Annual Report

2017

Investec Bank (Mauritius) Limited annual financial statements

Out of the Ordinary®

Investec

Corporate information

Secretary and registered office

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Directorate

David M Lawrence (66)
BA(Econ) (Hons), MCom
Chairman

Peter RS Thomas (72)
CA(SA)

Craig C McKenzie (56)
BSc, MSc (Agric Economics), CFA
Chief executive officer (CEO)

Pierre de Chasteigner du Mée (64)
ACEA, FBIM, FMAAT

Angelique A Desvaux de Marigny (41)
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)
David Desvaux de Marigny (head of finance)
Farzanah Nowbuth (head of compliance)
Group head of market risk
Group head of internal audit
Group compliance officer
External auditors

Nomination 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

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

In attendance

Craig C McKenzie (CEO)

Corporate governance committee

Angelique A Desvaux de Marigny (chairperson)[1]
David M Lawrence
Peter RS Thomas

Investment committee

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

Risk management committee

Pierre de Chasteigner du Mée (chairman)[2]
Craig C McKenzie
David M Lawrence

In attendance

Peter RS Thomas
Angelique A Desvaux de Marigny
Lara Ann Vaudin (COO)
David Desvaux de Marigny (head of finance)
Farzanah Nowbuth (head of compliance)

1 *Effective 4 May 2016*
2 *Effective 4 May 2016*

The 2017 annual report covers the period 1 April 2016 to 31 March 2017

This report covers our operations in Mauritius and has been structured to provide stakeholders with relevant financial and non-financial information.

Cross reference tools

1

Audited information

Denotes information in the risk and remuneration reports that forms part of the group's audited annual financial statements

2

Page references

Refers readers to information elsewhere in this report

3

Website

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

4

Sustainability

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

5

Reporting standard

Denotes our consideration of a reporting standard

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01

Investec Bank (Mauritius) Limited in perspective

Investec Bank (Mauritius) Limited was established as a wholly owned subsidiary of Investec Bank Limited in 1997

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 and its subsidiary (together referred to in this report as the bank) employ a team of 90 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), Property development schemes (PDS) 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), dual currency deposits 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 open accounts, transact online and view account balances, transaction history and monthly statements. This offering was extended to provide an online solution for users, during the course of 2016, to execute foreign currency dealings for amounts of up to one million US Dollars or its equivalent in GBP, Euro and ZAR.

The bank also offers US Dollar, Euro and Pounds Sterling debit cards.

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

Wealth and Investment

The bank offers Private Wealth and Investment business via its subsidiary, Investec Wealth and Investment (Mauritius) Limited.

Overview of the Investec group

(continued)

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

Who we are

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, we concluded a significant empowerment transaction in which our 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.

Our philosophies

- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance.

We value

Distinctive performance

- Outstanding talent – empowered, enabled and inspired
- Meritocracy
- Passion, energy, stamina and tenacity
- Entrepreneurial spirit

Client focus

- Distinctive offering
- Leverage resources
- Break china for the client

Cast-iron integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

Dedicated partnership

- Respect for others
- Embrace diversity
- Open and honest dialogue
- Unselfish contribution to colleagues, clients and society

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.

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

Operating structure

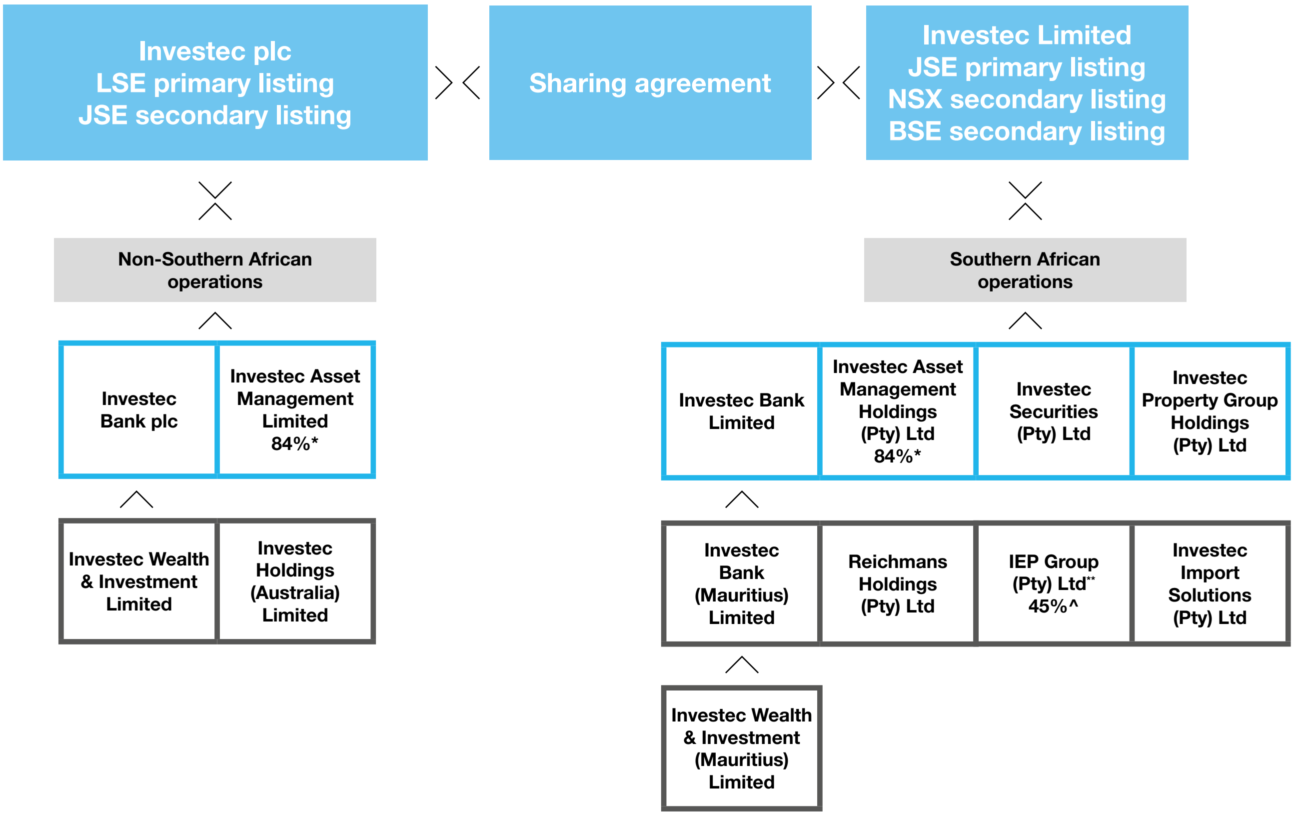
Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986

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 as at 31 March 2017



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

* *16% held by senior management in the company.*
** *Previously Investec Equity Partners (Pty) Ltd*
^ *55% held by third party investors in the company together with senior management of the business.*

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.

02

Management discussion and analysis

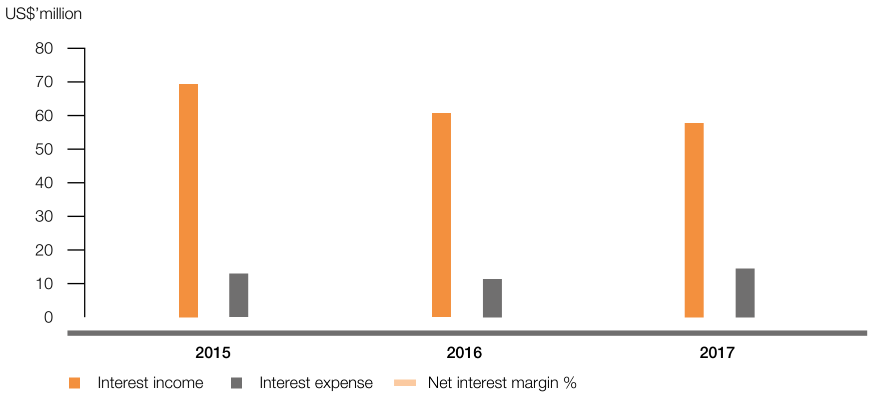
Overview

The group has had to deal with a challenging economic environment for the year under review, most notably the effect of the Brexit vote which created major uncertainty in global markets. The group's net profit after tax decreased from US$38.0 million to US$25.9 million as net interest income fell sharply while significant impairment and unrealised investment losses were recorded. The group financial indicators remains sound with robust levels of funding, liquidity and capital.

Financial performance analysis

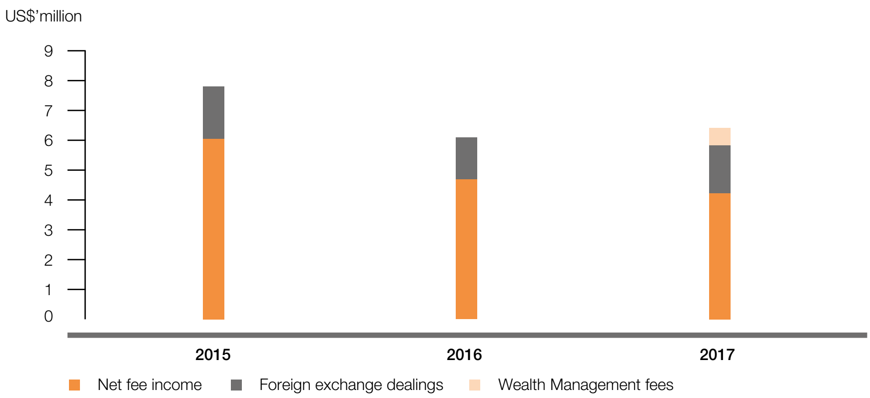
The overview that follows highlights the variances in the major line items on the face of the income statements for the year under review.

Net interest income



Net interest income declined by 12.4% to US$43.2 million during the year under review. Interest income decreased by 4.9% to US$57.7 million as a result of a lower average loan portfolio and margins while interest expense increased by 27.7% to US$14.5 million as the deposit base continued to grow. This resulted in a contraction of net interest margin which stood at 2.3% as compared to 2.9% in the previous year.

Net fee and commission income



While credit and transactions related fees declined as a result of lower activity, net fee and commission income increased by 5.2% to US$6.4 million as a result of the positive contribution from our wealth and investment business. Furthermore, profit from foreign exchange dealings increased slightly during the period.

Investment loss

An unrealised investment loss of US$5.2 million was recorded as share prices declined.

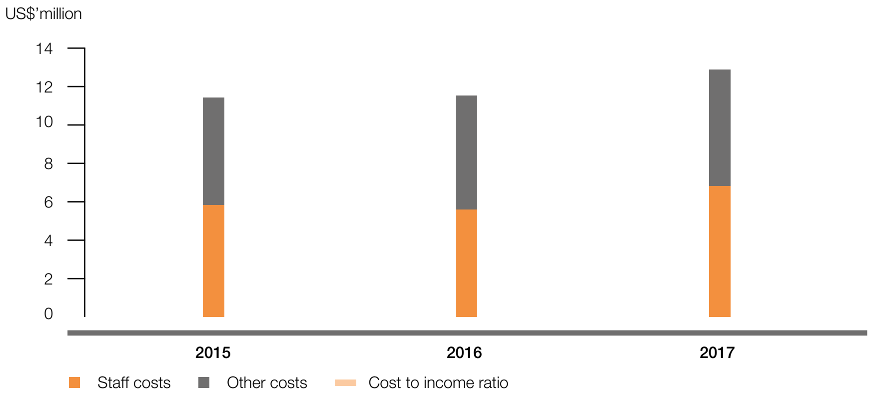
Trading loss

Trading loss decreased from US$5.6 million to US$0.7 million as lower swap costs on derivatives were incurred during the period.

Impairment on loans and advances

Impairment stood at US$3.5 million mainly due to a US$2.5 million loss on disposal of a loan.

Operating costs



Total costs increased by 11.8% to US$12.9 million driven by higher staff costs due to the inclusion of our subsidiary personnel expenses for a full year. Staff costs represented 52.9% of the cost base, up from 48.4% for the previous year.

Combined with a drop in total operating income before impairment, this resulted in the cost-to-income ratio to increase to 29.4%, up from 22.2% last year.

Financial position analysis

For the year to 31 March US$'000	2017	% change 2017 vs 2016	2016	% change 2016 vs 2015	2015
Loans and advances to customers	913 995	2.6	891 098	(3.8)	925 913
Cash holdings	816 070	18.8	687 049	76.3	389 781
Deposits by customers	1 202 181	11.5	1 077 907	38.7	777 206
Loans to deposit ratio	0.76	(8.0)	0.83	(30.6)	1.19

Loans and advances

Loans and advances grew slightly by 2.6% to US$914.0 million during the year. However, the average loan portfolio was lower throughout the year which negatively affected net interest income.

Cash holdings

Cash holdings increased significantly by 18.8% to US$816.1 million as a result of the continued growth in the deposit base while the average loan portfolio contracted during the year.

Deposits by customers

Total deposits, the bank's main source of funding, went up by 11.5% to reach US$1.2 billion driving the loan to deposit ratio to 0.76, reflecting a high but healthy liquidity position.

PERFORMANCE RATIOS

For the year to 31 March %	2017	2016	2015
Return on average equity	6.9	10.2	14.8
Return on average assets*	1.4	2.2	3.5

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

Return on average equity

Return on average equity decreased to 6.9% as a result of a significant drop in net profit after tax for the year.

Return on average assets

Return on assets was also negatively impacted by the lower level of profitability, dropping to 1.4% for the year as compared to 2.2% last year.

Capital

For the year to 31 March

%	2017	2016	2015
Shareholders' equity	388 015	359 883	384 545
Capital adequacy ratio%	27.2	27.5	31.0
Tier 1 ratio%	26.0	26.6	30.0

Total equity stood at US$388.1 million with the increase coming from the current year's profit. The capital adequacy ratio, mainly made up of tier 1 capital stood at 27.2%, well above the regulatory requirement and providing a comfortable buffer against potential shocks.

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 12 to 51) with further disclosures provided within the financial statements section (pages 63 to 153).

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. Credit losses on core loans and advances for the year under review were low with a credit loss ratio standing at 0.4%
- Exposure to rated and unrated structured credit investments representing less than 1% of total assets
- A low leverage ratio of approximately 5.2 times
- A high level of readily available, high-quality liquid assets with cash and cash equivalent representing 40% of total assets
- High level of liquidity; the bank does not rely 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 asset 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:

14 – 35	43 – 45	46
Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients.	**Operational risk** may disrupt its business or result in regulatory action.	**Legal and regulatory risks** are substantial in its businesses.
40 – 42	**46**	**38 – 39**
Liquidity risk may impair our ability to fund our operations.	**Reputational, strategic** and **business risk.**	The bank's net interest earnings and net asset value may be adversely affected by **interest rate risk**.
43 – 45	**43**	**36**
The bank may be **vulnerable to the failure of its systems** and breaches of its security systems.	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.	Market, business and general economic conditions and fluctuations could adversely affect its businesses in a number of ways.
46 – 51	**43 – 45**	**5 – 8**
The bank may have insufficient capital in the future and may be unable to secure additional financing when it is required.	**Employee misconduct** could cause harm that is difficult to detect.	The **financial services industry** in which the bank operates is intensely competitive.
43 – 45	**36**	
The bank may be unable to **recruit, retain and motivate key personnel**.	**Equity and investment risk**	*Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations.*

See Investec's 2017 integrated annual report on our website.

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 2017, the bank has provided an amount of US$2.4 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 34 and 35 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.

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 2017, there were no customers or group of related customers to whom the bank granted facilities aggregating more than 15% of its capital base (2016: nil and 2015: nil). The regulatory limit is set at 1200%.

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 (UK only), S&P, Moody's and Global Credit Ratings (SA only) have been nominated as eligible External Credit Assessment institutions (ECAIs) for the purposes of determining external credit ratings. The following elections have been made:

- In relation to sovereigns and securitisations, Fitch (UK only), Moody's, S&P and Global Credit Ratings (SA only) have been selected by Investec as eligible ECAIs
- In relation to banks, corporates and debt securities, Fitch (UK only), Moody's and S&P are recognised as eligible ECAIs
- If two assessments are available, the more conservative will apply
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings should be referred to and the higher of those two ratings should be applied. The group applies the standardized approach for calculating capital requirements in the assessment of its credit and counterparty exposures. The group's banking subsidiaries conduct their mapping of credit and counterparty exposures in accordance with the mapping procedures specified by the Central Bank, in the respective geographies in which the group operates.

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 and approve all related party transactions. 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.

Management discussion and analysis

(continued)

For the year to 31 March	2017	2016	2015
On- and off-balance sheet credit exposure (US$'million)	75.7	85.6	85.5
On- and off-balance sheet credit exposure to all customers (%)	3.7	4.6	5.4
Proportion of credit exposure that has become non performing (%)	–	–	–
Amount of credit exposure to six related parties with the highest exposure (US$'million)	74.5	85.5	85.0
Amount of credit exposure to six related parties with the highest exposure to tier 1 capital (%)	19.7	24.1	22.5

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

Transactions with related parties are carried out on terms and conditions that are at least as favourable to the bank as the market terms and conditions.

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 and Prudential Norm impairments are conducted in accordance with the Bank of Mauritius 'Guideline on Credit Impairment Measurement and Income Recognition'.

Prudential Norm impairment provisions

As per the Bank of Mauritius revised 'Guideline on Credit Impairment Measurement and Income Recognition' which came into effect in July 2016, the bank is required to compute credit impairment provisions on 'impaired' assets under the Prudential Norm.

Where credit provisions computed in terms of Accounting Standard are different from those computed under Prudential Provisioning Norm, the financial institution will be required to adhere to the following requirements:

- If the specific provision computed in terms of Prudential Provisioning Norm is higher than the specific provision computed in terms of Accounting Standard, the difference shall be accounted as General Provision, through an appropriation of distributable reserves.
- If the specific provision computed in terms of Accounting Standard is higher than the specific provision computed in terms of Prudential Provisioning Norm, then the entire specific provision computed under the Accounting Standard shall be treated as an expense in the Profit and Loss Account.

The guideline also introduced new sections with respect to loans classifications and restructuring.

The information provided below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures *(see page 26).*

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 – 90 days • Credit exposures overdue 61 – 90 days.

Management discussion and analysis

(continued)

<table>
<tr><th>Regulatory and economic capital classification</th><th>IFRS impairment treatment</th><th>Arrears, default and recoveries classification category</th><th>Description</th></tr>
<tr><td rowspan="3">Assets in default (non-performing assets)</td><td rowspan="3">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.</td><td>Sub-standard</td><td>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).</td></tr>
<tr><td>Doubtful</td><td>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.
Credit exposures overdue for more than 180 days will at a minimum be included in doubtful (or a lower quality category).</td></tr>
<tr><td>Loss</td><td>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.</td></tr>
</table>

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 34 and 35.

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 bank is mainly exposed to credit risk and has continued to remain prudent in its lending approach.

Loans to customers are well secured and monitored in order to remain within credit approved limit while unsecured lending represents only 0.9% of gross core loans.

Credit quality slightly deteriorated with non-performing loans reaching 3.1% of gross loans and advances to customers with the majority of these coming from the inability of one counterparty in Nigeria to obtain US Dollars to fulfill its obligations towards the bank. The exposure remains relatively well secured with assets denominated in major currencies.

A loss of US$2.5 million was suffered during the year upon disposal of a loan. No further exposure remains towards that counterparty.

Gross core loans, while remaining lower on average throughout the year, increased by 2.7% to US$921.8 million as at 31 March 2017.

Credit and counterparty risk information

Pages 14 to 35 describe where and how credit counterparty risk exists in the bank's operations

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

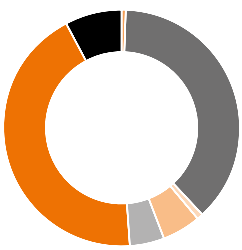
An analysis of gross credit and counterparty exposures

US$'000	31 March 2017	31 March 2016	31 March 2015	2017 vs 2016 % change	Average* 2017 vs 2016	2016 vs 2015 % change	Average* 2016 vs 2015
On-balance sheet exposures							
Cash and balances at central bank	13 706	9 943	9 335	37.8%	11 824	6.5%	9 639
Loans and advances to banks	796 611	347 420	256 603	>100%	572 015	35.4%	302 011
Sovereign debt securities	22 214	–	1 642	100.0%	11 107	(100.0%)	821
Bank debt securities	108 399	112 357	111 576	(3.5%)	110 378	0.7%	111 966
Other debt securities	100 202	95 699	82 897	4.7%	97 950	15.4%	89 298
Derivative financial instruments	1	23	79	(94.7%)	12	(70.4%)	51
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	13 987	0.0%	–	(100.0%)	6 994
Loans and advances to customers	921 790	897 788	932 566	2.7%	909 789	(3.7%)	915 177
Other assets	–	–	–	0.0%	–	–	–
Total on-balance sheet credit and counterparty exposures	**1 962 923**	**1 463 230**	**1 408 685**	**34.2%**	**1 713 077**	**3.9%**	**1 435 957**
Guarantees^	4 854	17 138	16 447	(71.7%)	10 996	4.2%	16 793
Committed facilities	156 986	108 057	114 315	45.3%	132 522	(5.5%)	111 186
Off-balance sheet exposures	**161 840**	**125 195**	**130 762**	**29.3%**	**143 517**	**(4.3%)**	**127 979**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**2 124 763**	**1 588 425**	**1 539 447**	**33.8%**	**1 856 594**	**3.2%**	**1 563 936**

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

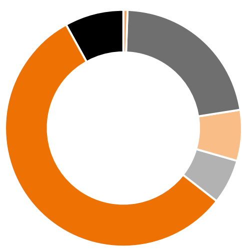
^ *Excludes guarantees provided to clients which are backed/secured by cash deposit with the bank.*

An analysis of gross credit and counterparty exposures



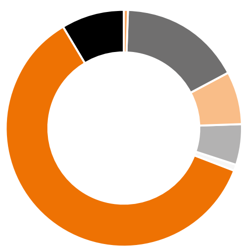
31 March 2017
US$2 125 million

Cash and balances at central banks	0.6%
Loans and advances to banks	37.5%
Sovereign debt securities	1.0%
Bank debt securities	5.1%
Other debt securities	4.7%
Derivative financial instruments	0.0%
Reverse repurchase agreements	0.0%
Loans and advances to customers	43.5%
Other assets	0.0%
Off-balance sheet exposures	7.6%



31 March 2016
US$1 588 million

Cash and balances at central banks	0.6%
Loans and advances to banks	21.9%
Sovereign debt securities	0.0%
Bank debt securities	7.1%
Other debt securities	6.0%
Derivative financial instruments	0.0%
Reverse repurchase agreements	0.0%
Loans and advances to customers	56.5%
Other assets	0.0%
Off-balance sheet exposures	7.9%

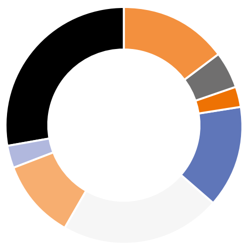


31 March 2015
US$1 539 million

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%

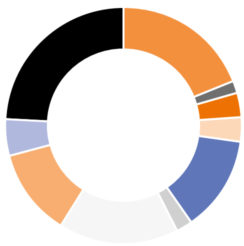
Concentration of risk is managed by client/counterparty, by geographical region and industry sector. The maximum exposure to any client and counterparty at 31 March 2017 was US$201.2 million (2016: US$61.5 million and 2015: US$100.9 million).

An analysis of gross credit and counterparty exposures by geography



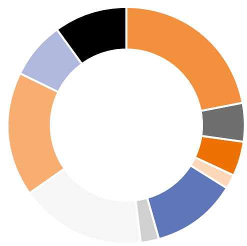
31 March 2017
U$2 124 million

Mauritius	15.0%
South Africa	5.0%
Africa (excl RSA)	3.0%
Asia	0.0%
European Union	14.0%
Europe (non EU)	0.0%
North America	22.0%
Other	11.0%
Australia	3.0%
United Kingdom	28.0%



31 March 2016
U$1 588 million

Mauritius	18.9%
South Africa	1.7%
Africa (excl RSA)	3.3%
Asia	3.5%
European Union	12.9%
Europe (non EU)	2.4%
North America	16.4%
Other	11.9%
Australia	5.0%
United Kingdom	24.0%



31 March 2015
U$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%

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

At 31 March US$'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
2017				
Cash and balances at central banks	13 706	9		13 715
Loans and advances to banks	796 611	15 765	1	812 376
Sovereign debt securities	22 214	–		22 214
Bank debt securities	108 399	–		108 399
Other debt securities	100 202	–		100 202
Derivative financial instruments	1	21 803		21 804
Loans and advances to customers	921 790	(7 795)	2	913 995
Other assets	–	4 521		4 521
Investment portfolio	–	14 473	3	14 473
Investment in associate	–	4 160		4 160
Deferred taxation asset	–	357		357
Property and equipment	–	294		294
Amount due from group companies	–	3 698	1	3 698
Total on-balance sheet exposures	**1 962 923**	**57 285**		**2 020 208**

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

At 31 March US$'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
2016				
Cash and balances at central bank	9 943	4		9 947
Loans and advances to banks	347 420	334 740	1	682 160
Bank debt securities	112 357	–		112 357
Other debt securities	95 699	–		95 699
Derivative financial instruments	23	25 266		25 289
Loans and advances to customers	897 788	(6 690)	2	891 098
Other assets	–	2 476		2 476
Investment portfolio	–	17 045	3	17 045
Investment in associate	–	3 720		3 720
Deferred taxation asset	–	116		116
Property and equipment	–	337		337
Amount due from group companies	–	3 536	1	3 536
Total on-balance sheet exposures	**1 463 230**	**380 550**		**1 843 780**
2015				
Cash and balances at central bank	9 335	2		9 337
Loans and advances to banks	256 603	125 634	1	382 237
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 and cash collateral on securities borrowed	13 987	–		13 987
Loans and advances to customers	932 566	(6 653)	2	925 913
Other assets	–	3 284		3 284
Investment portfolio	–	20 586	3	20 586
Investment in associate	–	4 915		4 915
Deferred taxation asset	–	310		310
Property and equipment	–	409		409
Amount due from group companies	–	3 693	1	3 693
Total on-balance sheet exposures	**1 408 685**	**181 211**		**1 589 896**

1. *Relates to intergroup balances.*
2. *Largely relates to impairments.*
3. *Largely relates to exposures that are classified as equity in the banking book.*

Summary of analysis of gross credit and counterparty exposure by industry

As at 31 March US$'000	Gross core loans and advances			Other credit and counterparty exposures			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Agriculture	2 003	1 995	1 993	–	–	–	2 003	1 995	1 993
Construction	221 178	296 388	319 830	67 706	23 521	48 272	288 884	319 909	368 102
Personal	30 096	30 981	29 413	865	5 095	2 805	30 961	36 076	32 218
Global business licence holders	122 373	174 256	184 408	38 321	48 823	50 228	160 694	223 079	234 636
Finance and business services	265 501	124 136	95 455	1 064 901	570 177	486 445	1 330 402	694 313	581 900
Traders	–	–	–	–	30 000	–	–	30 000	–
Manufacturing	14 861	19 197	32 235	653	–	–	15 514	19 197	32 235
Transport	164 444	124 717	148 882	–	–	10	164 444	124 717	148 892
Tourism	15 419	20 043	23 280	–	–	–	15 419	20 043	23 280
Infrastructure	40 005	57 345	53 331	1 259	1 271	3 371	41 264	58 616	56 702
Information, communication and technology	14 412	8 351	23 685	21 798	11 750	15 750	36 210	20 101	39 435
Media, entertainment and recreational	151	194	707	–	–	–	151	194	707
Other industries	31 347	40 185	19 347	7 470	–	–	38 817	40 185	19 347
Total	**921 790**	**897 788**	**932 566**	**1 202 973**	**690 637**	**606 881**	**2 124 763**	**1 588 425**	**1 539 447**

Detailed analysis of gross credit and counterparty exposures by industry

At 31 March US$'000	Agriculture	Construction	Personal	Global business licence holders	Finance and business services
2017					
On-balance sheet exposures	**2 003**	**221 178**	**30 097**	**122 373**	**1 290 585**
Other debt securities	–	–	–	–	84 154
Bank debt securities	–	–	–	–	108 399
Sovereign debt securities	–	–	–	–	22 214
Bank placements	–	–	–	–	810 317
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–
Call facilities (non-bank entities)	–	–	–	–	–
Derivative financial instruments	–	–	1	–	–
Other credit exposures	–	–	–	–	–
Gross core loans and advances to customers	2 003	221 178	30 096	122 373	265 501
Off-balance sheet exposures	**–**	**67 706**	**864**	**38 321**	**39 817**
Guarantees	–	1 419	–	3 435	–
Committed facilities	–	66 287	864	34 886	39 817
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**2 003**	**288 884**	**30 961**	**160 694**	**1 330 402**
2016					
On-balance sheet exposures	**1 995**	**296 388**	**30 981**	**174 256**	**689 578**
Other debt securities	–	–	–	–	95 699
Bank debt securities	–	–	–	–	112 357
Bank placements	–	–	–	–	357 363
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–
Derivative financial instruments	–	–	–	–	23
Other credit exposures	–	–	–	–	–
Gross core loans and advances to customers	1 995	296 388	30 981	174 256	124 136
Off-balance sheet exposures	**–**	**23 521**	**5 095**	**48 823**	**4 735**
Guarantees	–	10 138	3 400	3 600	–
Committed facilities	–	13 383	1 695	45 223	4 735
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**1 995**	**319 909**	**36 076**	**223 079**	**694 313**
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
Other credit exposures	–	–	–	–	–
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**

Traders	Manufac-turing	Transport	Tourism	Infra-structure	Information, communi-cation and technology	Media, entertain-ment and recreational	Other industries	Total
–	**14 861**	**164 444**	**15 419**	**40 005**	**30 460**	**151**	**31 347**	**1 962 923**
–	–	–	–	–	16 048	–	–	100 202
–	–	–	–	–	–	–	–	108 399
–	–	–	–	–	–	–	–	22 214
–	–	–	–	–	–	–	–	810 317
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	1
–	–	–	–	–	–	–	–	–
–	14 861	164 444	15 419	40 005	14 412	151	31 347	921 790
–	**653**	**–**	**–**	**1 259**	**5 750**	**–**	**7 470**	**161 840**
–	–	–	–	–	–	–	–	4 854
–	653	–	–	1 259	5 750	–	7 470	156 986
–	**15 514**	**164 444**	**15 419**	**41 264**	**36 210**	**151**	**38 817**	**2 124 763**
–	**19 197**	**124 717**	**20 043**	**57 345**	**8 351**	**194**	**40 185**	**1 463 230**
–	–	–	–	–	–	–	–	95 699
–	–	–	–	–	–	–	–	112 357
–	–	–	–	–	–	–	–	357 363
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	23
–	–	–	–	–	–	–	–	–
–	19 197	124 717	20 043	57 345	8 351	194	40 185	897 788
30 000	**–**	**–**	**–**	**1 271**	**11 750**	**–**	**–**	**125 195**
–	–	–	–	–	–	–	–	17 138
30 000	–	–	–	1 271	11 750	–	–	108 057
30 000	**19 197**	**124 717**	**20 043**	**58 616**	**20 101**	**194**	**40 185**	**1 588 425**
–	**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**

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.

