Out of the Ordinary®

Investec

Specialist Bank

Investec Bank (Mauritius) Limited

Unaudited financial report for the six months ended 30 September 2009

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

Unaudited financial report for the six months ended 30 September 2009

The unaudited financial report for the six months ended 30 September 2009 has been prepared in accordance with the Bank of Mauritius Guideline on Public Disclosure of Information. The annexed unaudited report including the explanatory notes are in conformity with International Financial Reporting Standards (IFRS).

Bank's performance

The bank's profit after tax for the six months ended 30 September 2009 was USD 64.3 million. This primarily comprises of the following:

- Interest income of USD 18.5 million;
- Net fee and commission of USD 1.4 million;
- Net foreign exchange gain of USD 41.7 million. The bank changed its functional currency from South African Rand to United States Dollars as from the 01 April 2009;
- Net fair value loss of USD 5.7 million on the bank's investment portfolio; and
- A provision for income tax of USD 3.2 million.

Net interest income for the six months ended 30 September 2009 was 31.2% down as compared to the same period in the previous year. This decrease was mainly due to a decrease in average loans and advances of 13.6% compared to the same period in the previous year following a slow down in deal activity over the past six months.

Net fee and commission income increased to USD 1.4 million compared to a loss of USD 1.0 million during the six months ended 30 September 2008 due to management fees paid in the prior year.

Net operating income for the six month ended 30 September 2009 amounted to USD 71.2 million compared to USD 25.1 million for the same period in the previous year mainly due to the large foreign exchange gain of USD 41.7 million resulting from the balance sheet conversion process.

During the period ended 30 September 2009, USD 0.8 million of previously recognised portfolio impairment loss was reversed. Moreover, specific impairments of USD 1.1 million were made on a financial asset held-for-trading.

Loans and total advances to external clients increased by 13.6% from USD 461.1 million as at 31 March 2009 to USD 558.5 million as at 30 September 2009. External deposits increased by 9.1% from USD 439.7 million as at 31 March 2009 to USD 470.8 million as at 30 September 2009.

Related party transactions, policies and practices

The bank adheres to the Bank of Mauritius new Guideline on Related Party Transactions issued in January 2009. 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 board has set up a Conduct Review and Risk Policy Committee (CRRPC) which consists of three non-executive directors. The CRRPC meets at least once every quarter and reviews all transactions initiated in the quarter under review. After each meeting the matters reviewed by the CRRPC are reported to the board of directors. The bank reports on the proceedings of the CRRPC during the year to the Bank of Mauritius on a yearly basis.

As at 30 September 2009, the total on and off balance sheet credit exposure to the related parties amounted to USD 73.0 million (31 March 2009 - USD 66.1 million) representing 7.6% (31 March 2009 - 7.3%) of the bank's total exposure. At 30 September 2009, none of the facilities granted to related parties was non-performing. The credit exposure to the six related parties with the highest exposure amounted to USD 69.2 million (31 March 2009 - USD 63.9 million) representing 47.2% (31 March 2009- 42.5%) of Tier 1 Capital. All the related party transactions were within the regulatory limits as recommended in the abovementioned guideline

Risk management

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

Prospects

The bank expects to achieve a reasonable growth in operating income, in line with its objectives.

David M Lawrence
Chairman
Board of directors

Craig C McKenzie
Chief executive officer

Dated: 13 November 2009

Balance Sheet

USD'000	30 Sept 2009	31 March 2009	30 Sept 2008
Assets			
Cash and balances with central bank	6,752	2,492	3,892
Due from banks	196,448	148,630	36,262
Derivative financial instruments	40,402	26,328	21,154
Investment securities	39,127	64,305	78,397
Amount due from holding bank	29,466	92,000	75,771
Amount due from group companies	89,837	116,259	48,920
Loans and advances to customers	558,494	461,137	646,680
Investment in associates	2,762	2,184	9,930
Investment in subsidiaries	48	38	43
Equipment	438	230	250
Deferred tax assets	219	326	197
Other assets	886	1,190	5,118
Total assets	**964,879**	**915,119**	**926,614**
Liabilities			
Deposits by banks	80,843	105,747	97,265
Securities sold under repurchase agreement with bank	-	898	1,178
Derivative financial instruments	7,488	22,182	28,381
Amount due to holding bank	138,804	134,394	220,848
Amount due to group companies	42,047	49,069	55,986
Due to customers	470,847	439,739	340,874
Debt securities in issue	-	2,190	2,497
Current tax liabilities	3,658	1,235	1,274
Other liabilities	10,118	9,234	22,186
Total liabilities	**753,805**	**764,688**	**770,489**
Equity			
Issued capital	56,478	56,478	33,866
Retained earnings	138,555	78,285	108,788
Other reserves	16,041	15,668	13,471
Total equity	**211,074**	**150,431**	**156,125**
Total liabilities and equity	**964,879**	**915,119**	**926,614**

