
Repricing gap	367	11	(39)	(1)	(1)	(337)	-
Cumulative repricing gap	367	378	339	338	337	-	-



At 30 June 2015		> three months but < six months	> six months but < one year	> one year but < five years	> five years	Non rate	Total non- trading
US\$'million	Not > three months						
Cash and short-term funds - banks	303	-	-	-	-	-	303
Investment/trading assets	11	-	1	169	16	61	258
Advances	695	92	28	53	48	-	916
Other assets	-	-	-	-	-	3	3
Assets	1,009	92	29	222	64	64	1,480
Deposits - non-banks	(736)	(38)	(51)	(33)	-	-	(858)
Repurchase agreements with banks	(92)	(18)	-	-	-	-	(110)
Other liabilities	-	-	-	-	-	(12)	(12)
Liabilities	(828)	(56)	(51)	(33)	-	(12)	(980)
Intercompany loans	49	-	-	(149)	-	-	(100)
Shareholders' funds	-	-	-	-	-	(401)	(401)
Balance sheet	230	36	(22)	40	64	(349)	(1)
Off balance sheet	135	(2)	12	(122)	(22)	-	1
Repricing gap	365	34	(10)	(82)	42	(349)	-
Cumulative repricing gap	365	399	389	307	349	-	-

Economic value sensitivity

Our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change in our net asset value should such a hypothetical scenario arise. The sensitivity effect does not have a significant direct impact on our equity.

As at 'million	Sensitivity to the following interest rates (expressed in original currencies)					AUD	All (USD)
	ZAR	GBP	USD	EUR			
30 June 2016							
200bp down	(1.18)	1.56	0.65	0.19	0.08		2.92
200bp up	1.25	(1.42)	(0.61)	(0.19)	(0.08)		(2.68)
31 March 2016							
200bp down	(0.84)	1.48	2.48	0.65	0.03		5.31
200bp up	0.94	(1.36)	(2.35)	(0.60)	(0.04)		(4.95)
30 June 2015							
200bp down	(0.94)	2.91	1.00	0.37	0.09		5.97
200bp up	0.96	(2.54)	(1.01)	(0.35)	(0.09)		(5.38)

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 that are denominated in the functional currency.

The bank computes its net open foreign 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.

Open position (USD'000)	EUR	GBP	JPY	MUR	Other currencies	Aggregate net open foreign exchange position
30 June 2016						
Long/(short) position	41	980	23	132	(3,327)	4,257
31 March 2016						
Long/(short) position	619	1,181	(258)	734	(234)	2,534
30 June 2015						
(Short)/long position	(436)	371	21	158	1,515	2,065