At 31 March US$'000	2017	2016	2015
Gross core loans and advances to customers	**921 790**	**897 788**	**932 566**
Total impairments	**(7 795)**	**(6 690)**	**(6 653)**
Portfolio impairments	(7 142)	(6 690)	(6 653)
Specific impairments	(653)	–	–
Net core loans and advances to customers	**913 995**	**891 098**	**925 913**
Average gross core loans and advances to customers	**909 789**	**915 177**	**915 818**
Current loans and advances to customers	863 381	863 626	928 327
Past due loans and advances to customers (1 – 60 days)	1 456	11 095	2 661
Special mention loans and advances to customers	28 008	22 142	1 142
Default loans and advances to customers	28 945	925	436
Gross core loans and advances to customers	**921 790**	**897 788**	**932 566**
Current loans and advances to customers	880 729	884 970	929 469
Gross core loans and advances to customers that are past due but not impaired	16 844	12 818	3 097
Gross core loans and advances to customers that are impaired	24 217	–	–
Gross Core loans and advances to customers	**921 790**	**897 788**	**932 566**
Total income statement charge for impairments on loans and advances	**(3 535)**	**1 003**	**2 359**
Gross default loans and advances to customers	28 945	925	436
Specific impairments	(653)	–	–
Portfolio impairments	(7 142)	(6 690)	(6 653)
Defaults net of impairments	**21 150**	**(5 765)**	**(6 217)**
Collateral and other credit enhancements	40 325	1 793	1 136
Net default loans and advances to customers (limited to zero)	**–**	**–**	**–**
Ratios:			
Total impairments as a % of gross core loans and advances to customers	0.85%	0.75%	0.71%
Total impairments as a % of gross default loans	26.93%	> 100%	> 100%
Gross defaults as a % of gross core loans and advances to customers	3.14%	0.10%	0.05%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.31%	(0.65%)	(0.67%)
Net defaults as a % of gross core loans and advances to customers	0.00%	–	–
Credit loss ratio (i.e. income statement charge on core loans as a % of average gross core loans and advances)	0.39%	(0.11%)	(0.26%)

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

At 31 March US$'000	2017	2016	2015
Watchlist loans neither past due nor impaired	17 348	21 344	1 142
1 – 60 days	19 968	11 893	2 661
61 – 90 days	286	–	–
91 – 180 days	16 212	–	–
181 – 365 days	4 595	925	436
> 365 days	–	–	–
Past due and default core loans and advances to customers (actual capital exposure)	**58 409**	**34 162**	**4 239**
1 – 60 days	8 038	189	82
61 – 90 days	16	–	–
91 – 180 days	1 602	–	–
181 – 365 days	256	275	94
> 365 days	–	–	–
Past due and default loans and advances to customers (actual amount in arrears)	**9 912**	**464**	**176**

A further age analysis of watchlist and non-current loans and advances to customers

At 31 March US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
2017							
Watchlist loans							
Total capital exposure	17 348	–	–	–	–	–	17 348
Amount in arrears	–	–	–	–	–	–	–
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	16 558	286	–	–	–	16 844
Amount in arrears	–	4 628	16	–	–	–	4 644
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	3 410	–	16 212	4 595	–	24 217
Amount in arrears	–	3 410	–	1 602	256	–	5 268
2016							
Watchlist loans							
Total capital exposure	21 344	798	–	–	–	–	22 142
Amount in arrears	–	21	–	–	–	–	21
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	11 095	–	–	925	–	12 020
Amount in arrears	–	168	–	–	275	–	443
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	–	–	–	–	–	–
Amount in arrears	–	–	–	–	–	–	–
2015							
Watchlist loans							
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	–	–	–	–	–	–	–

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 2017 was US$35.2 million (2016: US$19.9 million and 2015: US$10.8 million).

A further age analysis based of gross non-current and watchlist core loans and advances to customers as at 31 March 2017 (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)	–	1 456	–	–	–	–	1 456
Special mention	**17 348**	**10 374**	**286**	**–**	**–**	**–**	**28 008**
Special mention (1 – 90 days and management concerned)	–	10 374	–	–	–	–	10 374
Special mention (61 – 90 days and item well secured)	–	–	286	–	–	–	286
Special mention – current	17 348	–	–	–	–	–	17 348
Default	**–**	**8 138**	**–**	**16 212**	**4 595**	**–**	**28 945**
Sub-standard	–	4 728	–	–	–	–	4 728
Doubtful	–	3 410	–	16 212	4 595	–	24 217
Loss	–	–	–	–	–	–	–
Total	**17 348**	**19 968**	**286**	**16 212**	**4 595**	**–**	**58 409**

A further age analysis based of gross non-current and watchlist core loans and advances to customers as at 31 March 2017 (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)	–	13	–	–	–	–	13
Special mention	**–**	**358**	**16**	**–**	**–**	**–**	**374**
Special mention (1 – 90 days and management concerned)	–	358	–	–	–	–	358
Special mention (61 – 90 days and item well secured)	–	–	16	–	–	–	16
Special mention – current	–	–	–	–	–	–	–
Default	**–**	**7 667**	**–**	**1 602**	**256**	**–**	**9 525**
Sub-standard	–	4 257	–	–	–	–	4 257
Doubtful	–	3 410	–	1 602	256	–	5 268
Loss	–	–	–	–	–	–	–
Total	**–**	**8 038**	**16**	**1 602**	**256**	**–**	**9 912**

A further age analysis based of gross non-current and watchlist core loans and advances to customers as at 31 March 2016 (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)	**–**	**11 095**	**–**	**–**	**–**	**–**	**11 095**
Special mention	**21 344**	**798**	**–**	**–**	**–**	**–**	**22 142**
Special mention (1 – 90 days and management concerned)	–	798	–	–	–	–	798
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–
Special mention – current	21 344	–	–	–	–	–	21 344
Default	**–**	**–**	**–**	**–**	**925**	**–**	**925**
Sub-standard	–	–	–	–	925	–	925
Doubtful	–	–	–	–	–	–	–
Loss	–	–	–	–	–	–	–
Total	**21 344**	**11 893**	**–**	**–**	**925**	**–**	**34 162**

A further age analysis based of gross non-current and watchlist core loans and advances to customers as at 31 March 2016 (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)	**–**	**168**	**–**	**–**	**–**	**–**	**168**
Special mention	**–**	**21**	**–**	**–**	**–**	**–**	**21**
Special mention (1 – 90 days and management concerned)	–	21	–	–	–	–	21
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–
Special mention – current	–	–	–	–	–	–	–
Default	**–**	**–**	**–**	**–**	**275**	**–**	**275**
Sub-standard	–	–	–	–	275	–	275
Doubtful	–	–	–	–	–	–	–
Loss	–	–	–	–	–	–	–
Total	**–**	**189**	**–**	**–**	**275**	**–**	**464**

A further age analysis based of gross non-current and watchlist core loans and advances to customers as 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 – 90 days)	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–
Special mention – current	1 142	–	–	–	–	–	1 142
Default	**–**	**–**	**–**	**–**	**436**	**–**	**436**
Sub-standard	–	–	–	–	436	–	436
Doubtful	–	–	–	–	–	–	–
Total	**1 142**	**2 661**	**–**	**–**	**436**	**–**	**4 239**

A further age analysis based of gross non-current core and watchlist loans and advances to customers as 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 – 90 days)	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–
Special mention – current	–	–	–	–	–	–	–
Default	**–**	**–**	**–**	**–**	**94**	**–**	**94**
Sub-standard	–	–	–	–	94	–	94
Doubtful	–	–	–	–	–	–	–
Total	**–**	**82**	**–**	**–**	**94**	**–**	**176**

An analysis of core loans and advances to customers

At 31 March 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
2017								
Current core loans and advances	**863 381**	**–**	**–**	**863 381**	**–**	**(6 852)**	**856 529**	**–**
Past due (1 – 60 days)	**–**	**1 456**	**–**	**1 456**	**–**	**(12)**	**1 444**	**13**
Special mention	**17 348**	**10 660**	**–**	**28 008**	**–**	**(216)**	**27 792**	**374**
Special mention (1 – 90 days)	–	10 374	–	10 374	–	(80)	10 294	358
Special mention (61 – 90 days and item well secured)	–	286	–	286	–	(2)	284	16
Special mention – current	17 348	–	–	17 348	–	(134)	17 214	–
Default	**–**	**4 728**	**24 217**	**28 945**	**(653)**	**(62)**	**28 230**	**9 525**
Sub-standard	–	4 728	–	4 728	–	(62)	4 666	4 257
Doubtful	–	–	24 217	24 217	(653)	–	23 654	5 268
Loss	–	–	–	–	–	–	–	–
Total	**880 729**	**16 844**	**24 217**	**921 790**	**(653)**	**(7 142)**	**913 995**	**9 912**
2016								
Current core loans and advances	**863 626**	**–**	**–**	**863 626**	**–**	**(6 435)**	**857 191**	**–**
Past due (1 – 60 days)	**–**	**11 095**	**–**	**11 095**	**–**	**(83)**	**11 012**	**168**
Special mention	**21 344**	**798**	**–**	**22 142**	**–**	**(165)**	**21 977**	**21**
Special mention (1 – 90 days)	–	798	–	798	–	(6)	792	21
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–	–
Special mention – current	21 344	–	–	21 344	–	(159)	21 185	–
Default	**–**	**925**	**–**	**925**	**–**	**(7)**	**918**	**275**
Sub-standard	–	925	–	925	–	(7)	918	275
Doubtful	–	–	–	–	–	–	–	
Loss	–	–	–	–	–	–	–	–
Total	**884 970**	**12 818**	**–**	**897 788**	**–**	**(6 690)**	**891 098**	**464**
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 – 90 days)	–	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–	–
Special mention – current	1 142	–	–	1 142	–	(8)	1 134	–
Default	**–**	**436**	**–**	**436**	**–**	**(3)**	**433**	**94**
Sub-standard	–	436	–	436	–	(3)	433	94
Doubtful	–	–	–	–	–	–	–	–
Loss	–	–	–	–	–	–	–	–
Total	**929 469**	**3 097**	**–**	**932 566**	**–**	**(6 653)**	**925 913**	**176**

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

At 31 March US$'000	Current core loans and advances	Past due (1 – 60 days)	Special mention (1 – 90 days)	Special mention (1 – 90 days and items well secured)
2017				
Agriculture	2 003	–	–	–
Construction	212 060	1 456	–	–
Personal	30 096	–	–	–
Global business licence holders	122 373	–	–	–
Financial and business services	265 215	–	–	286
Manufacturing	14 861	–	–	–
Transport	116 705	–	10 374	–
Tourism	14 153	–	–	–
Infrastructure	40 005	–	–	–
Information, communication and technology	14 412	–	–	–
Media, entertainment and recreational	151	–	–	–
Other entities	31 347	–	–	–
Total gross core loans and advances to customers	**863 381**	**1 456**	**10 374**	**286**
2016				
Agriculture	1 995	–	–	–
Construction	295 347	1 041	–	–
Personal	29 020	1 036	–	–
Global business licence holders	171 187	3 069	–	–
Financial and business services	123 811	325	–	–
Manufacturing	19 197	–	–	–
Transport	98 303	5 070	–	–
Tourism	18 691	554	798	–
Infrastructure	57 345	–	–	–
Information, communication and technology	8 351	–	–	–
Media, entertainment and recreational	194	–	–	–
Other entities	40 185	–	–	–
Total gross core loans and advances to customers	**863 626**	**11 095**	**798**	**–**
2015				
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	–	–
Manufacturing	32 235	–	–	–
Transport	148 882	–	–	–
Tourism	22 138	–	–	–
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**	**–**	**–**

Special mention – current	Sub-standard	Doubtful	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
–	–	–	2 003	(33)	–	(33)
–	4 252	3 410	221 178	(1 714)	(462)	(2 176)
–	–	–	30 096	(233)	–	(233)
–	–	–	122 373	(848)	–	(848)
–	–	–	265 501	(2 057)	–	(2 057)
–	–	–	14 861	(115)	–	(115)
17 348	–	20 017	164 444	(1 224)	(191)	(1 415)
–	476	790	15 419	(252)	–	(252)
–	–	–	40 005	(310)	–	(310)
–	–	–	14 412	(112)	–	(112)
–	–	–	151	(1)	–	(1)
–	–	–	31 347	(243)	–	(243)
17 348	**4 728**	**24 217**	**921 790**	**(7 142)**	**(653)**	**(7 795)**
–	–	–	1 995	(15)	–	(15)
–	–	–	296 388	(2 210)	–	(2 210)
–	925	–	30 981	(231)	–	(231)
–	–	–	174 256	(1 299)	–	(1 299)
–	–	–	124 136	(925)	–	(925)
–	–	–	19 197	(143)	–	(143)
21 344	–	–	124 717	(929)	–	(929)
–	–	–	20 043	(149)	–	(149)
–	–	–	57 345	(427)	–	(427)
–	–	–	8 351	(62)	–	(62)
–	–	–	194	(1)	–	(1)
–	–	–	40 185	(299)	–	(299)
21 344	**925**	**–**	**897 788**	**(6 690)**	**–**	**(6 690)**
–	–	–	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)
1 142	–	–	23 280	(166)	–	(166)
–	–	–	53 331	(380)	–	(380)
–	–	–	23 685	(169)	–	(169)
–	–	–	707	(5)	–	(5)
–	–	–	19 347	(138)	–	(138)
1 142	**436**	**–**	**932 566**	**(6 653)**	**–**	**(6 653)**

Collateral

A summary of total collateral is provided in the table below.

At 31 March US$'000	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
2017			
Eligible financial collateral	**6 186**	**1 040**	**7 226**
Listed shares	–	–	–
Cash**	6 186	1 040	7 226
Property charge	**1 472 845**	**7 414**	**1 480 259**
Residential mortgages	241 163	1 084	242 247
Residential development	–	–	–
Commercial property developments	1 044 278	6 330	1 050 608
Commercial property investments	187 404	–	187 404
Other collateral	**970 234**	**1 642**	**971 876**
Unlisted shares	254 175	1 642	255 817
Charges other than property	392 381	–	392 381
Debtors, stock and other corporate assets	293 482	–	293 482
Guarantees	30 196	–	30 196
Other	–	–	–
Total collateral	**2 449 265**	**10 096**	**2 459 361**
2016			
Eligible financial collateral	**9 858**	**1 500**	**11 358**
Listed shares	–	–	–
Cash**	9 858	1 500	11 358
Property charge	**954 780**	**14 539**	**969 319**
Residential mortgages	117 321	7 422	124 743
Residential development	–	–	–
Commercial property developments	820 402	7 117	827 519
Commercial property investments	17 057	–	17 057
Other collateral	**837 889**	**15 877**	**853 766**
Unlisted shares	264 301	–	264 301
Charges other than property	239 836	–	239 836
Debtors, stock and other corporate assets	244 911	–	244 911
Guarantees	65 165	2 413	67 578
Other	23 676	13 464	37 140
Total collateral	**1 802 527**	**31 916**	**1 834 443**

* *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$6.2 million (2016: US$9.9 million and 2015: US$12.2 million) with regard to loans and advances of US$111.8 million (2016: US$106.4 million and 2015: US$129.4 million). The bank has the right to invoke the cash collateral only in an event of default from the borrower and as a result was not offset against the loans and advances balance.*
The cash collateral is included in 'Customer accounts (deposits)'. The effect of offsetting the above financial instruments would have resulted in net balances for loans and advances of US$.106.0 million (2016: US$96.5 million and 2015: US$117.2 million).

Collateral *(continued)*

At 31 March US$'000	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
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 mortgages	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
Charges 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**

* *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$5.8 million (2016: US$9.9 million and 2015: US$12.2 million) with regard to loans and advances of US$111.8 million (2016: US$106.4 million and 2015: US$129.4 million). The bank has the right to invoke the cash collateral only in an event of default from the borrower and as a result was not offset against the loans and advances balance.*
The cash collateral is included in 'Customer accounts (deposits)'. The effect of offsetting the above financial instruments would have resulted in net balances for loans and advances of US$.106.0 million (2016: US$96.5 million and 2015: US$117.2 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 seeks 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 and losses recorded with respect to these investments.

Equity and investment risk in the banking book *(continued)*

For the year to 31 March US$'000	Gains/(losses) Unrealised	 Realised	 Total
2017			
Unlisted investments	(2 562)	–	(2 562)
Listed equities	(10)	–	(10)
Equity derivatives	(1 347)	–	(1 347)
Total	**(3 919)**	**–**	**(3 919)**
2016			
Unlisted investments	(3 541)	–	(3 541)
Listed equities	(1)	–	(1)
Equity derivatives	(1 711)	–	(1 711)
Total	**(5 253)**	**–**	**(5 253)**
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**

Summary of investments held and stress testing analysis

The table below provides an analysis of income and revaluations recorded with respect to these investments.

At 31 March US$'000	On balance sheet value of investments 2017	Valuation change stress test* 2017	On balance sheet value of investments 2016	Valuation change stress test* 2016	On balance sheet value of investments 2015	Valuation change stress test* 2015
Unlisted investments	14 450	2 168	17 012	2 552	20 553	3 083
Listed equities	23	6	33	8	33	8
Equity derivatives	14 102	4 936	15 449	5 407	17 160	6 006
Total	**28 575**	**7 110**	**32 494**	**7 967**	**37 746**	**9 097**

* *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 2017, indicates that the bank could have a US$7.1 million reversal in investment income. 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, non-trading interest rate and foreign exchange, encumbrance and leverage risks on balance sheet.

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 bank 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 analysis. 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.

Management discussion and analysis

(continued)

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 2017 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	810	–	–	–	–	–	810
Investment/trading assets	8	52	20	129	16	39	264
Advances	796	18	16	84	–	–	914
Other assets	–	–	–	–	–	5	5
Assets	**1 614**	**70**	**36**	**213**	**16**	**44**	**1 993**
Deposits – non-banks	(1 106)	(21)	(69)	(6)	–	–	(1 202)
Securities sold under repurchase agreement	(102)	–	–	–	–	–	(102)
Other liabilities	–	–	–	–	–	(62)	(62)
Liabilities	**(1 208)**	**(21)**	**(69)**	**(6)**	**–**	**(62)**	**(1 366)**
Intercompany loans	(94)	(44)	(18)	(86)	–	–	(242)
Shareholders' funds	–	–	–	–	–	(388)	(388)
Balance sheet	**312**	**5**	**(51)**	**121**	**16**	**(406)**	**(3)**
Off-balance sheet	145	(9)	5	(122)	(16)	–	3
Repricing gap	**457**	**(4)**	**(46)**	**(1)**	**–**	**(406)**	**–**
Cumulative repricing gap	457	453	407	406	406	–	–

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 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 – non-banks	(716)	(23)	(5)	(33)	–	–	(777)
Securities sold under repurchase agreement	(110)	–	–	–	–	–	(110)
Investment/trading liabilities	–	–	–	–	–	–	–
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	–	–

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.

	Sensitivity to the following interest rates (expressed in original currencies)					
At 31 March 'million	**ZAR**	**GBP**	**USD**	**EUR**	**AUD**	**All (USD)**
2017						
200bp down	(0.65)	1.45	(2.38)	0.27	(0.08)	(0.39)
200bp up	0.68	(1.35)	2.10	(0.26)	0.08	0.25
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)
2015						
200bp down	0.24	3.26	1.48	0.41	(0.02)	6.76
200bp up	(0.13)	(2.83)	(1.46)	(0.38)	0.01	(6.07)

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.
- Basel standards for liquidity measurement: while not having been enforced in Mauritius, the bank monitors the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) required by Basel III.

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, reinvestment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

Contractual liquidity

At 31 March 2017 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	620	190	–	–	–	–	–	810
Investment/trading assets	–	–	1	53	21	147	42	264
Advances	14	34	20	127	182	423	114	914
Other assets	–	–	–	–	–	–	5	5
Assets	**634**	**224**	**21**	**180**	**203**	**570**	**161**	**1 993**
Deposits – non-banks	(940)	(61)	(104)	(21)	(70)	(6)	–	(1 202)
Securities sold under repurchase agreement	–	–	–	–	(17)	(85)	–	(102)
Other liabilities	(57)	–	–	(5)	–	–	–	(62)
Liabilities	**(997)**	**(61)**	**(104)**	**(26)**	**(87)**	**(91)**	**–**	**(1 366)**
Intercompany loans	8	–	–	–	–	(205)	(45)	(242)
Shareholders' funds	–	–	–	–	–	–	(388)	(388)
Balance sheet	**355**	**163**	**(83)**	**154**	**116**	**274**	**(272)**	**(3)**
Off-balance sheet	1	(2)	–	–	–	3	1	3
Contractual liquidity gap	**(354)**	**161**	**(83)**	**154**	**116**	**277**	**(271)**	**–**
Cumulative liquidity gap	(354)	(193)	(276)	(122)	(6)	271	–	–

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
Securitised assets	–	–	–	–	–	–	–	–
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	–	–

Contractual liquidity *(continued)*

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 – 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	–	–

Behavioural liquidity (as discussed on page 40)

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
2017								
Behavioural liquidity gap	**514**	**138**	**(69)**	**111**	**278**	**(123)**	**(849)**	**–**
Cumulative	514	652	683	694	972	849	–	–
2016								
Behavioural liquidity gap	**264**	**254**	**114**	**27**	**246**	**64**	**(969)**	**–**
Cumulative	264	518	632	659	905	969	–	
2015								
Behavioural liquidity gap	**75**	**235**	**163**	**25**	**100**	**472**	**(1 070)**	**–**
Cumulative	75	310	473	498	598	1 070	–	

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.

				Other currencies		
At 31 March US$'000	**EUR**	**GBP**	**MUR**	**Long**	**Short**	**Aggregate net open foreign exchange position**
Open position						
2017						
Long/(short) position	667	1 960	(273)	624	(2 453)	3 251
2016						
Long/(short) position	619	1 181	(258)	734	(234)	2 534
2015						
Long/(short) position	60	(449)	(135)	989	(276)	1 049

Operational risk management

Operational risk definition

Operational risk is defined as the potential or actual impact to the bank as a result of failures relating to internal processes, people and systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

Operational risk is an inherent risk in the operations of the bank. The bank aims to appropriately identify and manage operational risk within acceptable levels by adopting sound operational risk management practices which are fit for purpose.

Operational risk management framework

The bank applies the standardised approach (TSA) for regulatory capital purposes in the assessment of operational risk.

The changing regulatory landscape includes The Basel committee on Banking Supervision ('BCBS') proposing reforms on how banks calculate operational risk capital. The bank continues to work closely with regulators and industry bodies to remain cognisant of reforms.

The framework is embedded at all levels of the group, supported by the risk culture and enhanced on a continual basis as the discipline matures and in line with regulatory developments.

The operational risk management framework is supported by practices and processes which facilitate the identification, assessment and mitigation of operational risk. Practices consist of the following:

Risk and control assessment	Internal risk events	External risk events	Key risk indicators	Scenarios and capital calculation	Reporting
Qualitative assessments performed on key business processes, are used to identify, manage and monitor operational risks and controls	Internal risk events are analysed to enable business to identify trends in risk events and address control weaknesses	An external data service is used to analyse operational risk events from other organisations. This provides insight into possible emerging risks and input into the scenarios analysis	Metrics are used to monitor risk exposures against identified thresholds. The output assist in predictive capability and assessing the risk profile of the business	Extreme yet plausible scenarios are used to analyse and manage significant operational risk which have the potential of materially affecting the group's operations and financial stability. The output of this evaluation is used to determine internal operational risk capital requirements	Ongoing monitoring and reporting of the operational risk profile supports decision-making

Governance

The governance structure adopted to manage operational risk within the bank operates in terms of a level of defence model and includes principles relating to combined assurance. The level of defence model is applied as follows:

- Level 1 – Business line management: responsible for identifying and managing risks inherent in the products, activities, processes and systems for which it is accountable;
- Level 2 – Independent corporate operational risk function: key function is to challenge the business lines' inputs to, and outputs from, the bank's risk management, risk measurement and reporting systems;
- Level 3 – Independent review and challenge: required to review and challenge the bank's operational risk management controls, processes and systems.

Risk tolerance

The Operational Risk Tolerance policy defines the amount of operational risk exposure, or potential adverse impact of a risk event, that the bank is willing to accept. The objective of the policy is to encourage action and mitigation of risk exposures and provides management with the guidance to respond appropriately. Additionally, the policy defines capturing and reporting thresholds for risk events and guidance to respond to key risk indicators appropriately.

All exceptions and breaches of thresholds are reported to the relevant operational risk governance forums and the GRCC who are responsible for escalation to the BRCC as appropriate.