Income Statement

USD'000	Quarter ended 30-Sep-09	Quarter ended 30-Sep-08	Half year ended 30-Sep-09	Half year ended 30-Sep-08	Year ended 31-Mar-09
Interest income	12,327	21,373	25,013	43,983	75,070
Interest expense	(3,013)	(6,453)	(6,529)	(17,115)	(29,510)
Net interest income	**9,314**	**14,920**	**18,484**	**26,868**	**45,560**
Fee and commission income	1,326	982	1,803	2,588	2,342
Fee and commission expense	(24)	(431)	(420)	(3,560)	(2,338)
Net fee and commission income/(expense)	**1,302**	**551**	**1,383**	**(972)**	**4**
Net trading income	50,687	7,572	57,841	5,621	16,577
Net loss on financial instruments designated at fair value through profit or loss	(8,941)	(7,340)	(5,721)	(4,891)	(40,974)
Other income	-	-	11	-	3,136
Total operating income	**52,362**	**15,703**	**71,998**	**26,626**	**24,303**
Impairment losses on loans and advances	(507)	(1,684)	332	(1,522)	(1,280)
Impairment losses on financial assets - Held-to-maturity	(1,136)	-	(1,136)	-	(5,204)
Impairment losses on investment in an associate	-	-	-	-	(6,985)
Net operating income	**50,719**	**14,019**	**71,194**	**25,104**	**10,834**
Personnel expenses	(1,136)	(683)	(2,070)	(1,889)	(3,865)
Depreciation of equipment	(28)	(5)	(52)	(46)	(94)
Other operating expenses	(831)	(532)	(1,568)	(1,261)	(2,473)
Total operating expenses	**(1,995)**	**(1,220)**	**(3,690)**	**(3,196)**	**(6,432)**
Profit before income tax	**48,724**	**12,799**	**67,504**	**21,908**	**4,402**
Income tax expense	(3,192)	(128)	(3,192)	(578)	(542)
Profit for the period/year	**45,532**	**12,671**	**64,312**	**21,330**	**3,860**
Transfer to statutory reserve	-	-	-	-	579
Profit attributable to equity holder of the bank	45,532	12,671	64,312	21,330	3,281
	45,532	**12,671**	**64,312**	**21,330**	**3,860**

Statement of changes in equity

USD'000	Issued capital	Available for sale reserve	General banking reserve	Statutory reserve	Foreign currency translation reserve	Retained earnings	Total
At 1 April 2008	34,634	(1,188)	817	15,514	(2,305)	91,746	139,218
Movement in reserves 1 April 2008 - 30 September 2008							
Foreign currency adjustments	(768)	26	28	(344)	923	(4,288)	(4,423)
Fair value movements on available for sale assets	-	-	-	-	-	-	-
Total income and expense for the period recognised directly in equity	(768)	26	28	(344)	923	(4,288)	(4,423)
Profit for the period	-	-	-	-	-	21,330	21,330
Total income and expense for the period	(768)	26	28	(344)	923	17,042	16,907
Appropriations to other reserves	-	-	-	-	-	-	-
Balance at 30 September 2008	**33,866**	**(1,162)**	**845**	**15,170**	**(1,382)**	**108,788**	**156,125**
At 1 April 2008	34,634	(1,188)	817	15,514	(2,305)	91,746	139,218
Movement in reserves 1 April 2008 - 31 March 2009							
Foreign currency adjustments	(3,156)	169	(113)	-	2,050	(17,274)	(18,324)
Fair value movements on available for sale assets	-	677	-	-	-	-	677
Total income and expense for the year recognised directly in equity	(3,156)	846	(113)	-	2,050	(17,274)	(17,647)
Profit for the year	-	-	-	-	-	3,860	3,860
Total income and expense for the year	(3,156)	846	(113)	-	2,050	(13,414)	(13,787)
Issue of ordinary shares	25,000	-	-	-	-	-	25,000
Transfer to statutory reserve	-	-	-	579	-	(579)	-
Appropriations to other reserves	-	-	(532)	-	-	532	-
Balance at 31 March 2009	**56,478**	**(342)**	**172**	**16,093**	**(255)**	**78,285**	**150,431**
At 1 April 2009	56,478	(342)	172	16,093	(255)	78,285	150,431
Movement in reserves 1 April 2009 - 30 September 2009							
Foreign currency adjustments	-	-	-	-	255	(255)	-
Fair value movements on available for sale assets	-	104	-	-	-	-	104
Total income and expense for the period recognised directly in equity	-	104	-	-	255	(255)	104
Profit for the period	-	-	-	-	-	64,312	64,312
Total income and expense for the period	-	104	-	-	255	64,057	64,416
Dividend paid to ordinary shareholder	-	-	-	-	-	(3,773)	(3,773)
Appropriations to other reserves	-	-	14	-	-	(14)	-
Balance at 30 September 2009	**56,478**	**(238)**	**186**	**16,093**	**-**	**138,555**	**211,074**