Definition of risk	Mitigation approach and priority for 2017/2018
Cybersecurity	
Risk associated with cyberattacks which can result in fraud, data theft, cyber terrorism, espionage, or disrupt client-facing services	• Maintain a risk-based and adaptive cybersecurity strategy to ensure the group is adequately protected against advanced cyberattacks • Continuous improvement of prediction, prevention, detection and response capabilities • Security testing of IT systems to ensure they are secure both by design and as they evolve • Establish an effective and globally coordinated security incident response process • Build robust cyber resilience to be able to anticipate, withstand, and recover from cyber events
Financial crime	
Risk associated with fraud, bribery, corruption, theft, money laundering, terrorist financing, tax evasion, forgery and integrity misconduct by staff, clients, suppliers and other stakeholders	• Targeted training for specific risk roles, regular campaigns to all employees to raise awareness of financial crime risk and associated policies and encourage escalation • Operate an Integrity Line which allows employees to make disclosures including regulatory breaches, allegations of bribery, fraud and corruption, and non-compliance with policies • Proactive strategy for the effective prevention, detection and investigation of all financial crime types which includes business and client risk assessments • Continuous monitoring of adherence to financial crime prevention policies and embedding of practices which comply with regulations, industry guidance and best practice • Research and review of external and industry events through engagement with relevant industry bodies and external partners
Information security	
Risk associated with the protection of information assets against unauthorised access, use, disclosure, modification or destruction	• Identify high-value information assets based on confidentiality and business criticality • Implement strong security controls to protect information against compromise • Manage access to systems and data in support of least-privilege and segregation of duty principles • Establish effective security monitoring to identify and swiftly respond to suspicious activity • Align practices and controls with the rapidly changing legal and regulatory privacy requirements
Process failure	
Risk associated with inadequate internal processes, including human errors and control failures within the business. This includes process origination, execution and operations	• Proactive assessment relating to new products and projects to implement adequate and effective controls including the management of change • Continuous automation of processes • Segregation of incompatible duties and appropriate authorisation controls • Causal analysis is used to identify weaknesses in controls following the occurrence of risk events • Risk and performance indicators are used to monitor the effectiveness of controls across business units • Thematic reviews across business units to ensure consistent and efficient application of controls

Definition of risk	Mitigation approach and priority for 2017/2018
Business continuity	
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes	• Enhance the global business continuity management capability through a team of dedicated resources and a thorough governance process • Respond to disruptions to maintain continuity by relocating impacted business to alternate processing sites and the use of high availability technology solutions • Incorporate resilience into business operations to lessen the impact of disruptions • Conduct ongoing verification of recovery strategies to ensure they are effective and appropriate • Participate in industry-wide discussions to keep abreast of regulatory developments and collaboratively minimise systemic continuity risks
Regulatory and compliance	
Risk associated with identification, implementation and monitoring of compliance with regulations	• Align regulatory and compliance approach to reflect new regulatory landscapes (particularly change of regulatory structures in UK and SA) • Manage business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments • Ensuring existing monitoring remains focused appropriately as areas of conduct and regulatory risk develop • Group compliance and group legal assist in the management of regulatory and compliance risk • Identification and adherence to legal and regulatory requirements
Technology	
Risk associated with the reliance on technology to support business processes and client services	• Align architecture across the group to reduce technical complexity and leverage common functions and processes • Enhance operational processes to better control IT changes and manage IT incidents, in order to minimise business impact • Drive automation and proactive monitoring of the technology environment to reduce human error while enhancing visibility • Implement infrastructure upgrades and legacy application replacements to improve technology capacity, scalability and resilience • Perform continuous risk management to proactively address control gaps in IT people, processes or systems • Maintain and test IT recovery capabilities to withstand system failures and safeguard against service disruptions
Outsourcing	
Risk associated with the use of service provider to perform on a continuing basis a business activity which could be undertaken by the group	• Governance structures are in place to approve outsource arrangements • Framework and policies support ongoing management and monitoring of outsource providers • Outsource arrangements are managed in accordance with regulatory requirements which includes the suitability of the outsource provider to perform services • Continuous assessment of the strategic decision to outsource including the appropriateness of the outsource provider

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 risk 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 two 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 15%.

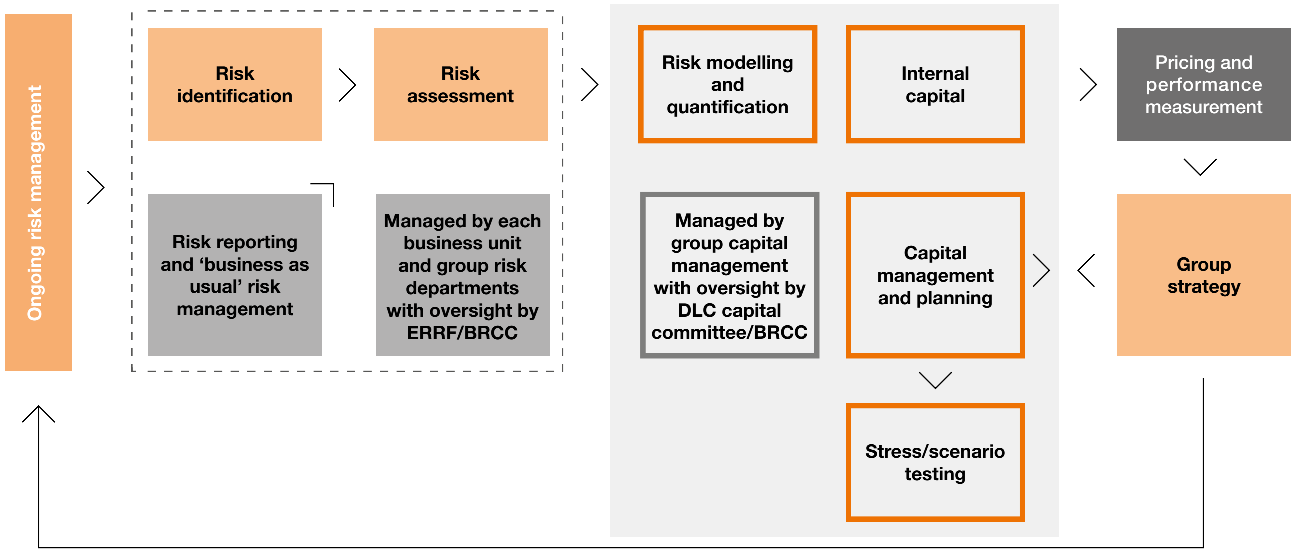
The bank reports information on its capital position to the Investec Limited capital committee which in turn reports to the Investec group DLC capital committee.

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

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.

Capital management, planning and scenario testing *(continued)*

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 bank has adopted and complies with the Bank of Mauritius Guideline on Scope of Application of Basel III and Eligible Capitals.

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 January 2015	1 January 2016	1 January 2017	1 January 2018	1 January 2019	1 January 2020	1 January 2021
Minimum common equity tier 1 CAR	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	6.0%	6.5%	7.125%	7.75%	8.375%	9.0%	
Phase-in of deductions from CAT 1*	50%	50%	50%	80%	100%	100%	
Minimum tier 1 CAR	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%	
Minimum total CAR plus Capital Conservation Buffer	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	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 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	265 260	243 418	265 695	243 857	266 667
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surpluses on land and building assets)	55 949	53 755	55 949	53 755	55 291
Common equity tier 1 capital before regulatory adjustments	**377 687**	**353 651**	**378 122**	**354 090**	**378 436**
Common equity tier 1 capital: regulatory adjustments					
Deferred tax assets	357	116	305	116	310
Total regulatory adjustments to common equity tier 1 capital	**357**	**116**	**305**	**116**	**310**
Common equity tier 1 capital (CET1)	**377 330**	**353 535**	**377 817**	**353 974**	**378 126**
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)	16 934	12 923	16 953	12 923	12 762
Tier 2 capital (T2)	**16 934**	**12 923**	**16 953**	**12 923**	**12 762**
Total Capital (capital base) (TC = T1 + T2)	**394 264**	**366 458**	**394 770**	**366 897**	**390 888**
Risk-weighted assets					
Risk-weighted on balance sheet assets	1 256 567	1 141 392	1 258 083	1 141 873	1 071 147
Non-market-related off balance sheet risk-weighted assets	91 219	81 653	91 219	81 653	84 328
Market-related off balance sheet risk-weighted assets	6 973	9 224	6 973	9 224	12 286
Operational risk	87 146	95 580	87 146	95 580	90 767
Aggregate net open foreign exchange position	3 251	2 534	3 251	2 534	1 049
Total risk-weighted assets	**1 445 156**	**1 330 383**	**1 446 672**	**1 330 864**	**1 259 577**
Capital adequacy %					
Total capital ratio	**27.2%**	**27.5%**	**27.2%**	**27.6%**	**31.1%**
of which tier 1 capital ratio	**26.0%**	**26.6%**	**26.0%**	**26.6%**	**30.1%**

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

US$'000	Group Balance sheet amount	Group Amounts included for regulatory purposes	Bank Balance sheet amount	Bank Amounts included for regulatory purposes
Paid in capital and qualifying capital instruments	56 478	56 478	56 478	56 478
Retained earnings	265 260	265 260	265 695	265 695
Other reserves	66 277	55 949	66 277	55 949
Qualifying common equity tier 1 capital before regulatory adjustments	**388 015**	**377 687**	**388 450**	**378 122**
Deferred tax assets		(357)		(305)
Common equity tier 1 capital (CET1)	**388 015**	**377 330**	**388 450**	**377 817**
Tier 2 capital		**16 934**		**16 953**
Total qualifying capital (capital base) (TC = T1 + T2)	**388 015**	**394 264**	**388 450**	**394 770**

Risk-weighted on balance sheet assets

31 March US$'000 Risk-weighted on-balance sheet assets	2017 Total on-balance sheet amount	2017 Risk-weights %	2017 Risk-weighted asset	2016 Risk-weighted asset	2015 Risk-weighted asset
Cash items	12	0%	–	–	–
Claims on sovereigns	30 688	50%-100%	28 442	37 346	33 732
Claims on central banks and international institutions	13 706	0%-50%	5 494	3 748	2 300
Claims on multilateral development banks (MDBs)	–	0%-50%	–	–	10 359
Claims on banks	920 771	20%-100%	231 699	229 454	173 967
Claims on non-central government public sector entities (PSEs)	–	50%	27 198		
Claims on corporates	795 227	20%-150%	725 372	567 404	478 421
Claims included in the regulatory retail portfolio	–	75%	–	84	99
Claims secured by residential property	38 696	35%-125%	25 253	34 905	24 160
Claims secured by commercial real estate	154 409	100%-125%	148 786	244 441	315 497
Past due claims	28 945	100%-150%	40 934	920	436
Other assets	24 204	100%-250%	24 905	23 571	32 176
Total on-balance sheet credit risk-weighted exposures			**1 258 083**	**1 141 873**	**1 071 147**

Risk-weighted non-market-related off balance sheet assets

31 March US$'000 Non-market-related off balance sheet credit exposures	2017 Notional principal amount	2017 Credit conversion factor %	2017 Credit equivalent amount	2017 Risk-weighted asset	2016 Risk-weighted asset	2015 Risk-weighted asset
Direct credit substitutes	4 522	100	4 522	4 267	8 201	6 836
Transaction-related contingent items	608	50	303	233	3 561	5 477
Total other commitments	236 614	20 – 50	86 780	86 719	69 891	72 015
Total non-market-related off balance sheet risk-weighted credit exposures			**91 605**	**91 219**	**81 653**	**84 328**

Risk-weighted non-market-related off balance sheet assets

31 March US$'000 Market-related off balance sheet risk-weighted asset	2017 Notional principal amount	2017 Potential future exposure	2017 Current exposure	2017 Credit equivalent amount	2017 Risk-weighted asset	2016 Risk-weighted asset	2015 Risk-weighted asset
Interest rate contracts	120 714	684	945	1 629	815	432	474
Foreign exchange contracts	399 727	6 401	6 757	13 159	4 847	6 867	9 674
Credit derivative contracts	–	–	–	–	–	–	2 138
Other market-related contracts	–	–	14 102	14 102	1 311	1 925	–
Total market-related off balance sheet risk-weighted credit exposures					**6 973**	**9 224**	**12 286**

Audit committee report

Financial Reporting

Process

The chairman of the audit committee is pleased to present the report for the financial year ended 31 March 2017.

The audit committee complied with all legal and regulatory requirements as necessary under Mauritian legislation and executed its duties during the last financial year in accordance with its Terms of Reference, the Companies Act 2001, Guideline on Corporate Governance, National Code on Corporate Governance, King Report on Governance for South Africa (King III) and the JSE Listings Requirements, where applicable.

Functions of the audit committee

The audit committee is part of the risk management and corporate governance processes and procedures of the bank which provides oversight and monitoring of the:

- financial reporting process and risk management;
- fraud and IT risks as they relate to financial reporting;
- the effectiveness of the internal controls, internal audit and risk management systems;
- the statutory audit and annual financial statements; and
- the independence and performance of the statutory and internal auditor and appropriateness of the statutory auditor's provision of non-audit services.

At each audit committee meeting, the chief executive officer, the chief operating officer, the head of finance and the head of compliance provide an in-depth assessment of their current risk-related concerns and the procedures introduced by management to control or mitigate these risks.

Following the completion of all the audit committee meetings, the chairman of the audit committee provides feedback to the next meeting of the board of directors highlighting matters of which the audit committee believes the board should be aware of.

The chairman of the audit committee regularly meets with the head of Internal Audit as well as the lead external audit partner outside meetings without management being present to gain a better understanding of the bank's operations and the risks and challenges it faces.

The chairman also has regular meetings with the head of finance to discuss issues relating to the finance function of the bank and to ensure the adequacy of the required expertise, resources and experience of the company's finance function.

The audit committee is satisfied that it carried out its audit committee functions in an appropriate and satisfactory manner.

External audit

The audit committee has responsibility for reviewing the relationship with the external auditors, including considering audit fees, non-audit services and the independence and objectivity of the external auditors.

Auditor appointment, independence and objectivity

The audit committee has satisfied itself that the external auditors are independent, experienced in the audit of financial institutions and have the necessary resources to undertake audits of financial institutions. The audit committee considers the reappointment of the external auditors each year before making a recommendation to shareholders and it assesses the independence of the external auditors on an ongoing basis.

The external audit firm is required to rotate every five years in terms of section 39 of the Banking Act 2004. In terms of the rotation process, the current audit firm, Ernst & Young, who has already been responsible for the audit of the bank for a continuous period of five years needs to be replaced by a new firm of auditors. The audit committee has recommended the election of KPMG as the new external audit firm for the 2018 financial year.

Working with the external auditor

The audit committee meets with the external auditors to review the scope of the external audit plan, 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 audit committee chairman.

The audit committee also evaluates the effectiveness of the auditors, the audit partners, audit team and audit approach during their presentation at audit committee meetings and *ad hoc* meetings held with the auditors throughout the year.

Significant audit matters

With the enhancement of the new audit report, the audit committee has considered the appropriateness of the key audit matters reported in the external audit opinion. The audit committee also considered the significant audit matters relating to the annual financial statements and how these were addressed by the committee:

Significant audit matter	How the audit committee addressed the matter
The allowance for impairment of loans and advances is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management.	The audit committee reviewed the level and appropriateness of impairments, provisioning methodologies and related key judgements in determining the impairment amounts. The committee was satisfied that the impairment provisions were appropriate.

Non-audit services

The bank may engage the firm responsible for its audit to provide non-audit services. This may be done with the prior approval of the audit committee which ensures that the non-audit work does not entail any conflict with the audit work. Furthermore, the firm's partner responsible for non-audit work should have no responsibility for the audit of the financial institution.

Financial statements, accounting practices and internal financial controls

The audit committee was satisfied that the financial statements for the bank were prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act. The audit committee has examined and reviewed the financial statements to ensure that they fairly represent the financial position at the end of the financial year and the results of the operations and cash flows for the 2017 financial year.

Combined assurance

The audit committee has satisfied itself that a combined assurance model is applied which incorporates and optimises the various occurrence, services and practices so that, taken as a whole, these support the objectives for assurance. The audit committee assesses the output of the bank's combined assurance with objectivity and professional scepticism, and applies an enquiring mind, form their own opinion on the integrity of the information and reports, and the degree to which the effective control environment has been achieved.

Key focus areas

- IT risk and cybersecurity
- Business continuity
- Implementation of IFRS 9.

Internal controls

The audit committee has responsibility for assessing the adequacy of internal controls. The audit committee was satisfied that internal financial controls were effective. To fulfil this responsibility, the audit committee received a written opinion from internal audit on the risk management framework, internal controls and internal financial controls.

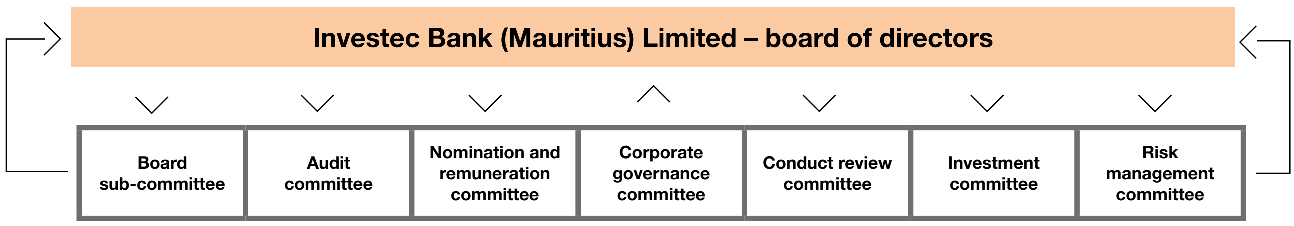
Internal audit

The audit committee also reviewed the Internal Audit function (including the process for evaluating the control environment), approved the Internal Audit plan and considered the internal audit reports. The audit committee established processes to allow for the review and appropriate handling of any concerns and complaints relating to reporting and other practices of the company. No matters of significance were raised in the past financial year.

Peter RS Thomas
Chairman audit committee

20 June 2017

Governance framework



Corporate governance report

Chairman's introduction

I am pleased to present the annual corporate governance report for the year ended 31 March 2017 which describes our approach to corporate governance.

Investec plc and Investec Limited, together with their subsidiaries, are managed as a single economic enterprise as a result of the dual listed companies (DLC) structure.

Investec Bank (Mauritius) Limited is a subsidiary of Investec Bank Limited and due to the DLC operational structure, compliance with many of the specific corporate governance requirements is at the group DLC level. We encourage all stakeholders to read this corporate governance report which provides a more detailed review including the functions of the various board committees.

Regulatory context

The board, management and employees of the bank are committed and aligned to the principles of sound corporate governance, transparency, accountability and integrity which are inherent in the rules, requirements of the regulators of the bank and requirements of the Code of Corporate Governance for Mauritius (the Code). This will assure all stakeholders that the bank is managed ethically and properly in compliance with the latest legislation, regulations and best practices

A key area of focus will be the implementation of the new national Code of Corporate Governance for Mauritius which was launched in February 2017 and effective from the reporting year ending 30 June 2018.

Our culture, values and philosophy

Sound corporate governance depends upon much more than processes and procedures, it fundamentally depends upon the people and the culture within the organisation. At Investec, sound corporate governance is embedded in our values, culture, processes, functions and organisational structure. Our values require that directors and employees behave with integrity, displaying consistent and uncompromising moral strength in order to promote and maintain trust. The board sets the tone from the top in the manner in which it conducts itself and oversees the structures and the framework for corporate governance. Each business area and each employee of the bank is responsible for acting in accordance with our values and philosophies and we conduct our business and measure behaviour and practices against them so as to ensure that we demonstrate the characteristics of good governance.

Our culture and values have always been at the heart of how we operate, and we believe the strength with which these are embedded and live throughout the organisation distinguishes Investec from others. Safeguarding our culture to ensure good conduct and ethical practice will promote delivery of our long-term success and will remain a key focus of the board.

Board effectiveness

We recognise that an effective and efficient governance framework provides a solid structure for transparent decision making and reflects the importance that we place on honesty, integrity, quality and trust.

The board continues to be committed to regularly evaluating its own effectiveness and that of its committees. In this light, the board undertakes an annual evaluation of its performance and every three years that of its committees and individual directors. No material issues were identified in this process, however, the few minor findings continued to provide a useful benchmark for assessing the development of the board in terms of the areas that were identified for improvement.

Strategic initiatives

The board has continued to exercise leadership, integrity and judgement in pursuit of the bank's strategic goals and objectives. In terms of positioning for future opportunities a particular focus has been the continued investment in infrastructure and people necessary to deliver an out of the ordinary client experience and the incorporation of new technologies into our core strategic planning.

Conclusion

The governance framework and structures that are in place ensure that the bank is able to maintain the highest standards of corporate governance. Some key aspects of the framework are described in greater detail below.

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. The board recognises that practices and procedures can always be improved. Accordingly, the Corporate Governance Framework is kept under regular review to take into account changing standards and regulations.

David M Lawrence
Chairman, board of directors

20 June 2017

Statement of compliance

(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 2017 Annual report.

David M Lawrence
Chairman, board of directors

Angelique Desvaux de Marigny
Chairperson, corporate governance committee

20 June 2017

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) and the Bank of Mauritius Guideline on Corporate Governance, 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.

The committee has all the powers other than the powers provided for under any of the following sections which are listed in the Seventh Schedule to the Companies Act 2001 and under section 23.2(a) of the Bank's constitution:

i. Issue of other shares
ii. Consideration for issue of shares
iii. Shares not paid for in cash
iv. Board may authorise Distribution
v. Shares *in lieu* of Dividends
vi. Shareholder discounts
vii. Purchase of own shares
viii. Redemption at option of company
ix. Restrictions on giving financial assistance
x. Change of registered office
xi Approval of Amalgamation proposal
xii. Short-form Amalgamation.

The committee met six times during the year under review.

Audit committee

The audit 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, the head of 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.

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. The bank's internal audit function is outsourced to Investec group internal audit. The committee examines and reviews all audit findings in order to ensure that there are adequate internal controls to safeguard its assets and integrity.

The responsibilities of the audit committee includes the following:

i. approve the audit plans (external and internal) to ensure that these are risk-based and address all activities over a measurable cycle, and that the work of external and internal auditors is coordinated.
ii. recommend to shareholders the appointment, removal, and remuneration of external auditors.

It also approves the engagement letter setting out the scope and terms of external audit.

iii. assess periodically the skills, resources, and independence of the external audit firm and its practices for quality control.

iv. assess whether the accounting practices of the auditee are appropriate and within the bounds of acceptable practice.

v. ensure that there is appropriate structure in place for identifying, monitoring, and managing compliance risk as well as a reporting system to advise the committee and the board of instances of non-compliance on a timely basis.

vi. discuss with senior management and external auditors the overall results of the audit, the quality of financial statements and any concerns raised by external auditors. This includes:

a. key areas of risk for misinformation in the financial statements, including critical accounting policies, accounting estimates and financial statement disclosures;

b. changes in audit scope;

c. whether the external auditor considers the estimates used as aggressive or conservative within an acceptable range;

d. significant or unusual transactions; and

e. internal control deficiencies identified during the course of the audit.

vii. Further responsibilities of the audit committee includes:

a. review of the audited financial statements for adequacy before their approval by the board;

b. assessment of whether the institution has implemented adequate internal control and financial disclosure procedures;

c. review of any transactions brought to its attention by auditors or any officers of the institution, or that might otherwise come to its attention, which might adversely affect the financial condition of the institution;

d. report to the board on the conduct of its responsibilities in frequency specified by the board, with particular reference to section 39 of the Banking Act 2004); and

e. ensures that management is taking appropriate corrective action in response to deficiencies identified by the auditors, including internal control weaknesses and instances of non-compliance with laws.

The committee met four times during the year under review.

Nomination 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 senior employees and senior management based on key performance indicators.

The nomination and remuneration committee operates within the following mandate:

(a) recommend to the board candidates for board positions, including the chair of the board and chairs of the board committees;

(b) recommend criteria for the selection of board members and criteria for the evaluation of their performance;

(c) prepare for approval of the board the remuneration and compensation package for directors, senior managers, and other key personnel, taking into account the soundness of risk taking and risk outcomes as well as any relevant information available on industry norms;

(d) recommend to the board an incentive package, as necessary, to enhance staff performance, while ensuring that incentives embedded within remuneration structures do not incentivise staff to take excessive risk;

(e) recommend nominees for board committees; and

(f) comment on the contribution of individual directors to the achievement of corporate objectives as well as on the regularity of their attendance at the board and committee meetings.

The committee met once 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.

The corporate governance committee carries the following activities:

- advise the board on all aspects of corporate governance and recommend the adoption of best practices as appropriate;
- determine, agree and develop the bank's general policy on corporate governance in accordance with the Code of Corporate Governance for Mauritius and the Bank of Mauritius Guidelines;
- approve the corporate governance report to be published in the bank's annual report; and
- ensure that all reporting requirements and disclosures made in the annual report are in compliance with the disclosure provisions in the Code of Corporate Governance and the Bank of Mauritius Guidelines.

The committee met once during the year under review.

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 four times during the year under review and noted no breaches of the Guideline on Related Party transactions issued by the Bank of Mauritius.

The responsibilities of the conduct review committee, as specified in the Guideline on Related Party Transactions issued by the Bank of Mauritius, include the following:

- require the management of the bank to establish policies and procedures to comply with the requirements of the Guideline on Related Party Transactions;
- review the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the bank;
- review and approve each credit exposure to related parties;
- ensure that market terms and conditions are applied to all related party transactions;

- review the practices of the bank to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the financial institution is identified and dealt with in a timely manner; and
- report periodically and in any case not less frequently than on a quarterly basis to the board of directors on matters reviewed by it, including exceptions to policies, processes and limits.

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 investment decisions.

The credit committee reviews all the new investment proposals and makes its recommendation known to the Investment committee. The investment committee then reviews all the new investment proposals and makes its determination known to the group investment committee. All investment proposals require the sanction of the group investment committee.

The committee met 11 times during the year under review.

Risk management committee

This committee comprises three members including the chief executive officer.

The objectives of the committee are to:

- advise the board on the bank's overall current and future risk appetite;
- oversee senior management's implementation of the risk appetite framework; and
- report on the state of risk culture in the bank.

Four risk management committee meetings were held during the year under review.

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 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.

The bank's financial statements are prepared on a going concern basis.

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 40 to 42 and pages 46 to 51.

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
- 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.

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 below:

Directorate

Name	Age at date of this report	Qualifications	Current other directorships	Committee membership	Brief biography
David M Lawrence (Chairman)*	66	BA(Econ) (Hons) Mcom	Investec Bank Limited, various Investec companies and various listed and unlisted companies	1,3,4,5,6,7	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*	72	CA(SA)	Investec plc, Investec Limited, Investec Bank Limited, various Investec companies, JCI Limited and various listed and unlisted companies	2,3,4,5	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**	64	ACEA FBIM FMAAT	Investec Wealth & Investment (Mauritius) Limited P.O.L.I.C.Y Ltd, and various private companies	1,2,3,4,6,7	Pierre, a stockbroker, is the director and secretary of Associated Brokers Ltd. Pierre is also a director of the National Pensions Fund, National Pension/National Savings Fund's investment committee and vice-president of P.O.L.I.C.Y. Limited.
Angelique Anne Desvaux De Marigny**	41	LLB, barrister-at-law Maitrise en Droit Privé (Université de Paris I-Panthéon-Sorbonne)	none	2,5	Angelique is a barrister-at-law. She initially practised as a litigation counsel for the first 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.
Craig C Mckenzie	56	Bsc Msc CFA	Investec Wealth & Investment (Mauritius) Limited various unlisted companies	1,6,7	Chief executive officer with 28 years of banking experience.

1. Board sub-committee.
2. Audit committee.
3. Nomination and remuneration committee.
4. Conduct review committee.
5. Corporate governance committee.
6. Investment committee.
7. Risk management committee.
** Non-executive director.*
*** Independent director.*

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

	Meetings attendance							
Directors	**Board**	**Audit committee**	**Board sub-committee**	**Nomination and remuneration committee**	**Conduct review committee**	**Corporate governance committee**	**Investment committee**	**Risk management committee**
David M Lawrence	4/4		5/6	1/1	4/4	1/1	11/11	4/4
Craig C McKenzie	4/4		5/6				11/11	4/4
Pierre de Chasteigner du Mée	4/4	4/4	3/6	1/1	4/4	1/1	8/11	4/4
Angelique A Desvaux de Marigny	3/4	2/4						
Peter RS Thomas	3/4	3/4		1/1	4/4	1/1		

The directors of the subsidiary, Investec Wealth & Investment (Mauritius) Limited, are as follows:
Craig C McKenzie (chairman)
Henry Blumenthal (non-executive)
Joubert Hay (non-executive)
Pierre de Chasteigner du Mée (non-executive)
Rodney Marthinusen (chief executive officer)

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 formal presentations on regulatory and governance matters as well as on the business and support functions.

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, one training session for directors was organised.

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$1 068 672 for the year under review (2016: US$1 217 682 and 2015: US$1 611 139).

The remuneration of directors has not been disclosed on an individual basis as the parent company, being the sole shareholder, has the detailed remuneration information.

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 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.

No dividends were declared during the year (2016: US$60 million)

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 28 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).

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 (EY) were the bank's external auditors up to 31 March 2017. As from 01 April 2017, KPMG have been appointed as the external auditors following the change in the Banking Act which requires banks to rotate audit firms every five years. EY were not eligible for reappointment having been auditors for more than five years.

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 38 to the financial statements.

Risk management

Refer to pages 12 to 51.

Internal audit

The internal audit function is managed at a 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 head of compliance reports to the chief executive officer, as well as to the group head of compliance and the audit committee. The bank's head of compliance 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 (CSI) strategy is to focus on projects and initiatives in the following areas:

- Education
- Environment
- Sports development.

The bank looks to spend 30% of our budget in each of the areas above. The bank allocates 10% of its budget to discretionary philanthropic donations which may fall out of its focus areas, but allow us to make small but meaningful donations to worthwhile causes.

During the year, the bank contributed towards 'Link to life', an NGO that supports cancer patients by providing transport, psychological assistance, early detection screening and cancer awareness education.

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 Segment A 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 the average previous three years Segment B chargeable income to Corporate Social Investment.

In line with the government's focus on poverty alleviation, the bank's CSI projects are directed at communities or beneficiaries that are financially disadvantaged. Its 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.

The bank 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 for the Interactive Pedagogy through Arts (TIPA) 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.

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

The bank have worked with them on a number of projects:

- Assistance for children preparing to write their CPE exams
- 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.

The bank 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 Earth wise centre, an entity focusing on education, training and consulting for sustainability.

Environment

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

The bank 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.

The bank 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.

Continuation of its environmental project 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.

Environmental footprint

In terms of the bank's environmental footprint, it measures its use of energy, paper and water. The bank continues to work towards reducing its 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 2017
Annual general meeting:	June 2017

Signed on behalf of the board

David M Lawrence
Chairman

Angelique Desvaux de Marigny
Chairperson, corporate governance committee

Craig C McKenzie
Chief executive officer

20 June 2017

03

Annual financial statements

03

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 group's internal auditor has full and free access to the audit committee and 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, EY, 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
Director

Craig C McKenzie
Chief executive officer

20 June 2017

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

20 June 2017

Report on the audit of the annual financial statements

Opinion

We have audited the financial statements of Investec Bank (Mauritius) Limited (the 'Bank') and its subsidiary ('the group') as set out on pages 72 to 153 which comprise the balance sheets as at 31 March 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the specified disclosures within the risk management report that are marked as audited.

In our opinion, the financial statements give a true and fair view of the financial position of the group and the Bank as at 31 March 2017, 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 and Financial Report Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the of the group and the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How the matter was addressed in the audit
The allowance for impairment of loans and advances is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The appropriateness of the allowance for credit losses is subjective due to the high degree of judgement applied by management in determining the timing of recognition and estimation in size of any allowance for credit losses at the balance sheet date. Refer to note 23 on page 115 as well as the accounting policies on page 77. At March 31, 2017, loans and advances amounted to US$914 million and accounted for 45% of the group's and the Bank's total assets. The group and the Bank records both portfolio and specific allowances for impairment of loans and advances. As explained in the accounting policies, these loans and advances are carried at amortised cost, less allowance for credit impairment. This provision is accounted for if, at the reporting date, there is objective evidence that not all the contractually agreed cash flows will be collected. For example the existence of payment arrears or a significant financial difficulty of a loan customer can result in credit losses. Failure to promptly recognise objective evidence of the risk of uncollectability and/or errors in the computation of the provisioning can result in incorrect valuation of the loan and advances reported in the financial statements.	We evaluated the appropriateness of accounting policies and assessed the loan impairment methodologies applied, and compared these to the requirements of IAS 39 Financial instruments: Recognition and Measurement. Our audit procedures include understanding and testing of the design and operating effectiveness of the key controls over the following: • the data interface between systems from the approval to recording and monitoring of loans; • the identification and timeliness of identifying objective evidence of impairment; • the governance process of loan grading, of the computation of allowance for credit losses including the continuous re-assessment of the appropriateness of assumptions used in the impairment models. Our testing of the design and operation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed substantive audit procedures. The considerations for our detailed substantive audit procedures were as follows: **Specific Impairment** For specific impairments, judgement is required to determine when an impairment event has occurred and then to estimate the expected future cash flows discounted at the original effective interest rate of the loans and advances. We ensured that all loans with objective evidence of impairment have been properly identified by management by: • Reviewing the minutes of the management's credit committee, credit review committee and the board's risk management committee; • Obtaining and testing loan arrears reports and ensuring that all arrears exceeding 60 days are included in the specific impairment analysis; • Identifying loan facilities meeting certain criteria such as financial difficulties of the borrower, restructured loans, insufficient collaterals and exposures to sectors in decline.

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

(continued)

Key audit matter	How the matter was addressed in the audit
Given the inherent subjectivity in the valuation, as well as the material nature of allowance for credit losses, we have classified the appropriateness of the allowance for credit losses as a key audit matter. Collective impairments on portfolios of similar, homogenous assets and impairment allowances for incurred but not specifically identified losses across the loan portfolios are determined using sophisticated modelling techniques. The models used to determine credit impairments are complex, and certain inputs used are not fully observable. Significant judgements are applied to the modelling design and inputs. Specific impairment allowances are determined on specific financial assets. Significant estimates, judgements and assumptions have been made by management to estimate recoverability, including evaluating the adequacy and accessibility of collateral and the determining expected timing and amount of future cash flows.	For loans showing an indication of impairment, we independently assessed the appropriateness of provisioning methodologies and policies and formed an independent view on the specific impairment booked based on the detailed loan and counterparty information in the credit files. We assessed the reasonableness of assumptions used to support the timing and extent of the cash flows and re-performed calculations for a sample of cash flows. Where cash flows include the recoverable amount of the collateral securing the credit, we assessed the collateral revaluation process. When, in accordance to the revaluation process, the use of an independent and qualified appraiser was warranted, we also assessed the independence and the qualification of the appraisers. The new guideline on Credit Impairment Measurement and Income Recognition issued by the Bank of Mauritius and effective as from July 1, 2016 prescribes how specific impairment should be computed for Bank of Mauritius ('BOM') regulatory purposes. Our review of specific impairment thus also takes into consideration these regulatory considerations. We thus: • assessed the process of categorising loans into the relevant regulatory classifications; • reviewed the regulatory discount required on collaterals based on the regulatory classification of the loans; • recomputed the specific impairment based on regulatory classification and the regulatory discount to be applied on collaterals; • verified the recording and disclosure of the difference between the specific provision as per IAS 39 and the specific provision as per regulatory requirements in the BOM Regulatory General Risk Reserve. • The BOM regulatory amounts are recorded in the Regulatory General Risk Reserve within the Statement of Changes in Equity. **Portfolio Impairment** The assessment of portfolio impairment (or collective impairment) requires the consideration of both IAS 39 and the guidelines imposed by the Bank of Mauritius. The bank of Mauritius requires banks to apply a portfolio allowance for credit losses of no less than 1% on its unimpaired credits unless approval is obtained from the Bank of Mauritius. This basis represents a departure from IAS 39 which requires the use of the incurred loss model. We reviewed the portfolio provisioning under both bases. For the portfolio impairment under IAS 39, we: • tested the completeness and valuation of the list of unimpaired credits; • assessed the appropriateness of the model used including the inputs and assumptions; • re-performed the calculation of the portfolio impairment. As the portfolio provision as per IAS 39 was below the 1% required by the Bank of Mauritius, we verified in the Regulatory General Risk Reserve within the Statements of Changes in Equity, the recording and disclosure of the difference between IAS 39 portfolio provision and the regulatory requirements portfolio provision.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the audit committee report and the company secretary's Certificate as required by the Companies Act 2001 and all other information in the annual report that is not marked as audited. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, Banking Act 2004 and Financial Report 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the of the group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group's and the Bank's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

This report is made solely for the company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

(continued)

Report on other legal and regulatory requirements

Companies Act 2001

We have no relationship with or interests in the group and the Bank other than in our capacity as auditors, tax advisors and dealings 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 company as far as it appears from our examination of those records.

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 as disclosed in the annual report and whether the disclosure is consistent with the requirement of the Code.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

Ernst & Young

Ernst & Young
Ebène
Mauritius

Thierry Leung Hing Wah, F.C.C.A
Licensed by FRC

20 June 2017

Report on the audit of the annual financial statements

Opinion

We have audited the financial statements of Investec Bank (Mauritius) Limited (the 'Bank') and its subsidiary ('the group') as set out on pages 72 to 153 which comprise the balance sheets as at 31 March 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the specified disclosures within the risk management report that are marked as audited.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the group and the Bank as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the of the group and the Bank in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing the audit of the Bank. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing the audit of the Bank. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
The allowance for impairment of loans and advances is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The appropriateness of the allowance for credit losses is subjective due to the high degree of judgement applied by management in determining the timing of recognition and estimation in size of any allowance for credit losses at the balance sheet date. Refer to note 23 on page 115 as well as the accounting policies on page 77. At March 31, 2017, loans and advances amounted to US$914 million and accounted for 45% of the group's and the Bank's total assets. The group and the Bank records both portfolio and specific allowances for impairment of loans and advances. As explained in the accounting policies, these loans and advances are carried at amortised cost, less allowance for credit impairment. This provision is accounted for if, at the reporting date, there is objective evidence that not all the contractually agreed cash flows will be collected. For example the existence of payment arrears or a significant financial difficulty of a loan customer can result in credit losses. Failure to promptly recognise objective evidence of the risk of uncollectability and/or errors in the computation of the provisioning can result in incorrect valuation of the loan and advances reported in the financial statements.	We evaluated the appropriateness of accounting policies and assessed the loan impairment methodologies applied, and compared these to the requirements of IAS 39 Financial instruments: Recognition and Measurement. Our audit procedures include understanding and testing of the design and operating effectiveness of the key controls over the following: • the data interface between systems from the approval to recording and monitoring of loans; • the identification and timeliness of identifying objective evidence of impairment; • the governance process of loan grading, of the computation of allowance for credit losses including the continuous re-assessment of the appropriateness of assumptions used in the impairment models. Our testing of the design and operation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed substantive audit procedures. The considerations for our detailed substantive audit procedures were as follows: **Specific Impairment** For specific impairments, judgement is required to determine when an impairment event has occurred and then to estimate the expected future cash flows discounted at the original effective interest rate of the loans and advances. We ensured that all loans with objective evidence of impairment have been properly identified by management by: • Reviewing the minutes of the management's credit committee, credit review committee and the board's risk management committee; • Obtaining and testing loan arrears reports and ensuring that all arrears exceeding 60 days are included in the specific impairment analysis; • Identifying loan facilities meeting certain criteria such as financial difficulties of the borrower, restructured loans, insufficient collaterals and exposures to sectors in decline.

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

(continued)

Key audit matter	How the matter was addressed in the audit
Given the inherent subjectivity in the valuation, as well as the material nature of allowance for credit losses, we have classified the appropriateness of the allowance for credit losses as a key audit matter. Collective impairments on portfolios of similar, homogenous assets and impairment allowances for incurred but not specifically identified losses across the loan portfolios are determined using sophisticated modelling techniques. The models used to determine credit impairments are complex, and certain inputs used are not fully observable. Significant judgements are applied to the modelling design and inputs. Specific impairment allowances are determined on specific financial assets. Significant estimates, judgements and assumptions have been made by management to estimate recoverability, including evaluating the adequacy and accessibility of collateral and the determining expected timing and amount of future cash flows.	For loans showing an indication of impairment, we independently assessed the appropriateness of provisioning methodologies and policies and formed an independent view on the specific impairment booked based on the detailed loan and counterparty information in the credit files. We assessed the reasonableness of assumptions used to support the timing and extent of the cash flows and re-performed calculations for a sample of cash flows. Where cash flows include the recoverable amount of the collateral securing the credit, we assessed the collateral revaluation process. When, in accordance to the revaluation process, the use of an independent and qualified appraiser was warranted, we also assessed the independence and the qualification of the appraisers. The new guideline on Credit Impairment Measurement and Income Recognition issued by the Bank of Mauritius and effective as from July 1, 2016 prescribes how specific impairment should be computed for Bank of Mauritius ('BOM') regulatory purposes. Our review of specific impairment thus also takes into consideration these regulatory considerations. We thus: • assessed the process of categorising loans into the relevant regulatory classifications; • reviewed the regulatory discount required on collaterals based on the regulatory classification of the loans; • recomputed the specific impairment based on regulatory classification and the regulatory discount to be applied on collaterals; • verified the recording and disclosure of the difference between the specific provision as per IAS 39 and the specific provision as per regulatory requirements in the BOM Regulatory General Risk Reserve. • The BOM regulatory amounts are recorded in the Regulatory General Risk Reserve within the Statement of Changes in Equity. **Portfolio Impairment** The assessment of portfolio impairment (or collective impairment) requires the consideration of both IAS 39 and the guidelines imposed by the Bank of Mauritius. The Bank of Mauritius requires banks to apply a portfolio allowance for credit losses of no less than 1% on its unimpaired credits unless approval is obtained from the Bank of Mauritius. This basis represents a departure from IAS 39 which requires the use of the incurred loss model. We reviewed the portfolio provisioning under both bases. For the portfolio impairment under IAS 39, we: • tested the completeness and valuation of the list of unimpaired credits; • assessed the appropriateness of the model used including the inputs and assumptions; • re-performed the calculation of the portfolio impairment. As the portfolio provision as per IAS 39 was below the 1% required by the Bank of Mauritius, we verified in the Regulatory General Risk Reserve within the Statements of Changes in Equity, the recording and disclosure of the difference between IAS 39 portfolio provision and the regulatory requirements portfolio provision.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the audit committee report and the company secretary's Certificate and all other information included in the annual report that is not marked as audited. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the of the group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group's and the Bank's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, and subsequent guidance, we report that Ernst & Young has been the auditors of Investec Bank Mauritius for 20 years.

Ernst & Young Inc.

Ernst &Young Inc.
Registered Auditor

Per Farouk Mohideen
Chartered Accountant (SA)
Registered Auditor
Director

102 Rivonia Road
Sandton
Private Bag X14
Sandton 2146
Johannesburg

20 June 2017

Income statements

For the year to 31 March US$'000	Notes	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Interest income	3	57 732	60 696	57 753	60 699	69 368
Interest expense	3	(14 533)	(11 381)	(14 533)	(11 381)	(12 940)
Net interest income		**43 199**	**49 315**	**43 220**	**49 318**	**56 428**
Fee and commission income	4	8 191	7 770	7 609	7 770	10 831
Fee and commission expense	4	(1 781)	(1 677)	(1 781)	(1 677)	(3 036)
		6 410	**6 093**	**5 828**	**6 093**	**7 795**
Investment (loss)/income	5	(5 151)	2 058	(5 151)	2 058	12 473
Net trading loss	6	(654)	(5 619)	(651)	(5 619)	(10 556)
Total operating income before impairment losses on loans and advances		**43 804**	**51 847**	**43 246**	**51 850**	**66 140**
Impairment (losses)/reversals on loans and advances	23	(3 535)	1 003	(3 535)	1 003	2 359
Operating income		**40 269**	**52 850**	**39 711**	**52 853**	**68 499**
Operating costs	7	(12 897)	(11 522)	(12 291)	(11 086)	(11 412)
Operating profit		**27 372**	**41 328**	**27 420**	**41 767**	**57 087**
Share of profit/(loss) in associate		448	(784)	448	(784)	–
Profit before taxation		**27 820**	**40 544**	**27 868**	**40 983**	**57 087**
Taxation	9	(1 883)	(2 565)	(1 935)	(2 565)	(2 630)
Profit after taxation		**25 937**	**37 979**	**25 933**	**38 418**	**54 457**
Analysed as follows:						
Transfer to statutory reserve		–	1 104	–	1 104	8 169
Transfer to regulatory general risk reserve		4 095	124	4 095	124	1 422
Transfer to retained earnings		21 842	36 751	21 838	37 190	44 866
Profit attributable to equity holder of the bank		**25 937**	**37 979**	**25 933**	**38 418**	**54 457**

Statements of other comprehensive income

For the year to 31 March US$'000	Notes	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Profit after taxation		25 937	37 979	25 933	38 418	54 457
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		2 229	(2 230)	2 229	(2 230)	(482)
Gain on realisation of available-for-sale assets recycled through the income statement	5	(26)	–	(26)	–	–
Foreign currency adjustments on translating associated undertaking		(8)	(411)	(8)	(411)	–
Total comprehensive income		**2 195**	**(2 641)**	**2 195**	**(2 641)**	**(482)**
Total comprehensive income attributable to equity holder of the bank		**28 132**	**35 338**	**28 128**	**35 777**	**53 975**

Balance sheets

As at 31 March US$'000	Notes	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Assets						
Cash and balances at central bank	15	13 715	9 947	13 715	9 947	9 337
Due from banks	16	812 376	682 160	812 376	682 160	382 237
Reverse repurchase agreements	17	–	–	–	–	13 987
Sovereign debt securities	18	22 214	–	22 214	–	1 642
Bank debt securities	19	108 399	112 357	108 399	112 357	111 576
Other debt securities	20	100 202	95 699	100 202	95 699	82 897
Derivative financial instruments	21	21 804	25 289	21 804	25 289	29 110
Investment portfolio	22	14 473	17 045	14 473	17 045	20 586
Loans and advances to customers	23	913 995	891 098	913 995	891 098	925 913
Interests in associated undertaking	24	4 160	3 720	4 160	3 720	4 915
Deferred taxation assets	25	357	116	305	116	310
Other assets	26	4 521	2 476	4 520	2 476	3 284
Equipment	27	294	337	294	337	409
Amount due from group companies	28	3 698	3 536	4 040	3 958	3 693
Investment in subsidiary	29	–	–	467	17	–
		2 020 208	**1 843 780**	**2 020 964**	**1 844 219**	**1 589 896**
Liabilities						
Derivative financial instruments	21	4 542	6 610	4 542	6 610	1 038
Repurchase agreements	17	101 645	108 260	101 645	108 260	110 025
Customer accounts (deposits)	30	1 202 181	1 077 907	1 202 181	1 077 907	777 206
Debt securities in issue	31	249 879	253 547	249 879	253 547	249 512
Amount due to group companies	28	11 887	9 684	12 318	9 684	52 641
Current taxation liabilities	9	950	334	950	334	1 582
Other liabilities	32	61 109	27 555	60 999	27 555	13 347
		1 632 193	**1 483 897**	**1 632 514**	**1 483 897**	**1 205 351**
Equity						
Ordinary share capital	33	56 478	56 478	56 478	56 478	56 478
Other reserves		66 277	59 987	66 277	59 987	61 400
Retained income		265 260	243 418	265 695	243 857	266 667
Shareholders' equity		**388 015**	**359 883**	**388 450**	**360 322**	**384 545**
Total liabilities and equity		**2 020 208**	**1 843 780**	**2 020 964**	**1 844 219**	**1 589 896**

Signed on behalf of the board

David M Lawrence
Chairman

Pierre de Chasteigner du Mée
Director

Craig C McKenzie
Chief executive officer

20 June 2017

Statements of changes in equity

US$'000	Ordinary share capital	Other reserves: Foreign currency reserves	Other reserves: Available-for-sale reserve	Other reserves: Regulatory general risk reserve	Statutory reserve	Retained income	Total equity
Group							
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 undertaking	–	(411)	–	–	–	–	(411)
Total comprehensive income	**–**	**(411)**	**(2 230)**	**–**	**–**	**37 979**	**35 338**
Dividends paid to equity holder of the bank (Note 10)						(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**
Movement in reserves 1 April 2016 – 31 March 2017							
Profit after taxation	–	–	–	–	–	25 937	25 937
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	2 229	–	–	–	2 229
Gain on realisation of available-for-sale assets recycled through the income statement	–	–	(26)	–	–	–	(26)
Foreign currency adjustments on translating associated undertaking	–	(8)	–	–	–	–	(8)
Total comprehensive income	**–**	**(8)**	**2 203**	**–**	**–**	**25 937**	**28 132**
Transfer to statutory reserve	–	–	–	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	4 095	–	(4 095)	–
At 31 March 2017	**56 478**	**(419)**	**(110)**	**10 328**	**56 478**	**265 260**	**388 015**

Statements of changes in equity

(continued)

US$'000	Ordinary share capital	Other reserves: Foreign currency reserves	Other reserves: Available-for-sale reserve	Other reserves: Regulatory general risk reserve	Other reserves: Statutory reserve	Retained income	Total equity
Bank							
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	–	–	–	–	–	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 undertaking	–	(411)	–	–	–	–	(411)
Total comprehensive income	**–**	**(411)**	**(2 230)**	**–**	**–**	**38 418**	**35 777**
Dividends paid to equity holder of the bank (Note 10)	–	–	–	–	–	(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**
Movement in reserves 1 April 2016 – 31 March 2017							
Profit after taxation	–	–	–	–	–	25 933	25 933
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	2 229	–	–	–	2 229
Gain on realisation of available-for-sale assets recycled through the income statement	–	–	(26)	–	–	–	(26)
Foreign currency adjustments on translating associated undertaking	–	(8)	–	–	–	–	(8)
Total comprehensive income	**–**	**(8)**	**2 203**	**–**	**–**	**25 933**	**28 128**
Transfer to statutory reserve	–	–	–	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	4 095	–	(4 095)	–
At 31 March 2017	**56 478**	**(419)**	**(110)**	**10 328**	**56 478**	**265 695**	**388 450**
Group and Bank							
At 1 April 2014	**56 478**	**–**	**399**	**4 687**	**47 205**	**241 637**	**350 406**
Movement in reserves 1 April 2014 – 31 March 2015							
Profit after taxation	–	–	–	–	–	54 457	54 457
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	(482)	–	–	–	(482)
Total comprehensive income	**–**	**–**	**(482)**	**–**	**–**	**54 457**	**53 975**
Dividends paid to equity holder of the bank (Note 10)	**–**	**–**	**–**	**–**	**–**	(19 836)	(19 836)
Transfer to statutory reserve	–	–	–	–	8 169	(8 169)	–
Transfer to regulatory general risk reserve	–	–	–	1 422	–	(1 422)	–
At 31 March 2015	**56 478**	**–**	**(83)**	**6 109**	**55 374**	**266 667**	**384 545**

Cash flow statements

For the year to 31 March US$'000	Notes	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Profit before taxation adjusted for non-cash items	34	44 957	47 770	45 005	48 209	52 371
Dividend received		–	91	–	91	–
Taxation paid		(1 507)	(3 618)	(1 507)	(3 618)	(2 170)
(Increase)/decrease in operating assets	34	(32 825)	44 664	(32 744)	44 242	(36 920)
Increase/(decrease) in operating liabilities	34	157 964	277 524	158 285	277 524	(84 027)
Net cash inflow/(outflow) from operating activities		**168 589**	**366 431**	**169 039**	**366 448**	**(70 746)**
Purchase of investment securities		(37 468)	(22 555)	(37 468)	(22 555)	(1 867)
Proceeds from disposal of investment securities		4 299	9 959	4 299	9 959	27 969
Cash flow on acquisition of equipment		(79)	(50)	(79)	(50)	(203)
Cash flow on disposal of equipment		–	2	–	2	–
Proceeds from disposal of subsidiary		–	360	–	360	–
Cash flow on additional investment in/ acquisition of subsidiary		–	–	(450)	(17)	–
Net cash (outflow)/inflow from investing activities		**(33 248)**	**(12 284)**	**(33 698)**	**(12 301)**	**25 899**
Dividends paid to ordinary shareholders		–	(60 000)	–	(60 000)	(19 836)
Redemption of preference shares		–	–	–	–	(256 841)
Proceeds on issue of preference shares		–	–	–	–	256 841
Net cash outflow from financing activities		**–**	**(60 000)**	**–**	**(60 000)**	**(19 836)**
Effects of exchange rates on cash and cash equivalents		**(6 320)**	**3 121**	**(6 320)**	**3 121**	**(23 294)**
Net increase/(decrease) in cash and cash equivalents		**129 021**	**297 268**	**129 021**	**297 268**	**(87 977)**
Cash and cash equivalents at the beginning of the year		687 049	389 781	687 049	389 781	477 758
Cash and cash equivalents at the end of the year		**816 070**	**687 049**	**816 070**	**687 049**	**389 781**
Cash and cash equivalents is defined as including:						
Cash in hand	15	9	5	9	5	2
Cash and balances at central bank (unrestricted)	15	3 685	4 884	3 685	4 884	7 542
Due from banks	16	812 376	682 160	812 376	682 160	382 237
Cash and cash equivalents at the end of the year		**816 070**	**687 049**	**816 070**	**687 049**	**389 781**

Cash and cash equivalents have a maturity profile of less than three months.

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 2017 were authorised for issue in accordance with a resolution of the directors on 20 June 2017.

2. Accounting policies

2.1 Basis of preparation

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

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 12 to 51 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 balance sheet 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 14 to the financial statements.

Impairment losses on loans and advances

The bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. 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 23.

2.3 Change in accounting policies

The accounting policies adopted on these financial statements are consistent with those of the previous financial year except with the following exceptions caused by the adoption of the following standards on 1 April 2016:

Amendments	Effective for accounting period beginning on or after
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
Annual Improvements 2012 – 2014 Cycle	1 January 2016
Disclosure Initiative (Amendments to IAS 1)	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016

Where the adoption of the standard or interpretation or improvement is deemed to have an impact on the financial statements or performance of the bank, its impact is described below:

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amendments are applied prospectively and do not have any impact on the bank, given that it has not used a revenue-based method to depreciate its non-current assets.

Annual Improvements 2012 – 2014 Cycle

Makes 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 to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- IAS 19 — Clarify 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 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

These amendments do not have any impact on the Bank.

Disclosure Initiative (Amendments to IAS 1)

The amendment 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 the 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.

The bank has provided additional information in this respect.

2.4 Summary of significant accounting policies

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

Foreign currency translation

The group'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 at the spot rate of exchange ruling at the reporting date. All differences are taken to 'net trading income or loss' in the income statement.

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

Non-monetary items measured at fair value in a foreign currency are translated using the spot 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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Investec Bank (Mauritius) Limited and its subsidiary as at 31 March 2017. The bank uses the direct method of consolidation.

The bank consolidates a subsidiary when it controls it. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The group's voting rights and potential voting rights.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in income statement
- Reclassifies the parent's share of components previously recognised in other comprehensive income to income statement or retained earnings, as appropriate, as would be required if the group had directly disposed of the related assets or liabilities.

Investment in subsidiaries

Financial statements of the bank
Investment in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments. The impairment loss is taken to profit or loss.

Consolidated financial statements
The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Business combinations are accounted for using the purchase method of accounting.

Notes to the financial statements

(continued)

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 measurement 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 income statement.

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 balance sheet at fair value. Changes in fair value of investments have been recorded in 'investment income'. 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 'investment 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 income statement. 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 income statement 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 income statement in 'investment 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 income statement 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 non derivative financial assets 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 income statement.

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 income' in the income statement. The losses arising from impairment are recognised in the income statement 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 31 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 income statement.

Repurchase agreements

Securities sold under agreements to repurchase at a specified future date (repos) are not derecognised from the balance sheet as the bank retains substantially all the risks and rewards of ownership. The corresponding cash received, including accrued interest, is recognised on the balance sheet as '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 balance sheet to 'reverse repurchase agreement'.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the balance sheet. The consideration paid, including accrued interest, is recorded in the balance sheet, within '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 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 balance sheet 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 balance sheet, 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.