Cash Flow Statement

USD'000	30 September 2009	30 September 2008	31 March 2009
Operating activities			
Profit before income tax	67,504	21,908	4,402
Adjustments for:			
Change in operating assets	201,267	211,213	155,530
Change in operating liabilities	(210,774)	(261,309)	(128,244)
Non-cash item included in profit before tax	(53,471)	4,546	36,017
Income tax paid	(1,077)	(83)	(141)
Net cash flows from / (used in) operating activities	**3,449**	**(23,725)**	**67,564**
Investing activities			
Purchase of investment securities	(388)	(5,585)	(2,245)
Proceeds on disposal of securities	13,017	199	122
Purchase of equipment	(198)	(59)	(125)
Proceeds on disposal of equipment	11	-	18
Net cash flows from/ (used in) investing activities	**12,442**	**(5,445)**	**(2,230)**
Financing activities			
Issue of ordinary shares	-	-	25,000
Dividend paid to ordinary shareholder	(3,773)	-	-
Net cash flows from / (used in) financing activities	**(3,773)**	**-**	**25,000**
Net increase / (decrease) in cash and cash equivalents	12,118	(29,170)	90,334
Cash and cash equivalents at beginning of period / year	151,122	70,897	70,897
Effect of exchange rate changes on cash and cash equivalents	39,960	(1,573)	(10,109)
Cash and cash equivalents at end of the period / year	**203,200**	**40,154**	**151,122**

Notes to the interim financial accounts for the six months ended 30 September 2009

1. General information

Investec Bank (Mauritius) Limited (the "bank") is a public company incorporated in the Republic of Mauritius on 20 April 1990. The bank's principal activity is the provision of banking services. Its registered office was situated on the 7th Floor, Harbour Front Building, President John Kennedy Street, Port Louis.With effect from 02 November 2009, the registered office of the bank has been changed and is now situated at the 6th floor, Dias Pier Building, Caudan waterfront, Caudan, Port Louis, Mauritius.

2. Significant accounting policies

(a) Statement of compliance

The financial reports for the six months ended 30 September 2009 have been prepared in accordance with Bank of Mauritius Guideline on Public Disclosure of Information and International Financial Reporting Standards (IFRS).

(b) Basis of preparation

The reports are presented in United States Dollar

The reports have been prepared using the same accounting policies as those applied in the accounts for the financial year ended 31 March 2009.

(c) Foreign currency translation

The following rates have been applied in the translation of the report:

	30-Sep 2009	30-Sep 2008	31-Mar 2009
Closing ZAR/$ exchange rate	7.5005	8.3160	9.4838
Average ZAR/$ exchange rate	8.1363	7.7772	8.8558

Notes to the unaudited financial accounts for the six months ended 30 September 2009 (Continued)

3. Related party transactions

USD'000	30 September 2009	30 September 2008	31 March 2009
Net fair value of derivatives held with group companies	6,949	(12,598)	16,846
Interest income	6,166	5,359	13,515
Interest expense	2,897	9,413	14,352
Loans and advances to key management personnel	26	-	5
Deposits from key management personnel	146	1,108	802
Net amount (due to)/due from group companies	(61,548)	(152,143)	24,796