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in note 13.

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 income statement.

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 write-off is later recovered, the recovery is credited to the income statement.

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 income statement. 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 income statement the impairment loss is reversed through the income statement.

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 balance sheet 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 balance sheet.

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 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 in 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 adopted the amendments to IAS 27 which allows the bank to equity account its investment in associates in its separate financial statements.

The group has also equity accounted its interests in associated undertaking.

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 depreciation 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 the income statement in 'investment income' 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, 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 income statement 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 note 37 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 equity (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value of the shares or share options at the grant date.

The cost is expensed in personnel expenses over the period until the vesting date in note 8.

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; and
- 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 nota business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- 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.

Notes to the financial statements

(continued)

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; and
- 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 balance sheet.

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.

Bank levy
A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity threshold is reached.

The bank provides for 10% of its segment A taxable income as special levy and an effective special levy of 3.4% on its segment B book profit as required by the Mauritius Revenue Authority.

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 until the amount equals the state capital of the bank; and
- 'General banking reserve' which comprises: (i) the difference between the actual historical loss ratio and the statutory general provision of 1% and the provision computed under the Prudential Norm which are both 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	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IAS 12 Income Taxes	1 January 2017
Amendments to IAS 7 Statement of Cash Flow	1 January 2017

IFRS 9 Financial Instruments – 1 January 2018

IFRS 9 Financial Instruments was issued in July 2014 and will replace certain key elements of IAS 39. The mandatory effective date for IFRS 9 is for annual periods beginning on or after 1 January 2018 with early adoption permitted. The two key elements that would impact the group's accounting policies include:

- classification and measurement of financial assets and financial liabilities: the standard requires that all financial assets be classified as either held at fair value through profit or loss, fair value through other comprehensive income or amortised cost. The amortised cost classification is only permitted where it is held within a business model where the underlying cash flows are held in order to collect contractual cash flows and that the cash flows arise solely from payment of principal and interest. Financial assets which are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (and whose contractual cash flows represent solely payments of principal and interest will be measured at fair value through other comprehensive income. The standard further provides that gains or losses on assets held at fair value are recognised in the income statement unless the entity has elected to recognise gains or losses on non-trading equity investments directly through other comprehensive income. With reference to financial liabilities held at fair value, the standard requires that changes to fair value attributable to own credit risk are recognised directly in other comprehensive income without recycling through the income statement;
- impairment methodology: the key change is related to a shift from an incurred loss to an expected loss impairment methodology. At initial recognition an allowance (or provision in the case of commitments and guarantees) is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk since initial recognition, IFRS 9 requires the recognition of lifetime expected credit losses. Impairment measurement will involve increased complexity and significant judgements on areas such as the estimation of probabilities of default, loss given default, unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing whether a significant increase in credit risk has occurred.

IFRS 9 also includes guidance on hedge accounting. The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The standard does not address macro hedge accounting strategies, which are being considered in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting. The group intends to continue applying IAS 39's hedge accounting, although it will implement the amended IFRS 7 hedge accounting disclosure requirements, until the macro hedge accounting project has been completed.

The regulatory capital impact of IFRS 9 could be affected by changes to the regulatory rules. The Basel Committee on Banking Supervision is considering amending the capital rules of IFRS 9, with discussions being held on transitional impacts and longer-term changes It is not clear whether any transitional capital arrangements will be in place for 1 January 2018.

The group has established an IFRS 9 steering committee comprising of executive representation and key management from Risk, Finance, Analytics and IT.

The committee is accountable for IFRS 9 implementation and is supported by working groups responsible for different work streams. The committee continues to progress with documentation of the group's accounting policy and governance framework and the development of ECL models and operating and system target operating models. The committee provides updates of the status of the project to appropriate board committees. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The group does not intend to restate comparatives.

Current assessment of classification and measurement:
The group expects that generally:

- loans and advances to banks and to customers and non-trading reverse repurchase agreements that are classified as loans and receivables under IAS 39 will be measured at amortised cost under IFRS 9, with the exception of current investments for which embedded derivatives are recognised separately unless a separate derivative instrument can be recognised, the entire loan would be recognised at fair value;

- financial assets designated at fair value through profit or loss (FVTPL) under IAS 39 will be measured at FVTPL under IFRS 9;
- certain debt securities held within the group's credit portfolio may be reclassified from available-for-sale to amortised cost. The remaining debt securities classified as available-for-sale will be measured at fair value through other comprehensive income (FVOCI) under IFRS 9; and
- equity instruments securities classified as available-for-sale or FVTPL will be measured at FVTPL under IFRS 9.

The group continues to assess the impact of this standard, but expects that the recognition and measurement basis of the majority of the group's financial assets will be largely unchanged on application of IFRS 9.

The group is monitoring the IASB's project to amend IFRS 9 to the effect that basic lending arrangements with symmetrical break clauses continue to qualify for amortised cost accounting. These clauses are common features in fixed rate loans due to market practice and may result in compensation for early termination being paid by either the borrower or the group. The IASB has issued an exposure draft in April 2017 which will be, effective 1 January 2018 in line with IFRS 9's effective date. Based on these anticipated amendments, we expect that we can continue to measure the impacted loans at amortised cost.

Current assessment of impairments:
As noted, the group would also shift its impairment methodology from the current incurred loss basis to expected loss. Credit risk methodologies have been defined and model build and approval is underway and nearing completion. Investec intends to perform a parallel run during 2017 and in doing so models and credit risk processes will be tested during this period to embed the changes and help improve the understanding of the new impairment models.

The group has reviewed key definitions such as significant deterioration in credit quality and default against our current asset quality classifications. A framework is being established that incorporates both quantitate and qualitative measures. Any decisions in relation to credit deterioration will be management decisions subject to approval by governing bodies.

The group will incorporate IFRS 9 requirements into our group credit risk classification and provisioning policy.

It will not be practical to disclose reliable financial impact estimates until the implementation programme and validation and testing is further advanced. The group intends to disclose this in the 2018 annual financial statements.

IFRS 15 Revenue from Contracts with Customers – effective 1 January 2018.

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; and
- 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.

IFRS 16 Leases – effective 1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

No early adoption of these standards and interpretations is intended by the board of directors in the 2017 financial statements.

Amendments to IAS 12 Income Taxes– effective 1 January 2017

It amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences
- Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The bank applied the amendments retrospectively. However, their application has no effect on the bank's balance sheet and performance as the bank has no deductible temporary differences or assets that are in the scope of the amendments.

Amendments to IAS 7 statement of Cash Flow – effective 1 January 2017

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The bank is not required to provide additional disclosures in its condensed interim financial statements, but will disclose additional information in its annual financial statements for the year ending 31 March 2018.

3. Net interest income

	Group				Bank				Group and Bank	
	2017		2016		2017		2016		2015	
For the year to 31 March US$'000	Balance sheet value	Interest income	Balance sheet value	Interest income	Balance sheet value	Interest income	Balance sheet value	Interest income	Balance sheet value	Interest income
Cash, near cash and bank debt and sovereign debt securities[1]	960 402	10 159	808 000	7 842	960 744	10 180	808 422	7 845	522 470	5 830
Core loans and advances[2]	913 995	44 048	891 098	48 554	913 995	44 048	891 098	48 554	925 913	57 380
Other debt securities	100 202	3 525	95 699	4 300	100 202	3 525	95 699	4 300	82 897	6 158
Total interest-earning assets/interest income	**1 974 599**	**57 732**	**1 794 797**	**60 696**	**1 974 941**	**57 753**	**1 795 219**	**60 699**	**1 531 280**	**69 368**

	Group				Bank				Group and Bank	
	2017		2016		2017		2016		2015	
For the year to 31 March US$'000	Balance sheet value	Interest expense	Balance sheet value	Interest expense	Balance sheet value	Interest expense	Balance sheet value	Interest expense	Balance sheet value	Interest expense
Deposits by banks and other debt-related securities[3]	351 524	(7 629)	361 807	(7 138)	351 524	(7 629)	361 807	(7 138)	359 536	(8 262)
Customer accounts (deposits)	1 202 181	(6 892)	1 077 907	(3 834)	1 202 181	(6 892)	1 077 907	(3 834)	777 206	(4 090)
Amount due to group companies	11 887	(12)	9 684	(409)	12 318	(12)	9 684	(409)	52 641	(588)
Total interest-bearing liabilities/interest expense	**1 565 592**	**(14 533)**	**1 449 398**	**(11 381)**	**1 566 023**	**(14 533)**	**1 449 398**	**(11 381)**	**1 189 383**	**(12 940)**
Net interest income		**43 199**		**49 315**		**43 220**		**49 318**		**56 428**

1. *Comprises (as per the balance sheet) cash and balances at central banks; due from banks, sovereign debt securities; bank debt securities, reverse repurchase agreements and amount due from group companies.*
2. *Comprises (as per the balance sheet) loans and advances to customers.*
3. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue and repurchase agreements.*

4. Net fee and commission income

For the year to 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Fee and commission income					
Credit related fees and commissions	4 039	4 703	4 039	4 703	7 205
Foreign exchange dealings	1 606	1 409	1 606	1 409	1 743
Client transactions and maintenance fees	1 964	1 658	1 964	1 658	1 530
Wealth management fees	582	–	–	–	–
Other fees received	–	–	–	–	353
	8 191	**7 770**	**7 609**	**7 770**	**10 831**
Fee and commission expense					
Credit related fees paid	(1 752)	(1 677)	(1 752)	(1 677)	(3 034)
Other fees paid	(29)	–	(29)	–	(2)
	(1 781)	**(1 677)**	**(1 781)**	**(1 677)**	**(3 036)**
Net fee and commission income	**6 410**	**6 093**	**5 828**	**6 093**	**7 795**

5. Investment (loss)/income

For the year to 31 March US$'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Other asset categories	Total
The following table analyses investment income generated by the asset portfolio shown on the balance sheet:				
Group and Bank				
2017				
Realised	–	26	–	26
Unrealised*	(5 177)	–	–	(5 177)
Dividend income	–	–	–	–
Funding and other net related costs	–	–	–	–
	(5 177)	**26**	**–**	**(5 151)**
2016				
Realised	(1)	3 270	362	3 631
Unrealised*	(1 664)	–	–	(1 664)
Dividend income	91	–	–	91
	(1 574)	**3 270**	**362**	**2 058**
2015				
Realised	128	78	534	740
Unrealised*	12 474	(741)	–	11 733
	12 602	**(663)**	**534**	**12 473**

* *Including embedded derivatives.*

In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line.

6. Net trading loss

For the year to 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Changes in fair value of derivative financial instruments	1 601	(380)	1 601	(380)	(1 889)
Net interest expense on derivative financial instruments	(1 699)	(5 016)	(1 699)	(5 016)	(7 996)
Net foreign exchange loss	(557)	(223)	(554)	(223)	(671)
	(654)	**(5 619)**	**(651)**	**(5 619)**	**(10 556)**

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

7. Operating costs

For the year to 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Staff costs	6 813	5 576	6 262	5 470	5 810
– Salaries and wages (including directors' remuneration*)	5 689	4 620	5 304	4 516	5 019
– Training and other costs	98	129	97	129	49
– Share-based payments expense	854	699	696	699	625
– Pension fund contributions	172	128	165	126	117
Premises expenses (excluding depreciation)	539	541	535	541	559
Equipment expenses (excluding depreciation)	2 913	2 865	2 909	2 865	2 550
Business expenses**	2 191	2 165	2 145	1 835	2 007
Marketing expenses	334	254	333	254	361
Depreciation on equipment	107	121	107	121	125
	12 897	**11 522**	**12 291**	**11 086**	**11 412**
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided to the group:					
Auditors' fees (included in business expenses)					
Fees payable to the bank's auditors for the audit of the bank's accounts	212	171	207	171	149
Audit-related assurance services	24	23	24	23	20
Tax compliance services	23	6	23	6	36
	259	**200**	**254**	**200**	**205**
Minimum operating lease payments recognised in operating costs	**356**	**350**	**356**	**350**	**368**

* *Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on page 58.*
** *Business expenses mainly comprise insurance costs, consulting and professional fees, subscriptions and IT costs.*

7. Operating costs *(continued)*

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 income statement of US$172 403 (2016: US$215 000 and 2015: US$117 405) and US$165 000 (2016: US$215 000 and 2015:US$117 405) represents contributions payable to these plans by the group and the bank respectively at rates specified in the rules of the plan.

The defined contribution made in respect of key management personnel amounts to US$52 813 (2016: US$54 965 and 2015: US$50 945).

8. Share-based payments

The group operates share option and long-term share incentive plans for employees which are on an equity basis. The purpose of the staff share schemes is to promote an esprit de corps within the organisation, create an awareness of the Investec group's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

	Group		Bank		Group and Bank
For the year to 31 March	**2017**	**2016**	**2017**	**2016**	**2015**
Share-based payment expense charged to the income statement (US$'000)	854	699	696	699	625
Fair value of share options at grant date (R'000)	22 510	11 421	22 510	8 556	4 671

	Group		Bank		Group and Bank
For the year to 31 March Number of share options	**2017**	**2016**	**2017**	**2016**	**2015**
Details of share options outstanding during the year					
Outstanding at the beginning of the year	543 555	422 103	396 277	422 103	543 265
Re-location of employees during the year	31 791	140 000	9 888	(22 875)	–
Granted during the year	239 080	135 413	239 080	100 635	65 000
Exercised during the year^	(99 281)	(141 835)	(80 431)	(91 460)	(186 162)
Lapsed during the year	(15 750)	(12 126)	(5 750)	(12 126)	–
Outstanding at the end of the year	**699 395**	**543 555**	**559 064**	**396 277**	**422 103**
Exercisable at the end of the year	**–**	**–**	**–**	**–**	**–**

^ *The weighted average exercise price during the year was Rnil (2016 and 2015: Rnil).*

8. Share-based payments *(continued)*

	Group		Bank		Group and Bank
For the year to 31 March	**2017**	**2016**	**2017**	**2016**	**2015**
The exercise price range and weighted average remaining contractual life for the share options outstanding were as follows:					
Long-term incentive grants with no strike price					
Exercise price range	Rnil	Rnil	Rnil	Rnil	Rnil
Weighted average remaining contractual life	2.08 years	2.07 years	2.28 years	2.02 years	1.96 years
The fair values of share options granted were calculated using a Black-Scholes option pricing model. For share options granted during the year, the inputs into the model were as follows:					
– Share price at date of grant	R89.97 – R105.30	R109.98 – R120.88	R89.97 – R105.30	R109.98 – R120.88	R90 – R100.57
– Exercise price	R nil	R nil	R nil	R nil	R nil
– Expected volatility	0%	30%	0%	30%	25.24% – 30%
– Option life	4.75 – 5 Years	5 Years	4.75 – 5 Years	5 Years	4.5 – 5 Years
– Expected dividend yields	0%	4.02% – 4.19%	0%	4.02% – 4.19%	4.45% – 4.62%
– Risk-free rate	0%	7.49% – 7.66%	0%	7.49% – 7.66%	6.78% – 7.18%

Expected volatility was determined based on the implied volatility levels quoted by the equity derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months but also includes an element of forward expectation. The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

9. Taxation

For the year to 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Income tax liability					
Current year	7 850	8 879	7 850	8 879	10 564
Tax credit	(5 759)	(6 863)	(5 759)	(6 863)	(8 026)
Tax paid under Advance Payment Scheme	(1 141)	(1 682)	(1 141)	(1 682)	(956)
	950	**334**	**950**	**334**	**1 582**
Income statement tax charge					
Taxation on income	1 883	2 565	1 935	2 565	2 630
– Current taxation	2 124	2 371	2 124	2 371	2 647
in respect of current year	2 112	2 040	2 112	2 040	2 578
in respect of prior year adjustments	12	331	12	331	69
– Deferred taxation	(241)	194	(189)	194	(17)
Total taxation charge as per income statement	**1 883**	**2 565**	**1 935**	**2 565**	**2 630**
Tax rate reconciliation:					
Profit before taxation as per income statement	27 820	40 544	27 868	40 983	57 087
Total taxation charge as per income statement	1 883	2 565	1 935	2 565	2 630
Effective rate of taxation	7%	6%	7%	6%	5%
At statutory income tax rate of 15% (2016 and 2015: 15%)	4 173	6 082	4 180	6 147	8 563
Adjustment in respect of current income tax of prior years	12	331	12	332	101
Special levy	527	506	527	506	738
Corporate social responsibility	24	21	24	21	28
Other deductible items*	(369)	(170)	(324)	(236)	(318)
Non deductible expenses*	1 808	424	1 808	424	220
Foreign tax credit	(4 292)	(4 843)	(4 292)	(4 843)	(6 685)
Deferred tax					
- Adjustment in respect of deferred tax of prior years	–	214	–	214	(17)
Income tax expense reported in the profit or loss	**1 883**	**2 565**	**1 935**	**2 565**	**2 630**

* *Amounts included do not have a deferred tax implication.*

The corporate tax rate of the bank is 15%. The bank benefits from a presumed foreign tax credit of 80% on its tax payable in so far 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.

10. Dividends

For the year to 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Ordinary dividend					
Declared and paid during the year					
Equity dividends on ordinary shares	**–**	**60 000**	**–**	**60 000**	**19 836**

No dividend declared in respect of the financial year ended 31 March 2017 (2016: 106.24 cents and 2015: 35 cents per ordinary share).

Notes to the financial statements

(continued)

11. Analysis of income and impairments by category of financial instruments

For the year to 31 March US$'000	At fair value through profit or loss Trading	 Designated at inception
Group		
2017		
Net interest income	–	164
Fee and commission income	1 606	–
Fee and commission expense	–	–
Investment loss	–	(5 151)
Net trading loss	(98)	(2)
Total operating income before impairment losses on loans and advances	**1 508**	**(4 989)**
Impairment losses on loans and advances	–	–
Operating income	**1 508**	**(4 989)**
2016		
Net interest income	–	211
Fee and commission income	1 389	–
Fee and commission expense	–	–
Investment income	–	1 605
Net trading loss	(4 890)	(24)
Total operating income before impairment losses on loans and advances	**(3 501)**	**1 792**
Impairment reversals on loans and advances	–	–
Operating income	**(3 501)**	**1 792**
Bank		
2017		
Net interest income	–	164
Fee and commission income	1 606	–
Fee and commission expense	–	–
Investment loss	–	(5 151)
Net trading loss	(98)	1
Total operating income before impairment losses on loans and advances	**1 508**	**(4 986)**
Impairment losses on loans and advances	–	–
Operating income	**1 508**	**(4 986)**
2016		
Net interest income	–	211
Fee and commission income	1 389	–
Fee and commission expense	–	–
Investment income	–	1 605
Net trading loss	(4 890)	(24)
Total operating income before impairment losses on loans and advances	**(3 501)**	**1 792**
Impairment reversals on loans and advances		
Operating (expense)/income	**(3 501)**	**1 792**
Group and Bank		
2015		
Net interest income	–	424
Fee and commission income	1 743	–
Fee and commission expense	–	–
Investment income	–	11 939
Net trading loss	(10 556)	–
Total operating income before impairment losses on loans and advances	**(8 813)**	**12 363**
Impairment reversals on loans and advances	–	–
Operating (expense)/income	**(8 813)**	**12 363**

	Held to maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
	6 617	48 270	2 681	(14 533)	–	–	43 199
	–	4 414	–	1 965	–	206	8 191
	–	(1 781)	–	–	–	–	(1 781)
	–	–	–	–	–	–	(5 151)
	–	(554)	–	–	–	–	(654)
	6 617	**50 376**	**2 681**	**(12 568)**	**–**	**206**	**43 804**
	–	(3 535)	–	–	–	–	(3 535)
	6 617	**46 841**	**2 681**	**(12 568)**	**–**	**206**	**40 269**
	6 077	51 834	2 569	(11 376)	–	–	49 315
	–	4 640	–	1 741	–	–	7 770
	–	(1 677)	–	–	–	–	(1 677)
	–	–	–	–	91	362	2 058
	–	(705)	–	–	–	–	(5 619)
	6 077	**54 092**	**2 569**	**(9 635)**	**91**	**362**	**51 847**
	–	1 003	–	–	–	–	1 003
	6 077	**55 095**	**2 569**	**(9 635)**	**91**	**362**	**52 850**
	6 617	48 291	2 681	(14 533)	–	–	43 220
	–	4 039	–	1 965	–	–	7 609
	–	(1 781)	–	–	–	–	(1 781)
	–	–	–	–	–	–	(5 151)
	–	(554)	–	–	–	–	(651)
	6 617	**49 995**	**2 681**	**(12 568)**	**–**	**–**	**43 246**
	–	(3 535)	–	–	–	–	(3 535)
	6 617	**46 460**	**2 681**	**(12 568)**	**–**	**–**	**39 711**
	6 077	51 837	2 569	(11 376)	–	–	49 318
	–	4 640	–	1 741	–	–	7 770
	–	(1 677)	–	–	–	–	(1 677)
	–	–	–	–	91	362	2 058
	–	(705)	–	–	–	–	(5 619)
	6 077	**54 095**	**2 569**	**(9 635)**	**91**	**362**	**51 850**
		1 003					1 003
	6 077	**55 098**	**2 569**	**(9 635)**	**91**	**362**	**52 853**
	6 927	60 327	1 557	(12 807)	–	–	56 428
	–	7 510	–	1 578	–	–	10 831
	–	(3 036)	–	–	–	–	(3 036)
	–	–	–	–	–	534	12 473
	–	–	–	–	–	–	(10 556)
	6 927	**64 801**	**1 557**	**(11 229)**	**–**	**534**	**66 140**
	–	2 359	–	–	–	–	2 359
	6 927	**67 160**	**1 557**	**(11 229)**	**–**	**534**	**68 499**

12. Analysis of assets and liabilities by category of financial instruments

As at 31 March US$'000	At fair value through profit or loss Trading	 Designated at inception
Group		
2017		
Assets		
Cash and balances at central bank	–	–
Due from banks	–	–
Sovereign debt securities	–	–
Bank debt securities	–	–
Other debt securities	–	–
Derivative financial instruments	21 804	–
Investment portfolio	–	14 473
Loans and advances to customers	–	–
Interests in associated undertaking	–	–
Deferred taxation assets	–	–
Other assets	–	–
Equipment	–	–
Amount due from group companies	–	–
	21 804	**14 473**
Liabilities		
Derivative financial instruments	4 542	–
Repurchase agreements	–	–
Customer accounts (deposits)	–	–
Debt securities in issue	–	–
Amount due to group companies		
Current taxation liabilities	–	–
Other liabilities	–	–
	4 542	**–**
2016		
Assets		
Cash and balances at central banks	–	–
Due from banks	–	–
Bank debt securities	–	–
Other debt securities	–	–
Derivative financial instruments	25 289	–
Investment portfolio	–	17 045
Loans and advances to customers	–	–
Interests in associated undertaking	–	–
Deferred taxation assets	–	–
Other assets	–	–
Equipment	–	–
Amount due to group companies	–	–
	25 289	**17 045**
Liabilities		
Derivative financial instruments	6 610	–
Repurchase agreements	–	–
Customer accounts (deposits)	–	–
Debt securities in issue	–	–
Amount due to holding and group companies		
Current taxation liabilities	–	–
Other liabilities	–	–
	6 610	**–**

Available-for-sale	Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	–	–	13 715	–	13 715	–	13 715
–	–	–	812 376	–	812 376	–	812 376
22 214	22 214	–	–	–	–	–	22 214
–	–	108 399	–	–	108 399	–	108 399
83 142	83 142	10 359	6 701	–	17 060	–	100 202
–	21 804	–	–	–	–	–	21 804
–	14 473	–	–	–	–	–	14 473
–	–	–	913 995	–	913 995	–	913 995
–	–	–	–	–	–	4 160	4 160
–	–	–	–	–	–	357	357
–	–	–	2 790	–	2 790	1 731	4 521
–	–	–	–	–	–	294	294
–	–	–	3 698	–	3 698	–	3 698
105 356	**141 633**	**118 758**	**1 753 275**	**–**	**1 872 033**	**6 542**	**2 020 208**
–	4 542	–	–	–	–	–	4 542
–	–	–	–	101 645	101 645	–	101 645
–	–	–	–	1 202 181	1 202 181	–	1 202 181
–	–	–	–	249 879	249 879	–	249 879
			–	11 887	11 887		11 887
–	–	–	–	–	–	950	950
–	–	–	–	57 274	57 274	3 835	61 109
–	**4 542**	**–**	**–**	**1 622 866**	**1 622 866**	**4 785**	**1 632 193**
–	–	–	9 947	–	9 947	–	9 947
–	–	–	682 160	–	682 160	–	682 160
–	–	112 357	–	–	112 357	–	112 357
74 234	74 234	12 907	8 558	–	21 465	–	95 699
–	25 289	–	–	–	–	–	25 289
–	17 045	–	–	–	–	–	17 045
–	–	–	891 098	–	891 098	–	891 098
–	–	–	–	–	–	3 720	3 720
–	–	–	–	–	–	116	116
–	–	–	84	–	84	2 392	2 476
–	–	–	–	–	–	337	337
–	–	–	3 536	–	3 536	–	3 536
74 234	**116 568**	**125 264**	**1 595 383**	**–**	**1 720 647**	**6 565**	**1 843 780**
–	6 610	–	–	–	–	–	6 610
–	–	–	–	108 260	108 260	–	108 260
–	–	–	–	1 077 907	1 077 907	–	1 077 907
–	–	–	–	253 547	253 547	–	253 547
		–	–	9 684	9 684	–	9 684
–	–	–	–	–	–	334	334
–	–	–	–	24 002	24 002	3 553	27 555
–	**6 610**	**–**	**–**	**1 473 400**	**1 473 400**	**3 887**	**1 483 897**

12. Analysis of assets and liabilities by category of financial instruments *(continued)*

As at 31 March US$'000	At fair value through profit or loss Trading	 Designated at inception
Bank		
2017		
Assets		
Cash and balances at central bank	–	–
Due from banks	–	–
Sovereign debt securities	–	–
Bank debt securities	–	–
Other debt securities	–	–
Derivative financial instruments	21 804	–
Investment portfolio	–	14 473
Loans and advances to customers	–	–
Interests in associated undertaking	–	–
Deferred taxation assets	–	–
Other assets	–	–
Equipment	–	–
Amount due from group companies	–	–
Investment in subsidiary	–	–
	21 804	**14 473**
Liabilities		
Derivative financial instruments	4 542	–
Repurchase agreements	–	–
Customer accounts (deposits)	–	–
Debt securities in issue	–	–
Amount due to group companies		
Current taxation liabilities	–	–
Other liabilities	–	–
	4 542	**–**
2016		
Assets		
Cash and balances at central bank	–	–
Due from banks	–	–
Bank debt securities	–	–
Other debt securities	–	–
Derivative financial instruments	25 289	–
Investment portfolio	–	17 045
Loans and advances to customers	–	–
Interests in associated undertaking	–	–
Deferred taxation assets	–	–
Other assets	–	–
Equipment	–	–
Amount due to group companies	–	–
Investment in subsidiary	–	–
	25 289	**17 045**
Liabilities		
Derivative financial instruments	6 610	–
Repurchase agreements	–	–
Customer accounts (deposits)	–	–
Debt securities in issue	–	–
Amount due from group companies	–	–
Current taxation liabilities	–	–
Other liabilities	–	–
	6 610	**–**

Available-for-sale	Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	–	–	13 715	–	13 715	–	13 715
–	–	–	812 376	–	812 376	–	812 376
22 214	22 214	–	–	–	–	–	22 214
–	–	108 399	–	–	108 399	–	108 399
83 142	83 142	10 359	6 701	–	17 060	–	100 202
–	21 804	–	–	–	–	–	21 804
–	14 473	–	–	–	–	–	14 473
–	–	–	913 995	–	913 995	–	913 995
–	–	–	–	–	–	4 160	4 160
–	–	–	–	–	–	305	305
–	–	–	2 787	–	2 787	1 733	4 520
–	–	–	–	–	–	294	294
–	–	–	4 040	–	4 040	–	4 040
–	–	–	–	–	–	467	467
105 356	**141 633**	**118 758**	**1 753 614**	**–**	**1 872 372**	**6 959**	**2 020 964**
–	4 542	–	–	–	–	–	4 542
–	–	–	–	101 645	101 645	–	101 645
–	–	–	–	1 202 181	1 202 181	–	1 202 181
–	–	–	–	249 879	249 879	–	249 879
		–	–	12 318	12 318		12 318
–	–	–	–	–	–	950	950
–	–	–	–	57 270	57 270	3 729	60 999
–	**4 542**	**–**	**–**	**1 623 293**	**1 623 293**	**4 679**	**1 632 514**
–	–	–	9 947	–	9 947	–	9 947
–	–	–	682 160	–	682 160	–	682 160
–	–	112 357	–	–	112 357	–	112 357
74 234	74 234	12 907	8 558	–	21 465	–	95 699
–	25 289	–	–	–	–	–	25 289
–	17 045	–	–	–	–	–	17 045
–	–	–	891 098	–	891 098	–	891 098
–	–	–	–	–	–	3 720	3 720
–	–	–	–	–	–	116	116
–	–	–	84	–	84	2 392	2 476
–	–	–	–	–	–	337	337
–	–	–	3 958	–	3 958	–	3 958
–	–	–	–		–	17	17
74 234	**116 568**	**125 264**	**1 595 805**	**–**	**1 721 069**	**6 582**	**1 844 219**
–	6 610	–	–	–	–	–	6 610
–	–	–	–	108 260	108 260	–	108 260
–	–	–	–	1 077 907	1 077 907	–	1 077 907
–	–	–	–	253 547	253 547	–	253 547
–	–	–	–	9 684	9 684		9 684
–	–	–	–	–	–	334	334
–	–	–	–	24 002	24 002	3 553	27 555
–	**6 610**	**–**	**–**	**1 473 400**	**1 473 400**	**3 887**	**1 483 897**

12. Analysis of assets and liabilities by category of financial instruments *(continued)*

For the year to 31 March US$'000	At fair value through profit or loss Trading	 Designated at inception
Group and Bank		
2015		
Assets		
Cash and balances at central bank	–	–
Loans and advances to banks	–	–
Reverse repurchase agreements	–	–
Sovereign debt securities	–	–
Bank debt securities	–	–
Other debt securities	–	2 979
Derivative financial instruments	29 110	–
Investment portfolio	–	20 586
Loans and advances to customers	–	–
Interests in associated undertakings	–	–
Deferred taxation assets	–	–
Other assets	–	–
Equipment	–	–
Amount due from group companies	–	–
	29 110	**23 565**
Liabilities		
Derivative financial instruments	1 038	–
Repurchase agreements	–	–
Customer accounts (deposits)	–	–
Debt securities in issue	–	–
Amount due to holding and group companies	–	–
Current taxation liabilities	–	–
Other liabilities	–	–
	1 038	**–**

Available-for-sale	Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	–	–	9 337	–	9 337	–	9 337
–	–	–	382 237	–	382 237	–	382 237
–	–	–	13 987	–	13 987	–	13 987
–	–	1 642	–	–	1 642	–	1 642
–	–	111 576	–	–	111 576	–	111 576
54 088	57 067	–	25 830	–	25 830	–	82 897
–	29 110	–	–	–	–	–	29 110
–	20 586	–	–	–	–	–	20 586
–	–	–	925 913	–	925 913	–	925 913
–	–	–	–	–	–	4 915	4 915
–	–	–	–	–	–	310	310
–	–	–	3 131	–	3 131	153	3 284
–	–	–	–	–	–	409	409
–	–	–	3 693	–	3 693	–	3 693
54 088	**106 763**	**113 218**	**1 364 128**	**–**	**1 477 346**	**5 787**	**1 589 896**
–	1 038	–	–	–	–	–	1 038
–	–	–	–	110 025	110 025	–	110 025
–	–	–	–	777 206	777 206	–	777 206
–	–	–	–	249 512	249 512	–	249 512
–	–	–	–	52 641	52 641	–	52 641
–	–	–	–	–	–	1 582	1 582
–	–	–	–	11 093	11 093	2 254	13 347
–	**1 038**	**–**	**–**	**1 200 477**	**1 200 477**	**3 836**	**1 205 351**

13. Financial instruments at fair value

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value category		
For the year to 31 March US$'000	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
Group				
2017				
Assets				
Sovereign debt securities	22 214	22 214	–	–
Other debt securities	83 142	83 142	–	–
Derivative financial instruments	21 804	–	21 804	–
Investment portfolio	14 473	23	14 450	–
	141 633	**105 379**	**36 254**	**–**
Liabilities				
Derivative financial instruments	4 542	–	4 542	–
	4 542	**–**	**4 542**	**–**
Net financial assets at fair value	**137 091**	**105 379**	**31 712**	**–**
2016				
Assets				
Other debt securities	74 234	74 234	–	–
Derivative financial instruments	25 289	–	25 289	–
Investment portfolio	17 045	33	17 012	–
	116 568	**74 267**	**42 301**	**–**
Liabilities				
Derivative financial instruments	6 610	–	6 610	–
	6 610	**–**	**6 610**	**–**
Net financial assets at fair value	**109 958**	**74 267**	**35 691**	**–**
Bank				
2017				
Assets				
Sovereign debt securities	22 214	22 214	–	–
Other debt securities	83 142	83 142	–	–
Derivative financial instruments	21 804	–	21 804	–
Investment portfolio	14 473	23	14 450	–
	141 633	**105 379**	**36 254**	**–**
Liabilities				
Derivative financial instruments	4 542	–	4 542	–
	4 542	**–**	**4 542**	**–**
Net financial assets at fair value	**137 091**	**105 379**	**31 712**	**–**

13. Financial instruments at fair value *(continued)*

For the year to 31 March US$'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Bank				
2016				
Assets				
Other debt securities	74 234	74 234	–	–
Derivative financial instruments	25 289	–	25 289	–
Investment portfolio	17 045	33	17 012	–
	116 568	**74 267**	**42 301**	**–**
Liabilities				
Derivative financial instruments	6 610	–	6 610	–
	6 610	**–**	**6 610**	**–**
Net financial assets at fair value	**109 958**	**74 267**	**35 691**	**–**
Group and Bank				
2015				
Assets				
Other debt securities	57 067	54 088	–	2 979
Derivative financial instruments	29 110	–	29 110	–
Investment portfolio	20 586	33	20 553	–
	106 763	**54 121**	**49 663**	**2 979**
Liabilities				
Derivative financial instruments	1 038	–	1 038	–
	1 038	**–**	**1 038**	**–**
Net assΔets	**105 725**	**54 121**	**48 625**	**2 979**

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 in the current and prior year.

13. Financial instruments at fair value *(continued)*

Level 3 instruments

The following table is a reconciliation of the opening balances to the closing balances for financial instruments in level 3 of the fair value category. All instruments are at fair value through profit and loss.

For the year to 31 March US$'000	**Total level 3 financial instruments**
Group and Bank	
Balance at 1 April 2014	5 620
Total gains or losses	(239)
In the income statement	(239)
Sales	(1 475)
Foreign exchange adjustments	(927)
Balance at 31 March 2015	**2 979**
Balance at 1 April 2015	2 979
Total gains or losses	3 299
In the income statement	3 299
Sales	(6 388)
Foreign exchange adjustments	110
Balance at 31 March 2016	**–**
Balance at 1 April 2016	–
Total gains or losses	–
In the income statement	–
In the statement of comprehensive income	–
Purchases	–
Sales	–
Foreign exchange adjustments	–
Balance at 31 March 2017	**–**

13. Financial instruments at fair value *(continued)*

The following table quantifies the gains or (losses) included in the income statement and other comprehensive income recognised on level 3 financial instruments:

For the year to 31 March US$'000	Total	Realised	Unrealised
Group and Bank			
2017			
Total gains/(losses) included in the income statement for the year			
Net interest income	–	–	–
Investment income	–	–	–
	–	**–**	**–**
2016			
Total gains/(losses) included in the income statement for the year			
Net interest income	29	29	–
Investment income	3 270	3 270	–
	3 299	**3 299**	**–**
2015			
Total gains/(losses) included in the income statement for the year			
Net interest income	424	424	–
Investment loss	(663)	–	(663)
	(239)	**424**	**(663)**

Measurement of financial assets and liabilities at level 2

The table below sets out information about the valuation techniques used at the end of the reporting year in measuring financial instruments categorised as level 2 in the fair value hierarchy:

Assets	Valuation basis/techniques	Main assumptions
Derivative financial instruments	Discounted cash flow model	Yield curve Volatilities
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Liabilities		
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities

13. Financial instruments at fair value *(continued)*

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from 'observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:'

					Reflected in the income statement	
At 31 March	**Level 3 balance sheet value**	**Valuation method**	**Significant unobservable input changed**	**Range which unobservable input has been stressed**	**Favourable changes US$'000**	**Unfavourable changes US$'000**
Group and Bank						
2015						
Assets						
Other debt securities	2 979	Discounted cash flows	Discount rates	15%-30%	390	(331)

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

Discount rates

Discount rates are the interest rates used to discount future cash flows in the discounted cash flow valuation method. The discount rate takes into account time value of money and uncertainty of cash flows.

Valuation techniques

The valuation techniques relating to financial instruments classified under level 2 have been further elaborated in note 14.

14. Fair value of financial instruments at amortised cost

At 31 March US$'000	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
Group					
2017					
Assets					
Cash and balances at central bank	13 715	13 715	^	^	^
Due from banks	812 376	812 376	^	^	^
Bank debt securities	108 399	112 463	112 463	–	–
Other debt securities	17 060	17 819	–	17 819	–
Loans and advances to customers	913 995	922 546	–	–	922 546
Other assets	2 790	2 790	^	^	^
Amount due from group companies	3 698	3 698	^	^	^
	1 872 033	**1 885 407**			
Liabilities					
Repurchase agreements	101 645	101 645	^	^	^
Customer accounts (deposits)	1 202 181	1 202 726	905 849	296 877	–
Debt securities in issue	249 879	258 063	–	258 063	–
Amount due to group companies	11 887	11 887	^	^	^
Other liabilities	57 274	57 274	^	^	^
	1 622 866	**1 631 595**			
2016					
Assets					
Cash and balances at central bank	9 947	9 947	^	^	^
Due from banks	682 160	682 160	^	^	^
Bank debt securities	112 357	174 213	174 213	–	–
Other debt securities	21 465	22 600	–	22 600	–
Loans and advances to customers	891 098	899 602	–	–	899 602
Other assets	84	84	^	^	^
Amount due from group companies	3 536	3 536	^	^	^
	1 720 647	**1 457 402**			
LiabilitiesΔ					
Repurchase agreements	108 260	108 260	^	^	^
Customer accounts (deposits)	1 077 907	1 078 449	903 387	175 062	–
Debt securities in issue	253 547	264 412	–	264 412	–
Amount due to group companies	9 684	9 684	^	^	^
Other liabilities	24 002	24 002	^	^	^
	1 473 400	**1 484 807**			

^ *Financial instruments for which fair value approximates carrying value.*

14. Fair value of financial instruments at amortised cost *(continued)*

At 31 March US$'000	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
Bank					
2017					
Assets					
Cash and balances at central bank	13 715	13 715	^	^	^
Loans and advances to banks	812 376	812 376	^	^	^
Bank debt securities	108 399	112 463	112 463	–	–
Other debt securities	17 060	17 819	–	17 819	–
Loans and advances to customers	913 995	922 546	–	–	922 546
Other assets	2 847	2 847	^	^	^
Amount due from group companies	4 040	4 040	^	^	^
	1 872 432	**1 885 806**			
Liabilities					
Repurchase agreements	101 645	101 645	^	^	^
Customer accounts (deposits)	1 202 181	1 202 726	905 849	296 877	–
Debt securities in issue	249 879	258 063	–	258 063	–
Amount due to group companies	12 318	12 318	^	^	^
Other liabilities	57 270	57 270	^	^	^
	1 623 293	**1 632 026**			
2016					
Assets					
Cash and balances at central bank	9 947	9 947	^	^	^
Loans and advances to banks	682 160	682 160	^	^	^
Bank debt securities	112 357	174 213	174 213	–	–
Other debt securities	21 465	22 600	–	22 600	–
Loans and advances to customers	891 098	899 602	–	–	899 602
Other assets	84	84	^	^	^
Amount due from group companies	3 958	3 958	^	^	^
	1 721 069	**1 792 564**			
Liabilities					
Repurchase agreements	108 260	108 260	^	^	^
Customer accounts (deposits)	1 077 907	1 078 449	903 387	175 062	–
Debt securities in issue	253 547	264 412	–	264 412	–
Amount due to holding and group companies	9 684	9 684	^	^	^
Other liabilities	24 002	24 002	^	^	^
	1 473 400	**1 484 807**			

^ *Financial instruments for which fair value approximates carrying value.*

14. Fair value of financial instruments at amortised cost *(continued)*

At 31 March US$'000	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
Group and Bank					
2015					
Assets					
Cash and balances at central bank	9 337	9 337	^	^	^
Due from banks	382 237	382 237	^	^	^
Reverse repurchase agreements	13 987	13 987	^	^	^
Sovereign debt securities	1 642	1 642	^	^	^
Bank debt securities	111 576	127 207	127 207	–	–
Other debt securities	25 830	25 830	–	25 830	–
Loans and advances to customers	925 913	935 431	–	–	935 431
Other assets	3 131	3 131	^	^	^
Amount due from group companies	3 693	3 693	^	^	^
	1 477 346	**1 502 495**			
Liabilities					
Repurchase agreements	110 025	110 025	^	^	^
Customer accounts (deposits)	777 206	777 766	630 185	147 021	–
Debt securities in issue	249 512	264 808	–	264 808	–
Amount due to group companies	52 641	52 641	^	^	^
Other liabilities	11 093	11 093	^	^	^
	1 200 477	**1 216 333**			

^ *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 amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits and savings accounts without a specific maturity included in customer accounts (deposits) and variable rate financial instruments.

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring level 2 and level 3 financial instruments not held at fair value:

	Valuation basis/technique	Main inputs
Assets		
Other debt securities	Discounted cash flow model	Discount rates
Loans and advances to customers	Discounted cash flow model	Discount rates
Liabilities		
Customer accounts (deposits)	Discounted cash flow model	Interest rate Yield curve
Debt securities in issue	Discounted cash flow model	Discount rates

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.

Investment securities held-to-maturity

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

Notes to the financial statements

(continued)

15. Cash and balances at central bank

As at 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Cash in hand	9	5	9	5	2
Cash balance with the central bank					
– Restricted	10 021	5 058	10 021	5 058	1 793
– Unrestricted	3 685	4 884	3 685	4 884	7 542
	13 715	**9 947**	**13 715**	**9 947**	**9 337**

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

16. Due from banks

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Holding bank	15 765	334 740	15 765	334 740	125 634
Other banks	796 611	347 420	796 611	347 420	256 603
	812 376	**682 160**	**812 376**	**682 160**	**382 237**

17. Repurchase and reverse repurchase agreements

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Assets					
Reverse repurchase agreements	–	–	–	–	13 987
	–	**–**	**–**	**–**	**13 987**
Liabilities					
Repurchase agreements	101 645	108 260	101 645	108 260	110 025
	101 645	**108 260**	**101 645**	**108 260**	**110 025**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at US$112 million (2016: US$122 million and 2015: US$123 million). They are pledged as security for the term of the underlying repurchase agreement.

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.

18. Sovereign debt securities

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Bonds	22 214	–	22 214	–	–
Treasury bills	–	–	–	–	1 642
	22 214	**–**	**22 214**	**–**	**1 642**
The country risk of the sovereign debt securities lies in the following geographies:					
South Africa	22 214	–	22 214	–	–
Other	–	–	–	–	1 642
	22 214	**–**	**22 214**	**–**	**1 642**

19. Bank debt securities

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Bonds	108 399	112 357	108 399	112 357	111 576
	108 399	**112 357**	**108 399**	**112 357**	**111 576**
The country risk of bank debt securities lies in the following geographies:					
United Kingdom	52 076	52 917	52 076	52 917	53 755
United States of America	56 323	59 440	56 323	59 440	57 821
	108 399	**112 357**	**108 399**	**112 357**	**111 576**

20. Other debt securities

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Bonds	93 501	87 140	93 501	87 140	71 797
Other investments	6 701	8 559	6 701	8 559	11 100
	100 202	**95 699**	**100 202**	**95 699**	**82 897**
The country risk of other debt securities lies in the following geographies:					
South Africa	51 177	52 732	51 177	52 732	54 088
United Kingdom	18 492	24 462	18 492	24 462	3 056
Europe (excluding UK)	7 783	9 947	7 783	9 947	14 653
Australia	6 701	8 558	6 701	8 558	11 100
United States of America	16 048	–	16 048	–	–
	100 202	**95 699**	**100 202**	**95 699**	**82 897**

21. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk.

The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

Group	2017			2016			2015		
At 31 March US$'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	**Notional principal amounts**	**Positive fair value**	**Negative fair value**
Group									
Foreign exchange derivatives									
Forward foreign exchange contracts	339 621	2 381	(3 099)	245 824	24	(4 088)	280 185	1 329	(24)
Currency swaps	60 106	4 376	(372)	145 931	9 572	(595)	144 530	10 468	–
	399 727	**6 757**	**(3 471)**	**391 755**	**9 596**	**(4 683)**	**424 715**	**11 797**	**(24)**
Interest rate derivatives									
Interest rate swaps	120 714	945	(1 071)	83 505	245	(1 927)	143 747	153	(1 014)
Equity and stock index derivatives									
Stay in option	–	14 102	–	–	15 448	–	–	17 160	–
Derivatives per balance sheet	**520 441**	**21 804**	**(4 542)**	**475 260**	**25 289**	**(6 610)**	**568 462**	**29 110**	**(1 038)**
Bank									
Foreign exchange derivatives									
Forward foreign exchange contracts	339 621	2 381	(3 099)	245 824	24	(4 088)	280 185	1 329	(24)
Currency swaps	60 106	4 376	(372)	145 931	9 572	(595)	144 530	10 468	–
	399 727	**6 757**	**(3 471)**	**391 755**	**9 596**	**(4 683)**	**424 715**	**11 797**	**(24)**
Interest rate derivatives									
Interest rate swaps	120 714	945	(1 071)	83 505	245	(1 927)	143 747	153	(1 014)
Equity and stock index derivatives									
Stay in option	–	14 102	–	–	15 448	–	–	17 160	–
Derivatives per balance sheet	**520 441**	**21 804**	**(4 542)**	**475 260**	**25 289**	**(6 610)**	**568 462**	**29 110**	**(1 038)**

Most of the bank's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. The group and 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 group and the bank have 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.

Equity derivative – stay in option

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

22. Investment portfolio

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Listed equities	23	33	23	33	33
Unlisted equities	14 450	17 012	14 450	17 012	20 553
	14 473	**17 045**	**14 473**	**17 045**	**20 586**

23. Loans and advances to customers

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Loans and advances to customers					
Gross loans and advances to customers	921 790	897 788	921 790	897 788	932 566
Impairments of loans and advances to customers	(7 795)	(6 690)	(7 795)	(6 690)	(6 653)
Net loans and advances to customers	**913 995**	**891 098**	**913 995**	**891 098**	**925 913**

For further analysis on loans and advances refer to pages 23 to 35 in the risk management section.

Specific and portfolio impairments

Reconciliation of movements in specific and portfolio impairments

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Specific impairment					
Balance at beginning of year	–	–	–	–	78
Charge to the income statement	584	–	584	–	–
Written off out of allowance	–	–	–	–	(78)
Transfers	77	–	77	–	–
Exchange adjustment	(8)	–	(8)	–	–
Balance at end of year	**653**	**–**	**653**	**–**	**–**
Portfolio impairment					
Balance at the beginning of the year	6 690	6 653	6 690	6 653	8 289
Charge to the income statement	452	37	452	37	–
Reversals and recoveries recognised in the income statement	–	–	–	–	(1 636)
Balance at the end of the year	7 142	6 690	7 142	6 690	6 653
Total	**7 795**	**6 690**	**7 795**	**6 690**	**6 653**
Interest income recognised on loans that been impaired	**1 893**	**–**	**1 893**	**–**	–
Reconciliation of income statement charge					
Loans and advances to customers	**(3 535)**	**1 003**	**(3 535)**	**1 003**	**2 359**
Specific impairment charged to income statement	(584)	–	(584)	–	–
Portfolio impairment charged to income statement	(452)	(37)	(452)	(37)	1 636
Loss on disposal of loans and advances	(2 495)	–	(2 495)	–	(1 299)
Loans and advances (written off)/recovered	(4)	1 040	(4)	1 040	2 022
Total income statement reversal/(charge)	**(3 535)**	**1 003**	**(3 535)**	**1 003**	2 359
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**24 217**	**–**	**24 217**	**–**	**–**

24. Interests in associated undertaking

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Interests in associated undertaking consists of:					
Net asset value	4 160	3 720	4 160	3 720	4 915
Investment in associated undertaking	**4 160**	**3 720**	**4 160**	**3 720**	**4 915**
Associated undertaking comprises unlisted investments.					
Analysis of the movement in our share of net assets:					
At beginning of year	3 720	4 915	3 720	4 915	4 915
Share of profit/(loss)	448	(784)	448	(784)	–
Foreign currency adjustments through OCI	(8)	(411)	(8)	(411)	–
At end of year	**4 160**	**3 720**	**4 160**	**3 720**	**4 915**

The group and the bank own 34.54% interest in Dolphin Coast Marina Estate Ltd (DCME), a company incorporated in Mauritius and operating an Integrated Resort Scheme (IRS). The group's and the bank's interest in DCME is accounted for using the equity accounting method.

The following table illustrates the summarised financial information of the group's and the bank's investment in the above associate.

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Associate's balance sheet:					
Assets	19 381	23 477	19 381	23 477	24 076
Liabilities	(7 337)	(12 707)	(7 337)	(12 707)	(9 846)
Net assets	**12 044**	**10 770**	**12 044**	**10 770**	**14 230**
Share associates's net assets	**4 160**	**3 720**	**4 160**	**3 720**	**4 915**
Associate's revenue and profit/(loss)					
Revenue	**2 449**	**1 936**	**2 449**	**1 936**	**934**
Share of profit/(loss)	**448**	**(784)**	**448**	**(784)**	**–**

25. Deferred taxation assets

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Deferred taxation assets	514	278	462	278	310
Deferred taxation liabilities	(157)	(162)	(157)	(162)	–
Net deferred taxation assets/(liabilities)	**357**	**116**	**305**	**116**	**310**
The net deferred taxation assets arise from					
Impairment of loans and advances to customers	514	278	462	278	343
Capital allowances	–	(1)	–	(1)	–
Income and expenditure accruals	(157)	(161)	(157)	(161)	–
Other temporary differences	–	–	–	–	(33)
Net deferred taxation assets	**357**	**116**	**305**	**116**	**310**
Reconciliation of net deferred taxation assets/(liabilities)					
At the beginning of the year	116	310	116	310	293
Recovery/(charge) to income statement	241	(194)	189	(194)	17
At year end	**357**	**116**	**305**	**116**	**310**

Deferred taxation assets are recognised to the extent it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections.

26. Other assets

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Settlement debtors	15	13	15	13	81
Pre-payments and accruals	1 733	205	1 733	205	72
Other receivables	2 773	2 258	2 772	2 258	3 131
	4 521	**2 476**	**4 520**	**2 476**	**3 284**

27. Equipment

At 31 March US$'000	Computer equipment	Furniture and fittings	Office equipment	Motor vehicles	Total
Group and Bank					
2017					
Cost					
At the beginning of the year	191	463	363	76	1 093
Additions	23	31	25	–	79
Disposals	–	–	–	–	–
Adjustments	(8)	(5)	5	–	(8)
At the end of the year	**206**	**489**	**393**	**76**	**1 164**
Accumulated depreciation					
At the beginning of the year	141	274	272	69	756
Disposals	–	–	–	–	–
Depreciation charge for the year	30	44	26	7	107
Adjustments	–	–	7	–	7
At the end of the year	**171**	**318**	**305**	**76**	**870**
Net carrying value	**35**	**171**	**88**	**–**	**294**
2016					
Cost					
At the beginning of the year	190	463	351	96	1 100
Additions	38	–	12	–	50
Disposals	–	–	–	(20)	(20)
Adjustments	(37)	–	–	–	(37)
At the end of the year	**191**	**463**	**363**	**76**	**1 093**
Accumulated depreciation					
At the beginning of the year	130	231	247	83	691
Disposals	–	–	–	(20)	(20)
Depreciation charge for the year	41	43	31	6	121
Adjustments	(30)	–	(6)	–	(36)
At the end of the year	**141**	**274**	**272**	**69**	**756**
Net carrying value	**50**	**189**	**91**	**7**	**337**
2015					
Cost					
At the beginning of the year	188	380	333	87	988
Additions	20	76	107	–	203
Adjustments	(18)	7	(89)	9	(91)
At the end of the year	**190**	**463**	**351**	**96**	**1 100**
Accumulated depreciation					
At the beginning of the year	134	188	263	65	650
Depreciation charge for the year	31	40	47	7	125
Adjustments	(35)	3	(63)	11	(84)
At the end of the year	**130**	**231**	**247**	**83**	**691**
Net carrying value	**60**	**232**	**104**	**13**	**409**

28. Amounts due from/to group companies

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Assets					
Amount due from group companies					
Amount due from fellow subsidiaries	3 698	3 536	4 040	3 958	3 693
	3 698	**3 536**	**4 040**	**3 958**	**3 693**
Liabilities					
Amount due to group companies					
Amount due to holding bank – Investec Bank Limited	1 985	387	1 985	387	43 182
Amount due to fellow subsidiaries	9 901	9 307	10 333	9 307	9 459
	11 887	**9 684**	**12 318**	**9 684**	**52 641**

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. Outstanding balances at year end are unsecured except for loans where security is given. For the year ended 31 March 2017, the bank has not made any impairment loss relating to amounts owed by related parties (2016 and 2015: Nil).

29. Investment in subsidiary

At 31 March	Nature of business	Holding (%)	Issued ordinary shares 2017 '000	Issued ordinary shares 2016 '000	Shares at book value 2017 US$'000	Shares at book value 2016 US$'000	Net indebtedness 2017 US$'000	Net indebtedness 2016 US$'000
Investec Wealth and Investment (Mauritius) Limited	Investment manager	100	1 050	600	467	17	(89)	422

Amount due to/(from) group companies are unsecured, interest bearing, with no fixed terms of repayment.

30. Customer accounts (deposits)

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Private clients					
– Current accounts	79 335	122 395	79 335	122 395	35 426
– Term deposits	41 740	42 365	41 740	42 365	62 980
Corporates					
– Current accounts	826 514	780 992	826 514	780 992	594 759
– Term deposits	254 592	132 155	254 592	132 155	84 041
	1 202 181	**1 077 907**	**1 202 181**	**1 077 907**	**777 206**

31. Debt securities in issue

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Redeemable cumulative non-participating preference shares of nominal value US$191 525 000 and EUR 52 700 000 at no par value (2016 and 2015: US$191 525 000 and EUR 52 700 000)	**249 879**	**253 547**	**249 879**	**253 547**	**249 512**

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 3 month euribor+1.35% up to 3 September 2021
CLASS IMRP2	Fixed rate 3.99% up to 23 October 2019 thereafter 3 month euribor+1.35% up to 22 October 2021
CLASS IMRP3	3 month euribor+1.63% up to 28 November 2021
CLASS IMRP4	Fixed rate 3.075% up to 1 April 2018 thereafter 3 month US$ libor+1.35% up to 30 September 2021
CLASS IMRP5	Fixed rate 1.912% up to 28 July 2017 thereafter 3 month US$ libor+1% up to 23 July 2023
CLASS IMRP6	3 month US$ libor+1.35% up to 31 August 2021
CLASS IMRP7	Fixed rate 3.394% up to 22 May 2019 thereafter 3 month US$ libor+1.35% up to 26 August 2021

32. Other liabilities

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Settlement liabilities	55 639	23 013	55 639	23 013	8 500
Other creditors and accruals	3 835	3 044	3 729	3 044	4 078
Other non-interest-bearing liabilities	1 635	1 498	1 631	1 498	769
	61 109	**27 555**	**60 999**	**27 555**	**13 347**

33. Ordinary share capital

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Authorised					
Issued					
56 478 463 (2016 and 2015: 56 478 463) ordinary shares	56 478	56 478	56 478	56 478	56 478

Available-for-sale reserve

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

Foreign currency translation reserve

The reserve comprised of foreign exchange differences arising from the translation of financial statements of associated undertaking.

Regulatory general risk reserve

This reserve comprises amounts set aside for general banking risks, including future losses and other unforeseeable risks. It also includes the country risk provision computed in accordance with the BOM guideline on country risk management and the provision computed under the Prudential Norm.

33. Ordinary share capital *(continued)*

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 and the provision computed under the Prudential Norm.

Holding company

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

34. Notes to the cash flow statements

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Profit before taxation adjusted for non-cash items is derived as follows:					
Profit before taxation	27 820	40 544	27 868	40 983	57 087
Adjustment for non-cash items included in net income before taxation:					
Foreign exchange loss/(gain) on cash and cash equivalent	6 320	(3 121)	6 320	(3 121)	23 294
Loss/(profit) on disposal of equipment	15	(2)	15	(2)	6
Depreciation of equipment	107	121	107	121	125
Impairment loss/(reversal) on loans and advances	3 535	37	3 535	37	(2 359)
Interest and foreign exchange (gain)/loss on debt securities in issue	(3 669)	4 036	(3 669)	4 036	(16 788)
Interest and foreign exchange loss on debt and investment securities	12 250	1 967	12 250	1 967	4 383
Interest and foreign exchange gain on securities sold under repurchase agreement	(6 615)	(1 765)	(6 615)	(1 765)	(11 378)
Dividend income	–	(91)	–	(91)	–
Profit on disposal of investment	(26)	–	(26)	–	–
Profit on disposal of investment in subsidiary	–	(360)	–	(360)	–
Share of (gain)/loss in associate	(448)	784	(448)	784	–
Loss/(gain) on debt and investment securities and derivatives	5 668	5 620	5 668	5 620	(1 998)
Profit before taxation adjusted for non-cash items	**44 957**	**47 770**	**45 005**	**48 209**	**52 371**
(Increase)/decrease in operating assets					
Balance with central bank - restricted	(4 963)	(3 265)	(4 963)	(3 265)	3 750
Reverse repurchase agreement	–	13 987	–	13 987	(13 984)
Derivative financial instruments	779	(1 799)	779	(1 799)	4 130
Loans and advances to customers	(26 432)	34 778	(26 432)	34 778	(32 852)
Other assets	(2 045)	808	(2 043)	808	1 852
Amount due from group companies	(164)	155	(85)	(267)	184
	(32 825)	**44 664**	**(32 744)**	**44 242**	**(36 920)**
Increase/(decrease) in operating liabilities					
Derivative financial instruments	(2 068)	5 572	(2 068)	5 572	(10 212)
Customer accounts (deposits)	124 274	300 700	124 274	300 700	(54 997)
Amount due to group companies	2 203	(42 956)	2 634	(42 956)	(106)
Other liabilities	33 555	14 208	33 445	14 208	(18 712)
	157 964	**277 524**	**158 285**	**277 524**	**(84 027)**

35. 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.

	Group			Bank		
At 31 March US$'000	**Less than 12 months**	**Over 12 months**	**Total**	**Less than 12 months**	**Over 12 months**	**Total**
2017						
Assets						
Cash and balances at central bank	3 694	10 021	13 715	3 694	10 021	13 715
Due from banks	812 376	–	812 376	812 376	–	812 376
Sovereign debt securities	–	22 214	22 214	–	22 214	22 214
Bank debt securities	–	108 399	108 399	–	108 399	108 399
Other debt securities	51 177	49 025	100 202	51 177	49 024	100 202
Derivative financial instruments	16 843	4 961	21 804	16 843	4 961	21 804
Investment portfolio	–	14 473	14 473	–	14 473	14 473
Loans and advances to customers	345 973	568 022	913 995	345 973	568 022	913 995
Interests in associated undertakings	–	4 160	4 160	–	4 160	4 160
Deferred taxation assets	–	357	357	–	305	305
Other assets	4 521	–	4 521	4 520	–	4 520
Equipment	–	294	294	–	294	294
Amount due from group companies	3 698	–	3 698	4 040	–	4 040
Investment in subsidiary	–	–	–	–	467	467
Total	**1 238 282**	**781 926**	**2 020 208**	**1 238 623**	**782 341**	**2 020 964**
Liabilities						
Derivative financial instruments	3 100	1 442	4 542	3 100	1 442	4 542
Repurchase agreements	–	101 645	101 645	–	101 645	101 645
Customer accounts (deposits)	1 196 300	5 881	1 202 181	1 196 300	5 881	1 202 181
Debt securities in issue	–	249 879	249 879	–	249 879	249 879
Amount due to group companies	11 887	–	11 887	12 318	–	12 318
Current taxation liabilities	950	–	950	950	–	950
Other liabilities	61 109	–	61 109	60 999	–	60 999
Total	**1 273 346**	**358 847**	**1 632 193**	**1 273 667**	**358 847**	**1 632 514**
Net	**(35 064)**	**423 079**	**388 015**	**(35 044)**	**423 494**	**388 450**
2016						
Assets						
Cash and balances at central bank	4 889	5 058	9 947	4 889	5 058	9 947
Due from banks	682 160	–	682 160	682 160	–	682 160
Bank debt securities	–	112 357	112 357	–	112 357	112 357
Other debt securities	–	95 699	95 699	–	95 699	95 699
Derivative financial instruments	25 045	244	25 289	25 045	244	25 289
Investment portfolio	–	17 045	17 045	–	17 045	17 045
Loans and advances to customers	299 199	591 899	891 098	299 199	591 899	891 098
Interests in associated undertakings	–	3 720	3 720	–	3 720	3 720
Deferred taxation assets	–	116	116	–	116	116
Other assets	2 476	–	2 476	2 476	–	2 476
Equipment	–	337	337	–	337	337
Amount due from group companies	3 536	–	3 536	3 958	–	3 958
Investment in subsidiary	–	–	–	–	17	17
Total	**1 017 305**	**826 475**	**1 843 780**	**1 017 727**	**826 492**	**1 844 219**

35. Maturity analysis of assets and liabilities *(continued)*

	Group			Bank		
At 31 March US$'000	**Less than 12 months**	**Over 12 months**	**Total**	**Less than 12 months**	**Over 12 months**	**Total**
2016 *(continued)*						
Liabilities						
Derivative financial instruments	4 080	2 530	6 610	4 080	2 530	6 610
Repurchase agreements	–	108 260	108 260	–	108 260	108 260
Customer accounts (deposits)	1 055 184	22 723	1 077 907	1 055 184	22 723	1 077 907
Debt securities in issue	–	253 547	253 547	–	253 547	253 547
Amount due to group companies	9 684	–	9 684	9 684	–	9 684
Current taxation liabilities	334	–	334	334	–	334
Other liabilities	27 555	–	27 555	27 555	–	27 555
Total	**1 096 837**	**387 060**	**1 483 897**	**1 096 837**	**387 060**	**1 483 897**
Net	**(79 532)**	**439 415**	**359 883**	**(79 110)**	**439 432**	**360 322**
2015						
Assets						
Cash and balances with central bank	7 544	1 793	9 337	7 544	1 793	9 337
Due from banks	382 237	–	382 237	382 237	–	382 237
Reverse repurchase agreement	13 987	–	13 987	13 987	–	13 987
Sovereign debt securities	1 642	–	1 642	1 642	–	1 642
Bank debt securities	–	111 576	111 576	–	111 576	111 576
Other debt securities	–	82 897	82 897	–	82 897	82 897
Derivative financial instruments	18 568	10 542	29 110	18 568	10 542	29 110
Investment portfolio	–	20 586	20 586	–	20 586	20 586
Loans and advances to customers	300 445	625 468	925 913	300 445	625 468	925 913
Investment in associate	–	4 915	4 915	–	4 915	4 915
Deferred tax assets	–	310	310	–	310	310
Other assets	3 284	–	3 284	3 284	–	3 284
Equipment	–	409	409	–	409	409
Amount due from group companies	3 693	–	3 693	3 693	–	3 693
Total	**731 400**	**858 496**	**1 589 896**	**731 400**	**858 496**	**1 589 896**
Liabilities						
Derivative financial instruments	144	894	1 038	144	894	1 038
Repurchase agreements	–	110 025	110 025	–	110 025	110 025
Customer accounts (deposits)	743 895	33 311	777 206	743 895	33 311	777 206
Debt securities in issue	–	249 512	249 512	–	249 512	249 512
Amount due to group companies	52 641	–	52 641	52 641	–	52 641
Current tax liabilities	1 582	–	1 582	1 582	–	1 582
Other liabilities	13 347	–	13 347	13 347	–	13 347
Total	**811 609**	**393 742**	**1 205 351**	**811 609**	**393 742**	**1 205 351**
Net	**(80 209)**	**464 754**	**384 545**	**(80 209)**	**464 754**	**384 545**

36. Commitments

To meet the financial needs of customers, the bank enters into various irrevocable commitments. 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 commitments:

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Undrawn facilities	156 986	108 057	156 986	108 057	114 315
	156 986	**108 057**	**156 986**	**108 057**	**114 315**

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.

Operating lease commitments

The bank has entered into operating leases for 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	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Not later than one year	399	405	396	405	390
Later than one year and not later than five years	1 299	1 517	1 285	1 517	1 922
	1 698	**1 922**	**1 681**	**1 922**	**2 312**

37. Contingent liabilities

At 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Guarantees and assets pledged as collateral security:					
– Guarantees and irrevocable letters of credit	5 384	17 138	5 384	17 138	16 447
	5 384	**17 138**	**5 384**	**17 138**	**16 447**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec Bank (Mauritius) Limited on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Guarantees

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

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The group and the bank have 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 were no legal claims against the group and the bank.

38. Related party disclosures

For the year to 31 March US$'000	Group 2017	Group 2016	Bank 2017	Bank 2016	Group and Bank 2015
Compensation of key management personnel					
Short-term employee benefits	2 393	1 955	2 393	1 955	1 813
Other benefits	854	699	854	699	625
Transactions with key management personnel					
Loans and advances to key management personnel	3 585	1 667	3 585	1 667	345
Deposits from key management personnel	2 668	2 278	2 668	2 278	2 372

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

For the year to 31 March US$'000	Holding bank	Associate	Subsidiaries and fellow subsidiaries	Significant influence*	Pension Fund	Corporate Social Responsibility Fund	Total
Group							
2017							
Income statement							
Interest income	952	345	1 103	2 434	–	–	4 834
Interest expense	(6 544)	–	(11)	–	–	–	(6 555)
Fees income	109	–	–	–	–	–	109
Fees expense	(380)	–	(543)	–	–	–	(923)
Contribution	–	–	–	–	(172)	(24)	(196)
Statement of financial position							
Assets							
Due from banks	15 766	–	–	–	–	–	15 766
Derivative assets	2 970	–	4 731	–	–	–	7 701
Investment portfolio	–	–	–	14 450	–	–	14 450
Interest in associated undertakings	–	4 160	–	–	–	–	4 160
Amount due from group companies	–	–	3 698	–	–	–	3 698
Loans and advances	–	–	–	41 840	–	–	41 840
Other assets	–	463	–	–	–	–	463
Liabilities							
Derivative liabilities	(4 505)	–	(37)	–	–	–	(4 542)
Amount due to group companies	(1 986)	–	(9 901)	–	–	–	(11 887)
Deposits	–	(2 618)	–	(3 713)	–	–	(6 331)
Debt securities in issue	(249 877)	–	–	–	–	–	(249 877)
Off balance sheet							
Guarantees received from	6 774	–	–	–	–	–	6 774

* *This refers to significant influence as defined by the BOM guidelines, but not as defined by IFRS.*

38. Related party disclosures *(continued)*

For the year to 31 March US$'000	Holding bank	Associate	Subsidiaries and fellow subsidiaries	Significant influence*	Pension Fund	Corporate Social Responsibility Fund	Total
Group *(continued)*							
2016							
Income statement							
Interest income	1 339	189	676	4 495	–	–	6 699
Interest expense	(6 664)	–	(5)	–	–	–	(6 669)
Fees expense	(378)	–	(909)	–	–	–	(1 287)
Contribution	–	–	–	–	(215)	(2)	(217)
Statement of financial position							
Assets							
Due from banks	334 740	–	–	–	–	–	334 740
Derivative assets	9 574	–	243	–	–	–	9 817
Investment portfolio	–	–	–	17 012	–	–	17 012
Interest in associated undertakings	–	3 720	–	–	–	–	3 720
Amount due from group companies	–	–	3 536	–	–	–	3 536
Loans and advances	–	7 394	–	46 904	–	–	54 298
Liabilities							
Derivative liabilities	(5 976)	–	(611)	–	–	–	(6 587)
Amount due to group companies	–	–	(9 684)	–	–	–	(9 684)
Deposits	–	(1 692)	–	(4 635)	–	–	(6 327)
Debt securities in issue	(253 547)	–	–	–	–	–	(253 547)
Off Balance sheet							
Guarantees received from	(59 705)	–	–	–	–	–	(59 705)

* *This refers to significant influence as defined by the BOM guidelines, but not as defined by IFRS.*

38. Related party disclosures *(continued)*

For the year to 31 March US$'000	Holding bank	Subsi-diary	Associate	Subsidiaries and fellow subsidiaries	Significant influence*	Pension Fund	Corporate Social Responsibility Fund	Total
Bank								
2017								
Income statement								
Interest income	952	22	345	1 103	2 434	–	–	4 856
Interest expense	(6 544)	–	–	(11)	–	–	–	(6 555)
Fees income	109	–	–	–	–	–	–	109
Fees expense	(380)	–	–	(543)	–	–	–	(923)
Contribution	–	–	–	–	–	(165)	(24)	(189)
Statement of financial position								
Assets								
Due from banks	15 766	–	–	–	–	–	–	15 766
Derivative assets	2 970	–	–	4 731	–	–	–	7 701
Investment portfolio	–	–	–	–	14 450	–	–	14 450
Interest in associated undertakings	–	–	4 160	–	–	–	–	4 160
Investment in subsidiary	–	467	–	–	–	–	–	467
Amount due from group companies	–	348	–	3 688	–	–	–	4 036
Loans and advances	–	–	6 126	–	41 840	–	–	47 966
Other assets	–	–	463	–	–	–	–	463
Liabilities								
Derivative liabilities	(4 505)	–	–	(37)	–	–	–	(4 542)
Amount due to group companies	(1 985)	–	–	(10 333)	–	–	–	(12 318)
Deposits	–	–	(2 618)	–	(3 713)	–	–	(6 331)
Debt securities in issue	(249 877)	–	–	–	–	–	–	(249 877)
Off balance sheet								
Guarantees received from	6 774	–	–	–	–	–	–	6 774

* *This refers to significant influence as defined by the BOM guidelines, but not as defined by IFRS.*

38. Related party disclosures *(continued)*

For the year to 31 March US$'000	Holding bank	Sub-sidiary	Asso-ciate	Sub-sidiaries and fellow sub-sidiaries	Sig-nificant influence*	Pension Fund	Corporate Social Responsi-bility Fund	Total
Bank *(continued)*								
2016								
Income statement								
Interest income	1 339	3	189	676	4 495	–	–	6 702
Interest expense	(6 664)	–	–	(5)	–	–	–	(6 669)
Fees expense	(378)	–	–	(909)	–	–	–	(1 287)
Contribution	–	–	–	–	–	(215)	(2)	(217)
Statement of financial position								
Assets								
Due from banks	334 740	–	–	–	–	–	–	334 740
Derivative assets	9 574	–	–	243	–	–	–	9 817
Investment portfolio	–	–	–	–	17 012	–	–	17 012
Interest in associated undertakings	–	–	3 720	–		–	–	3 720
Investment in subsidiary	–	17	–	–	–	–	–	17
Amount due from group companies	–	–	–	3 958	–	–	–	3 958
Loans and advances	–	–	7 394	–	46 904	–	–	54 298
Liabilities								
Derivative liabilities	(5 976)	–	–	(611)	–	–	–	(6 587)
Amount due to group companies	–	–	–	(9 684)	–	–	–	(9 684)
Deposits	–	–	(1 692)	–	(4 635)	–	–	(6 327)
Debt securities in issue	(253 547)	–	–	–	–	–	–	(253 547)
Off Balance sheet								
Guarantees received from	(59 705)	–	–	–	–	–	–	(59 705)

* *This refers to significant influence as defined by the BOM guidelines, but not as defined by IFRS.*

38. Related party disclosures *(continued)*

For the year to 31 March US$'000	Holding bank	Associate	Subsidiaries and fellow subsidiaries	Significant influence*	Pension Fund	Corporate Social Responsibility Fund	Total
Group and Bank							
2015							
Income statement							
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							
Due from bank	125 634	–	–	–	–	–	125 634
Derivative assets	11 856	–	15	–	–	–	11 871
Other debt securities	–	–	–	2 979	–	–	2 979
Investment portfolio	–	–	–	20 553	–	–	20 553
Investment in associate	–	4 915	–	–	–	–	4 915
Amount due from group companies	–	–	3 693	–	–	–	3 693
Loans and advances	–	7 259	–	44 602	–	–	51 861
Liabilities							
Derivative liabilities	(1 010)	–	(28)	–	–	–	(1 038)
Amount due to 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)

* *This refers to significant influence as defined by the BOM guidelines, but not as defined by IFRS.*

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. Outstanding balances at year end are unsecured except for loans and advances where security is given. For the year ended 31 March 2017, the bank has not made any impairment loss relating to amounts owed by related parties (2016 and 2015: Nil).

Refer to pages 58 to 59 in the directors' remuneration report for other transactions relating to directors.

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

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

At 31 March 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	Greater than five years	Total
Group								
2017								
Liabilities								
Derivative financial instruments	–	3 072	27	1	–	1 372	70	4 542
Repurchase agreements	–	76	214	290	580	103 599	–	104 759
Customer accounts (deposits)	905 849	95 579	104 462	20 851	70 812	6 065	–	1 203 618
Debt securities in issue	–	283	1 384	1 933	3 065	270 090	–	276 755
Amount due to group companies	11 887	–	–	–	–	–	–	11 887
Other liabilities	55 806	419	388	121	237	303	–	57 274
Total on balance sheet liabilities	**973 542**	**99 429**	**106 475**	**23 196**	**74 694**	**381 429**	**70**	**1 658 835**
2016								
Liabilities								
Derivative financial instruments	–	4 080	–	–	–	1 330	1 200	6 610
Repurchase agreements	–	4	186	249	497	109 350	–	110 286
Customer accounts (deposits)	903 388	28 379	81 635	9 820	32 550	23 512	–	1 079 284
Debt securities in issue	–	288	1 373	1 839	3 398	27 038	256 082	290 018
Amount due to group companies	9 684	–	–	–	–	–	–	9 684
Other liabilities	23 702	15	30	51	56	148	–	24 002
Total on balance sheet liabilities	**936 774**	**32 766**	**83 224**	**11 959**	**36 501**	**161 378**	**257 282**	**1 519 884**
Bank								
2017								
Liabilities								
Derivative financial instruments	–	3 072	27	1	–	1 372	70	4 542
Repurchase agreements	–	76	214	290	580	103 599	–	104 759
Customer accounts (deposits)	905 849	95 579	104 462	20 851	70 812	6 065	–	1 203 618
Debt securities in issue	–	283	1 384	1 933	3 065	270 090	–	276 755
Amount due to group companies	12 318	–	–	–	–	–	–	12 318
Other liabilities	55 806	313	490	121	237	303	–	57 270
Total on balance sheet liabilities	**973 973**	**99 323**	**106 577**	**23 196**	**74 694**	**381 429**	**70**	**1 659 262**
2016								
Liabilities								
Derivative financial instruments	–	4 080	–	–	–	1 330	1 200	6 610
Repurchase agreements	–	4	186	249	497	109 350	–	110 286
Customer accounts (deposits)	903 388	28 379	81 635	9 820	32 550	23 512	–	1 079 284
Debt securities in issue	–	288	1 373	1 839	3 398	27 038	256 082	290 018
Amount due to group companies	9 684	–	–	–	–	–	–	9 684
Other liabilities	23 702	15	30	51	56	148	–	24 002
Total on balance sheet liabilities	**936 774**	**32 766**	**83 224**	**11 959**	**36 501**	**161 378**	**257 282**	**1 519 884**

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

(continued)

At 31 March 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	Greater than five years	Total
Group and Bank								
2015								
Liabilities								
Derivative financial instruments	–	24	114	–	6	877	17	1 038
Repurchase agreements	–	69	138	207	413	112 471	–	113 298
Customer accounts (deposits)	630 185	47 574	38 340	23 289	4 800	34 713	–	778 901
Debt securities in issue	–	178	1 225	1 571	3 183	25 431	258 586	290 174
Amount due to group companies	9 986	1 241	–	35 185	6 359	–	–	52 771
Other liabilities	10 328	59	114	177	239	176	–	11 093
Total on balance sheet liabilities	**650 499**	**49 145**	**39 931**	**60 429**	**15 000**	**173 668**	**258 603**	**1 247 275**

40. Segmental business units

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 expense and certain asset and liability information regarding the bank's operating segments.

For the year ended 31 March US$'000	Private Clients	Corporate Clients	Investment Strategies	Interdivisional adjustment	Total
Group					
2017					
Interest income	18 882	61 958	5 492	(28 600)	57 732
Interest expense	(8 405)	(32 534)	(2 194)	28 600	(14 533)
Net interest income	**10 477**	**29 424**	**3 298**	**–**	**43 199**
Fee and commission income	972	6 843	376	–	8 191
Fee and commission expense	(166)	(1 236)	(377)	–	(1 781)
Net fee and commission income/(expense)	**806**	**5 608**	**(1)**	**–**	**6 410**
Investment income	–	18	(5 169)	–	(5 151)
Net trading loss	(35)	(105)	(515)	–	(654)
Total operating income	**11 24**	**34 944**	**(2 388)**	**–**	**43 804**
Impairment (losses)/ reversals on loans and advances	(39)	(3 572)	76	–	(3 535)
Net operating income	**11 208**	**31 373**	**(2 312)**	**–**	**40 269**
Operating costs	(3 341)	(9 351)	(205)	–	(12 897)
Profit before share of result in associate	**7 867**	**22 022**	**(2 517)**	**–**	**27 372**
Cost to income ratio	**29.7%**	**26.8%**	**(8.1%)**	**–**	**29.4%**
Total assets	**386 966**	**2 947 042**	**426 406**	**(1 740 206)**	**2 020 208**
Total liabilities	**(374 625)**	**(2 927 789)**	**(69 985)**	**1 740 206**	**(1 632 193)**
2016					
Interest income	20 179	64 061	6 991	(30 535)	60 696
Interest expense	(10 218)	(28 751)	(2 946)	30 535	(11 381)
Net interest income	**9 961**	**35 310**	**4 045**	**–**	**49 315**
Fee and commission income	1 667	6 101	2	–	7 770
Fee and commission expense	(133)	(1 544)	–	–	(1 677)
Net fee and commission income/(expense)	**1 534**	**4 557**	**2**	**–**	**6 093**
Investment income	–	90	1 968	–	2 058
Net trading loss	(44)	(4 940)	(635)	–	(5 619)
Total operating income	**11 451**	**35 017**	**5 381**	**–**	**51 847**
Impairment (losses)/ reversals on loans and advances	(83)	3 199	(2 113)	–	1 003
Net operating income	**11 368**	**38 216**	**3 268**	**–**	**52 850**
Operating costs	(2 655)	(8 155)	(712)	–	(11 522)
Profit before income tax	**9 521**	**29 253**	**2 556**	**–**	**41 328**
Cost to income ratio	**23.2%**	**23.3%**	**13.2%**	**–**	**22.2%**
Total assets	**460 087**	**2 579 906**	**410 492**	**(1 606 705)**	**1 843 780**
Total liabilities	**(448 526)**	**(2 555 594)**	**(86 482)**	**1 606 705**	**(1 483 897)**

40. Segmental business units *(continued)*

For the year ended 31 March US$'000	Private Clients	Corporate Clients	Investment Strategies	Interdivisional adjustment	Total
Bank					
2017					
Interest income	18 882	61 979	5 492	(28 600)	57 753
Interest expense	(8 405)	(32 534)	(2 194)	28 600	(14 533)
Net interest income	**10 477**	**29 445**	**3 298**	**–**	**43 221**
Fee and commission income	972	6 637	–	–	7 609
Fee and commission expense	(166)	(1 612)	(2)	–	(1 781)
Net fee and commission income/(expense)	**806**	**5 024**	**(2)**	**–**	**5 828**
Investment income	–	18	(5 169)	–	(5 151)
Net trading loss	(35)	(102)	(515)	–	(651)
Total operating income	**11 248**	**34 386**	**(2 388)**	**–**	**43 246**
Impairment (losses)/reversals on loans and advances	(39)	(3 572)	76	–	(3 535)
Net operating income	**11 208**	**30 815**	**(2 312)**	**–**	**39 711**
Operating costs	(3 223)	(8 862)	(205)	–	(12 291)
Profit before income tax	**7 985**	**21 953**	**(2 517)**	**–**	**27 420**
Cost to income ratio	**28.7%**	**25.8%**	**–8.1%**	**–**	**28.4%**
Total assets	**386 966**	**2 947 798**	**426 406**	**(1 740 206)**	**2 020 964**
Total liabilities	**(374 625)**	**(2 928 110)**	**(69 985)**	**1 740 206**	**(1 632 514)**
2016					
Interest income	20 179	64 064	6 991	(30 535)	60 699
Interest expense	(10 218)	(28 751)	(2 946)	30 535	(11 381)
Net interest income	**9 961**	**35 312**	**4 045**	**–**	**49 318**
Fee and commission income	1 667	6 101	2	–	7 770
Fee and commission expense	(133)	(1 544)	–	–	(1 677)
Net fee and commission income/(expense)	**1 534**	**4 559**	**–**	**–**	**6 094**
Investment income	–	90	1 968	–	2 058
Net trading loss	(44)	(4 940)	(635)	–	(5 619)
Total operating income	**11 451**	**35 021**	**5 379**	**–**	**51 850**
Impairment (losses)/reversals on loans and advances	(83)	3 199	(2 113)	–	1 003
Net operating income	**11 368**	**38 220**	**3 266**	**–**	**52 853**
Operating costs	(2 554)	(7 847)	(685)	–	(11 086)
Profit before income tax	**8 814**	**30 373**	**2 851**	**–**	**41 767**
Cost to income ratio	**22.3%**	**22.4%**	**12.7%**	**–**	**21.4%**
Total assets	**460 087**	**2 580 345**	**410 492**	**(1 606 705)**	**1 844 219**
Total liabilities	**(448 526)**	**(2 555 594)**	**(86 482)**	**1 606 705**	**(1 483 897)**
Group and Bank					
2015					
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	1 243	9 482	106	–	10 831
Fee and commission expense	(158)	(2 822)	(56)	–	(3 036)
Net fee and commission income/(expense)	**1 085**	**6 660**	**50**	**–**	**7 795**
Investment (loss)/income	–	498	11 975	–	12 473
Net trading (loss)/income	(99)	(9 772)	(685)	–	(10 556)
Total operating income	**10 280**	**34 254**	**21 606**	**–**	**66 140**
Impairment (losses)/reversals on loans and advances	(310)	2 453	216	–	2 359
Net operating income	**9 970**	**36 707**	**21 822**	**–**	**68 499**
Operating costs	(1 650)	(6 044)	(3 718)	–	(11 412)
Profit before income tax	**8 320**	**30 663**	**18 104**	**–**	**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)**

41. Statutory segmental reporting

For the year to 31 March US$'000	Notes	Segment A 2017	 2016	 2015
Income statement				
Group				
Interest income	I	2 259	1 486	1 529
Interest expense	I	(479)	(382)	(1 527)
Net interest income		**1 780**	**1 104**	**2**
Fee and commission income	II	1 382	679	1 368
Fee and commission expense	II	–	–	–
Net fee and commission income		**1 382**	**679**	**1 368**
Investment income/(loss)	III	–	360	(17)
Net trading loss	IV	(3)	–	–
Total operating income before impairment losses on loans and advances		**3 159**	**2 143**	**1 353**
Impairment (loss)/reversal on loans and advances		(370)	(139)	26
Operating income		**2 789**	**2 004**	**1 379**
Operating costs	V	(1 296)	(857)	(230)
Operating profit		**1 493**	**1 147**	**1 149**
Share of profit/(loss) in associate		448	(784)	–
Profit before taxation		**1 941**	**363**	**1 149**
Taxation		(291)	(54)	(172)
Profit after taxation		**1 650**	**309**	**977**

Segment B			Total		
2017	2016	2015	2017	2016	2015
55 473	59 210	67 839	57 732	60 696	69 368
(14 054)	(10 999)	(11 413)	(14 533)	(11 381)	(12 940)
41 419	**48 211**	**56 426**	**43 199**	**49 315**	**56 428**
6 809	7 091	9 463	8 191	7 770	10 831
(1 781)	(1 677)	(3 036)	(1 781)	(1 677)	(3 036)
5 028	**5 414**	**6 427**	**6 410**	**6 093**	**7 795**
(5 151)	1 698	12 490	(5 151)	2 058	12 473
(651)	(5 619)	(10 556)	(654)	(5 619)	(10 556)
40 645	**49 704**	**64 787**	**43 804**	**51 847**	**66 140**
(3 165)	1 142	2 333	(3 535)	1 003	2 359
37 980	**50 846**	**67 120**	**40 269**	**52 850**	**68 499**
(11 601)	(10 665)	(11 182)	(12 897)	(11 522)	(11 412)
25 879	**40 181**	**55 938**	**27 372**	**41 328**	**57 087**
–	–	–	448	(784)	–
25 879	**40 181**	**55 938**	**27 820**	**40 544**	**57 087**
(1 592)	(2 511)	(2 458)	(1 883)	(2 565)	(2 630)
24 287	**37 670**	**53 480**	**25 937**	**37 979**	**54 457**

Notes to the financial statements

(continued)

41. Statutory segmental reporting *(continued)*

As at 31 March US$'000	Notes	Segment A 2017	2016	2015
Group				
Balance sheet				
Cash and balances with central bank		13 715	9 947	9 337
Due from banks		90 205	20 157	45 583
Reverse repurchase agreements		–	–	–
Sovereign debt securities	VI	–	–	1 642
Bank debt securities	VII	–	–	–
Other debt securities	VIII	–	–	–
Derivative financial instruments		–	–	–
Investment portfolio	IX	–	–	–
Loans and advances to customers	XI	54 536	32 953	34 551
Investment in associated undertakings		4 160	3 720	4 915
Deferred taxation assets		357	116	310
Other assets	XII	2 291	379	161
Equipment		294	337	409
Amount due from group companies	X	6	–	–
Investment in subsidiary		–	–	–
		165 564	**67 609**	**96 908**
Liabilities and equity				
Deposits by banks		–	–	–
Derivative financial instruments		–	–	–
Repurchase agreements		–	–	–
Customer accounts (deposits)	XIII	47 734	79 920	31 953
Debt securities in issue		–	–	–
Amount due to group companies	X	–	–	–
Current taxation liabilities		950	334	1 582
Other liabilities	XVI	3 543	2 851	2 335
		52 227	**83 105**	**35 870**
Equity				
Ordinary share capital				
Other reserves				
Retained income				
Total equity				
Total liabilities and equity				

Segment B			Total		
2017	2016	2015	2017	2016	2015
–	–	–	13 715	9 947	9 337
722 171	662 003	336 654	812 376	682 160	382 237
–	–	13 987	–	–	13 987
22 214	–	–	22 214	–	1 642
108 399	112 357	111 576	108 399	112 357	111 576
100 202	95 699	82 897	100 202	95 699	82 897
21 804	25 289	29 110	21 804	25 289	29 110
14 473	17 045	20 586	14 473	17 045	20 586
859 459	858 145	891 362	913 995	891 098	925 913
–	–	–	4 160	3 720	4 915
–	–	–	357	116	310
2 230	2 097	3 123	4 521	2 476	3 284
–	–	–	294	337	409
3 692	3 536	3 693	3 698	3 536	3 693
–	–	–	–	–	–
1 854 644	**1 776 171**	**1 492 988**	**2 020 208**	**1 843 780**	**1 589 896**
–	–	–	–	–	–
4 542	6 610	1 038	4 542	6 610	1 038
101 645	108 260	110 025	101 645	108 260	110 025
1 154 447	997 987	745 253	1 202 181	1 077 907	777 206
249 879	253 547	249 512	249 879	253 547	249 512
11 887	9 684	52 641	11 887	9 684	52 641
–	–	–	950	334	1 582
57 566	24 704	11 012	61 109	27 555	13 347
1 579 966	**1 400 792**	**1 169 481**	**1 632 193**	**1 483 897**	**1 205 351**
			56 478	56 478	56 478
			66 277	59 987	61 400
			265 260	243 418	266 667
			388 015	**359 883**	**384 545**
			2 020 208	**1 843 780**	**1 589 896**

41. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Notes	Segment A 2017	2016	2015
Bank				
Income statement				
Interest income	I	2 280	1 486	1 529
Interest expense	I	(479)	(382)	(1 527)
Net interest income		**1 801**	**1 104**	**2**
Fee and commission income	II	800	679	1 368
Fee and commission expense	II	–	–	–
Net fee and commission income		**800**	**679**	**1 368**
Investment income/(loss)	III	–	360	(17)
Net trading loss	VI	–	–	–
Total operating income before impairment losses on loans and advances		**2 601**	**2 146**	**1 353**
Impairment (loss)/reversal on loans and advances		(370)	(139)	26
Operating income		**2 231**	**2 007**	**1 379**
Operating costs		(690)	(421)	(230)
Operating profit		**1 541**	**1 586**	**1 149**
Share of profit/(loss) in associate		448	(784)	–
Profit before taxation		**1 989**	**802**	**1 149**
Taxation		(298)	(120)	(172)
Profit after taxation		**1 691**	**682**	**977**

Segment B			Total		
2017	2016	2015	2017	2016	2015
55 473	59 210	67 839	57 753	60 699	69 368
(14 054)	(10 999)	(11 413)	(14 533)	(11 381)	(12 940)
41 419	**48 211**	**56 426**	**43 220**	**49 318**	**56 428**
6 809	7 091	9 463	7 609	7 770	10 831
(1 781)	(1 677)	(3 036)	(1 781)	(1 677)	(3 036)
5 028	**5 414**	**6 427**	**5 828**	**6 093**	**7 795**
(5 151)	1 698	12 490	(5 151)	2 058	12 473
(651)	(5 619)	(10 556)	(651)	(5 619)	(10 556)
40 645	**49 704**	**64 787**	**43 246**	**51 850**	**66 140**
(3 165)	1 142	2 333	(3 535)	1 003	2 359
37 480	**50 846**	**67 120**	**39 711**	**52 853**	**68 499**
(11 601)	(10 665)	(11 182)	(12 291)	(11 086)	(11 412)
25 879	**40 181**	**55 938**	**27 420**	**41 767**	**57 087**
–	–	–	448	(784)	–
25 879	**40 181**	**55 938**	**27 868**	**40 983**	**57 087**
(1 637)	(2 445)	(2 458)	(1 935)	(2 565)	(2 630)
24 242	**37 736**	**53 480**	**25 933**	**38 418**	**54 457**

41. Statutory segmental reporting *(continued)*

As at 31 March US$'000	Notes	Segment A 2017	 2016	 2015
Bank				
Balance sheet				
Cash and balances with central bank		13 715	9 947	9 337
Due from banks		90 205	20 157	45 583
Reverse repurchase agreements		–	–	–
Sovereign debt securities	VI	–	–	1 642
Bank debt securities	VII	–	–	–
Other debt securities	VIII	–	–	–
Derivative financial instruments		–	–	–
Investment portfolio	IX	–	–	–
Loans and advances to customers	XI	54 536	32 953	34 551
Investment in associated undertaking		4 160	3 720	4 915
Deferred taxation assets		305	116	310
Other assets	XII	2 290	379	161
Equipment		294	337	409
Amount due from group companies	X	348	437	–
Investment in subsidiary		467	17	–
		166 320	**68 063**	**96 908**
Liabilities and equity				
Derivative financial instruments		–	–	–
Repurchase agreements		–	–	–
Customer accounts (deposits)	XIII	47 734	79 920	31 953
Debt securities in issue		–	–	–
Amount due to group companies	X	431	17	–
Current taxation liabilities		950	334	1 582
Other liabilities	XVI	3 433	2 851	2 335
		52 548	**83 122**	**35 870**
Equity				
Ordinary share capital				
Other reserves				
Retained income				
Total equity				
Total liabilities and equity				

Segment B			Total		
2017	2016	2015	2017	2016	2015
–	–	–	13 715	9 947	9 337
722 171	662 003	336 654	812 376	682 160	382 237
–	–	13 987	–	–	13 987
22 214	–	–	22 214	–	1 642
108 399	112 357	111 576	108 399	112 357	111 576
100 202	95 699	82 897	100 202	95 699	82 897
21 804	25 289	29 110	21 804	25 289	29 110
14 473	17 045	20 586	14 473	17 045	20 586
859 459	858 145	891 362	913 995	891 098	925 913
–	–	–	4 160	3 720	4 915
–	–	–	305	116	310
2 230	2 097	3 123	4 520	2 476	3 284
–	–	–	294	337	409
3 692	3 521	3 693	4 040	3 958	3 693
–	–	–	467	17	–
1 854 644	**1 776 156**	**1 492 988**	**2 020 964**	**1 844 219**	**1 589 896**
4 542	6 610	1 038	4 542	6 610	1 038
101 645	108 260	110 025	101 645	108 260	110 025
1 154 447	997 987	745 253	1 202 181	1 077 907	777 206
249 879	253 547	249 512	249 879	253 547	249 512
11 887	9 667	52 641	12 318	9 684	52 641
–	–	–	950	334	1 582
57 566	24 704	11 012	60 999	27 555	13 347
1 579 966	**1 400 775**	**1 169 481**	**1 632 514**	**1 483 897**	**1 205 351**
			56 478	56 478	56 478
			66 277	59 987	61 400
			265 695	243 857	266 667
			388 450	**360 322**	**384 545**
			2 020 964	**1 844 219**	**1 589 896**

41. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Segment A 2017	 2016	 2015
I. Net interest income			
Group			
Cash, near cash and bank debt and sovereign debt securities	214	29	184
Core loans and advances	2 045	1 457	1 345
Other debt securities	–	–	–
Total interest income	**2 259**	**1 486**	**1 529**
Deposits by banks and other debt-related securities	–	–	–
Customer accounts	479	382	1 527
Other debt securities	–	–	–
Total interest expense	**479**	**382**	**1 527**
Net interest income	**1 780**	**1 104**	**2**
Bank			
Cash, near cash and bank debt and sovereign debt securities	235	29	184
Core loans and advances	2 045	1 457	1 345
Other debt securities	–	–	–
Total interest income	**2 280**	**1 486**	**1 529**
Deposits by banks and other debt-related securities	–	–	–
Customer accounts	479	382	1 527
Other debt securities	–	–	–
Total interest expense	**479**	**382**	**1 527**
Net interest income	**1 801**	**1 104**	**2**
II. Net fee and commission income			
Group			
Credit-related fees and commissions	504	456	1 121
Foreign exchange dealings	163	90	121
Client transactions and maintenance fees	133	133	126
Wealth management fees	582	–	–
Other fees received	–	–	–
Total fee and commission income	**1 382**	**679**	**1 368**
Credit related fees and commissions	–	–	–
Other fees paid	–	–	–
Total fee and commission expense	**–**	**–**	**–**
Net fee and commission income	**1 382**	**679**	**1 368**

Segment B			Total		
2017	2016	2015	2017	2016	2015
9 945	7 813	5 646	10 159	7 842	5 830
42 003	47 097	56 035	44 048	48 554	57 380
3 525	4 300	6 158	3 525	4 300	6 158
55 473	**59 210**	**67 839**	**57 732**	**60 696**	**69 368**
7 629	7 138	8 262	7 629	7 138	8 262
6 413	3 452	2 563	6 892	3 834	4 090
12	409	588	12	409	588
14 054	**10 999**	**11 413**	**14 533**	**11 381**	**12 940**
41 419	**48 211**	**56 426**	**43 199**	**49 315**	**56 428**
9 945	7 813	5 646	10 180	7 845	5 830
42 002	47 097	56 035	44 048	48 554	57 380
3 525	4 300	6 158	3 525	4 300	6 158
55 473	**59 210**	**67 839**	**57 753**	**60 699**	**69 368**
7 629	7 138	8 262	7 629	7 138	8 262
6 413	3 452	2 563	6 892	3 834	4 090
12	409	588	12	409	588
14 054	**10 999**	**11 413**	**14 533**	**11 381**	**12 940**
41 419	**48 211**	**56 426**	**43 220**	**49 318**	**56 428**
3 535	4 247	6 084	4 039	4 703	7 205
1 443	1 319	1 622	1 606	1 409	1 743
1 831	1 526	1 404	1 964	1 658	1 530
–	–	–	582	–	–
–	–	353	–	–	353
6 809	**7 091**	**9 463**	**8 191**	**7 770**	**10 831**
1 752	1 677	3 034	1 752	1 677	3 034
29	–	2	29	–	2
1 781	**1 677**	**3 036**	**1 781**	**1 677**	**3 036**
5 028	**5 414**	**6 427**	**6 410**	**6 093**	**7 795**

41. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Segment A 2017	 2016	 2015
II. Net fee and commission income *(continued)*			
Bank			
Credit-related fees and commissions	504	456	1 121
Foreign exchange dealings	163	90	121
Client transactions and maintenance fees	133	133	126
Other fees received	–	–	–
Total fee and commission income	**800**	**679**	**1 368**
Credit related fees and commissions	–	–	–
Other fees paid	–	–	–
Total fee and commission expense	**–**	**–**	**–**
Net fee and commission income	**800**	**679**	**1 368**
III. Investment income/(loss)			
Group and Bank			
Investment portfolio (listed and unlisted equities)	–	–	–
– Realised	–	–	–
– Unrealised	–	–	–
Debt securities (sovereign, bank and other)			
– Realised	–	–	–
– Unrealised	–	–	–
Other asset categories			
– Realised	–	360	(17)
– Unrealised	–	–	–
Dividend income	–	–	–
	–	**360**	**(17)**
IV. Net trading loss			
Group			
Changes in fair value of derivative financial instruments	–	–	–
Net interest expense on derivative financial instruments	–	–	–
Net foreign exchange loss	(3)	–	–
	(3)	**–**	**–**
Bank			
Changes in fair value of derivative financial instruments	–	–	–
Net interest expense on derivative financial instruments	–	–	–
Net foreign exchange loss	–	–	–
	–	**–**	**–**
V. Operating costs			
Group			
Staff costs	903	314	117
Premises expenses (excluding depreciation)	34	21	11
Equipment expenses (excluding depreciation)	167	109	51
Business expenses	166	400	40
Marketing expenses	20	10	7
Depreciation, amortisation and impairment on property, equipment and intangibles	6	3	4
	1 296	**857**	**230**

Segment B			Total		
2017	2016	2015	2017	2016	2015
3 353	4 247	6 084	4 039	4 703	7 205
1 443	1 319	1 622	1 606	1 409	1 743
1 831	1 525	1 404	1 964	1 658	1 530
–	–	353	–	–	353
6 809	**7 091**	**9 463**	**7 609**	**7 770**	**10 831**
1 752	1 677	3 034	1 752	1 677	3 034
29	–	2	29	–	2
1 781	**1 677**	**3 036**	**1 781**	**1 677**	**3 036**
5 028	**5 414**	**6 427**	**5 828**	**6 093**	**7 795**
–	(1)	128	–	(1)	128
(5 177)	(1 664)	12 474	(5 177)	(1 664)	12 474
26	3 270	78	26	3 270	78
–	–	(741)	–	–	(741)
–	2	551	–	362	534
–	–	–	–	–	–
–	91	–	–	91	–
(5 151)	**1 698**	**12 490**	**(5 151)**	**2 058**	**12 473**
1 601	(380)	(1 889)	1 601	(380)	(1 889)
(1 699)	(5 016)	(7 996)	(1 699)	(5 016)	(7 996)
(553)	(223)	(671)	(556)	(223)	(671)
(651)	**(5 619)**	**(10 556)**	**(654)**	**(5 619)**	**(10 556)**
1 601	(380)	(1 889)	1 601	(380)	(1 889)
(1 699)	(5 016)	(7 996)	(1 699)	(5 016)	(7 996)
(553)	(223)	(671)	(553)	(223)	(671)
(651)	**(5 619)**	**(10 556)**	**(651)**	**(5 619)**	**(10 556)**
5 910	5 212	5 693	6 813	5 576	5 810
505	520	548	539	541	559
2 746	2 756	2 499	2 913	2 865	2 550
2 025	1 765	1 967	2 191	2 165	2 007
314	244	354	334	254	361
101	188	121	107	121	125
11 601	**10 665**	**11 182**	**12 897**	**11 522**	**11 412**

41. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Segment A 2017	 2016	 2015
V. Operating costs *(continued)*			
Bank			
Staff costs	352	208	117
Premises expenses (excluding depreciation)	30	21	11
Equipment expenses (excluding depreciation)	163	109	51
Business expenses	120	70	40
Marketing expenses	19	10	7
Depreciation, amortisation and impairment on property, equipment and intangibles	6	3	4
	690	**421**	**230**
VI. Sovereign debt securities			
Group and Bank			
Financial assets designated at fair value through profit or loss			
– Government-related debt securities	**–**	**–**	**1 642**
VII. Bank debt securities			
Group and Bank			
Financial assets designated at fair value through profit or loss			
– Bonds	**–**	**–**	**–**
VIII. Other debt securities			
Group and Bank			
Financial assets designated at fair value through profit or loss			
– Bonds	–	–	–
– Other investments	–	–	–
	–	**–**	**–**
IX. Investment portfolio			
Group and Bank			
Financial assets designated at fair value through profit or loss			
– Quoted equities	–	–	–
– Unquoted equities	–	–	–
	–	**–**	**–**
X. Amount due from/to group companies			
Remaining term to maturity			
(a) Amount due from group companies			
Group			
Within 3 months	6	–	–
	6	**–**	**–**
Bank			
Within 3 months	348	437	–
	348	**437**	**–**

Segment B			Total		
2017	2016	2015	2017	2016	2015
5 910	5 262	5 693	6 262	5 470	5 810
505	520	548	535	541	559
2 746	2 756	2 499	2 909	2 865	2 550
2 025	1 765	1 967	2 145	1 835	2 007
314	244	354	333	254	361
101	118	121	107	121	125
11 601	**10 665**	**11 182**	**12 291**	**11 086**	**11 412**
22 214	**–**	**–**	**22 214**	**–**	**1 642**
108 399	**112 357**	**111 576**	**108 399**	**112 357**	**111 576**
93 501	87 140	71 797	93 501	87 140	71 797
6 701	8 559	11 100	6 701	8 559	11 100
100 202	**95 699**	**82 897**	**100 202**	**95 699**	**82 897**
23	33	33	23	33	33
14 450	17 012	20 553	14 450	17 012	20 553
14 473	**17 045**	**20 586**	**14 473**	**17 045**	**20 586**
3 692	3 536	3 693	3 698	3 536	3 693
3 692	**3 536**	**3 693**	**3 698**	**3 536**	**3 693**
3 692	3 521	3 693	4 040	3 958	3 693
3 692	**3 521**	**3 693**	**4 040**	**3 958**	**3 693**

41. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Segment A 2017	 2016	 2015
X. Amount due from/to group companies *(continued)*			
Remaining term to maturity *(continued)*			
Group			
Within 3 months	–	–	–
Over 3 to 6 months	–	–	–
Over 6 to 12 months	–	–	–
Over 1 to 5 years	–	–	–
	–	**–**	**–**
Bank			
Within 3 months	431	17	–
Over 3 to 6 months	–	–	–
Over 6 to 12 months	–	–	–
Over 1 to 5 years	–	–	–
	431	**17**	**–**
XI. Loans and advances to customers			
Group and Bank			
(a) Remaining term to maturity			
Within 3 months	5 505	6 735	5 564
Over 3 to 6 months	4 418	130	–
Over 6 to 12 months	1 686	–	812
Over 1 to 5 years	40 025	23 514	7 518
Over 5 years	2 902	2 574	20 657
	54 536	**32 953**	**34 551**
(b) Allowance for credit impairment losses			
(i) Portfolio provision			
At 1 April	552	413	439
Provision for/(release of) credit losses for the year	370	139	(26)
At 31 March	**922**	**552**	**413**
(ii) Specific provision			
At 1 April	–	–	–
Written off out of allowance	–	–	–
Provision for credit losses for the year	–	–	–
Transfer	–	–	–
Differences due to foreign currency translation	–	–	–
At 31 March	**–**	**–**	**–**
(iii) Total provision			
At 1 April	552	413	439
Written off against balance sheet	–	–	–
Provision for/(release of) credit losses for the year	370	139	(26)
Transfer	–	–	–
Differences due to foreign currency translation	–	–	–
At 31 March	**922**	**552**	**413**

Segment B			Total		
2017	2016	2015	2017	2016	2015
11 887	9 684	11 225	11 887	9 684	11 225
–	–	35 091	–	–	35 091
–	–	6 325	–	–	6 325
–	–	–	–	–	–
11 887	**9 684**	**52 641**	**11 887**	**9 684**	**52 641**
11 887	9 667	11 225	12 318	9 684	11 225
–	–	35 091	–	–	35 091
–	–	6 325	–	–	6 325
–	–	–	–	–	–
11 887	**9 667**	**52 641**	**12 318**	**9 684**	**52 641**
47 019	14 532	159 744	52 524	21 267	165 308
90 267	130 129	51 666	94 685	130 259	51 666
197 078	147 672	82 659	198 764	147 672	83 471
403 219	410 007	465 350	443 244	433 521	472 868
121 876	155 805	131 943	124 778	158 379	152 600
859 459	**858 145**	**891 362**	**913 995**	**891 098**	**925 913**
6 138	6 240	7 850	6 690	6 653	8 289
82	(102)	(1 610)	452	37	(1 636)
6 220	**6 138**	**6 240**	**7 142**	**6 690**	**6 653**
–	–	78	–	–	78
–	–	(78)	–	–	(78)
584	–	–	584	–	–
77	–	–	77	–	–
(8)	–	–	(8)	–	–
653	**–**	**–**	**653**	**–**	**–**
6 138	6 240	7 928	6 690	6 653	8 367
–	–	(78)	–	–	(78)
666	(102)	(1 610)	1 036	37	(1 636)
77	–	–	77	–	–
(8)	–	–	(8)	–	–
6 873	**6 138**	**6 240**	**7 795**	**6 690**	**6 653**

41. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Gross amount of loans	Non–performing loans	Specific provision	Portfolio provision
XI. Loans and advances to customers *(continued)*				
Group and Bank				
(c) Allowance for credit losses by sector				
Agriculture	2 003	–	–	33
Manufacturing	14 861	–	–	115
Tourism	15 419	1 266	–	252
Transport	164 444	20 017	191	1 224
Construction	221 178	7 662	462	1 714
Information, Communication and Technology	14 412	–		112
Financial and business services	265 501	–	–	2 057
Traders	–	–	–	–
Personal	30 096		–	233
Professional	–	–	–	–
Global Business licence holders (GBL)	122 373	–	–	848
Media, entertainment and recreational activities	151	–	–	1
Infrastructure	40 005	–	–	310
Other entities	31 347	–	–	243
	921 790	**28 945**	**653**	**7 142**
Analyst by segments:				
Segment A				
Manufacturing	1 440	–	–	24
Tourism	14 162	–	–	235
Construction	13 164	3 965	–	219
Financial and business services	17 838	–	–	296
Personal	6 913	–	–	115
Other entities	1 941	–	–	33
	55 458	**3 965**	**–**	**922**
Segment B				
Agriculture	2 003	–	–	9
Manufacturing	13 421	–	–	115
Tourism	1 257	1 266	–	17
Transport	164 444	20 017	191	1 224
Construction	208 014	3 697	462	1 495
Information, Communication and Technology	14 412	–	–	112
Financial and business services	247 663	–	–	1 761
Personal	23 183	–	–	118
Global Business Licence holders (GBL)	122 373	–	–	848
Media, entertainment and recreational activities	151	–	–	1
Infrastructure	40 005	–	–	310
Other entities	29 406	–	–	210
	866 332	**24 980**	**653**	**6 220**
	921 790	**28 945**	**653**	**7 142**

Total provision		
2017	2016	2015
33	14	14
115	131	230
252	397	166
1 415	853	1 062
2 176	2 293	2 282
112	57	169
2 057	849	681
–	–	–
233	237	210
–	–	–
848	1 191	1 316
1	1	5
310	392	380
243	275	138
7 795	**6 690**	**6 653**
24	–	–
235	260	126
219	267	265
296	–	–
115	25	22
33	–	–
922	**552**	**413**
9	14	14
115	131	230
17	137	40
1 415	853	1 062
1 957	2 026	2 017
112	57	169
1 761	849	681
118	212	188
848	1 191	1 316
1	1	5
310	392	380
210	275	138
6 873	**6 138**	**6 240**
7 795	**6 690**	**6 653**

41. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Segment A 2017	 2016	 2015
XII. Other assets			
Group			
Settlement debtors	–	–	–
Prepayments and accruals	1 561	113	57
Other	730	266	104
	2 291	**379**	**161**
Bank			
Settlement debtors	–	–	–
Prepayments and accruals	1 561	113	57
Other	729	266	104
	2 290	**379**	**161**
XIII. Due to customers			
Group and Bank			
Demand	37 978	29 935	18 580
Term deposits with remaining term to maturity			
Within 3 months	2 685	45 682	6 225
Over 3 to 6 months	2 004	956	4 083
Over 6 to 12 months	2 516	1 869	646
Over 1 to 5 years	2 551	1 478	2 419
	47 734	**79 920**	**31 953**
XIV. Other liabilities			
Group			
Amounts payable and sundry creditors	**3 543**	**2 851**	**2 335**
Bank			
Amounts payable and sundry creditors	**3 433**	**2 851**	**2 335**
Guarantees	680	10 138	11 016
Commitments			
– Irrevocable unutilised facilities	4 111	3 723	5 701
	4 791	**13 861**	**16 717**

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

Segment B			Total		
2017	2016	2015	2017	2016	2015
15	13	81	15	13	81
172	92	15	1 733	205	72
2 043	1 992	3 027	2 772	2 258	3 131
2 230	**2 097**	**3 123**	**4 521**	**2 476**	**3 284**
15	13	81	15	13	81
172	92	15	1 733	205	72
2 043	1 992	3 027	2 772	2 258	3 131
2 230	**2 097**	**3 123**	**4 520**	**2 476**	**3 284**
867 871	873 453	611 606	905 849	903 388	630 186
197 137	65 238	80 522	199 822	110 920	86 747
18 720	7 727	18 184	20 724	8 683	22 267
67 389	30 323	4 049	69 903	32 192	4 695
3 320	21 246	30 892	5 883	22 724	33 311
1 154 437	**997 987**	**745 253**	**1 202 181**	**1 077 907**	**777 206**
57 566	**24 704**	**11 012**	**61 109**	**27 555**	**13 347**
57 566	**24 704**	**11 012**	**60 999**	**27 555**	**13 347**
4 704	7 000	5 431	5 384	17 138	16 447
152 875	104 334	108 614	156 986	108 057	114 315
157 579	**111 334**	**114 045**	**162 370**	**125 195**	**130 762**

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Notes