Terms and conditions of transactions with related parties

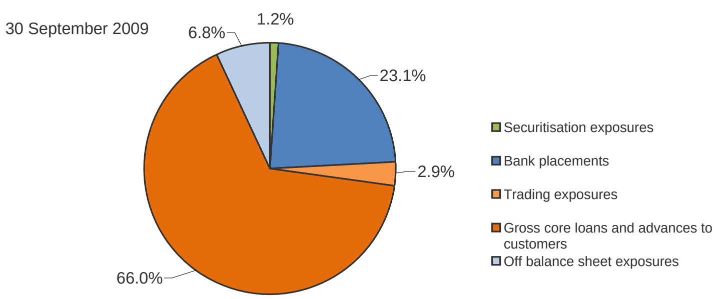
The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 30 September 2009, the bank has not made any provision for doubtful debts relating to amounts owed by related parties (30 September 2008 and 31 March 2009: Nil).

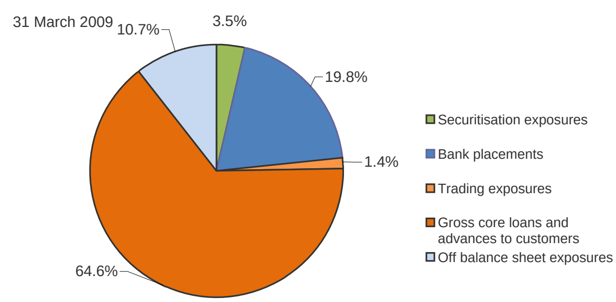
Credit and counterparty risk information

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

USD'000	30 September 2009	31 March 2009	% change	Average*
On-balance sheet exposures	**821,009**	**681,183**	**20.5%**	**751,096**
Unrated credit intruments arising from securitisation/principal finance activities	10,595	26,569	-60.1%	18,582
Bank placements	203,198	151,122	34.5%	177,160
Trading exposures (positive fair value excluding potential future exposures)	25,966	10,371	150.4%	18,168
Gross core loans and advances to customers	581,250	493,121	17.9%	537,186
Off-balance sheet exposures	**70,455**	**81,313**	**-13.4%**	**75,884**
Guarantees	35,775	40,650	-14.7%	37,665
Committed facilities	34,680	40,663	-12.0%	38,219
Total gross credit and counterparty exposures pre collateral or other credit enhancements	891,464	**762,496**	**16.9%**	**826,980**

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





Asset quality and impairments

USD'000	30 September 2009	31 March 2009
Gross core loans and advances to customers (including held-to-maturity assets)	**581,250**	**493,121**
Total impairments	**(5,611)**	**(9,314)**
Portfolio impairments	(5,419)	(4,487)
Specific impairments	(192)	(4,827)
Net core loans and advances to customers	**575,639**	**483,807**
Average gross core loans and advances to customers	**537,186**	**679,059**
Current loans and advances to customers	490,970	432,407
Total gross non-current loans and advances to customers	90,280	60,714
Past due loans and advances to customers (1-60 days)	27,529	41,319
Special mention loans and advances to customers	58,860	6,197
Default loans and advances to customers	3,891	13,198
Gross core loans and advances to customers	**581,250**	**493,121**
Total gross non-current core loans and advances to customers	**90,280**	**60,714**
Gross core loans and advances to customers that are past due but not impaired	88,856	49,936
Gross core loans and advances to customers that are impaired	1,424	10,778
Total income statement charge for impairments against core loans	(804)	(6,484)
Gross default loans and advances to customers	3,891	13,198
Specific impairments	(192)	(4,827)
Portfolio impairments	(5,419)	(4,487)
Defaults net of impairments	**(1,720)**	**3,884**
Collateral and other credit enhancements	5,363	16,119
Net default loans and advances to customers (limited to zero)	-	-
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	0.03%	0.98%
Portfolio impairments as a % of gross core loans and advances to customers	0.93%	0.91%
Total impairments as a % of gross core loans and advances to customers	0.97%	1.89%
Specific impairments as a % of gross default loans	4.94%	36.57%
Gross defaults as a % of gross core loans and advances to customers	0.67%	2.68%
Defaults (net of impairments) as a % of net core loans and advances to customers	(0.30%)	0.80%
Net defaults as a % of gross core loans and advances to customers	0.00%	0.00%
Annualised credit loss ratio (i.e income statement charge as a % of average gross core loans and advances)	0.30%	0.95%

Capital structure

	30 September 2009 USD '000	31 March 2009 USD'000
Regulatory capital		
Tier 1		
Share capital	56,478	56,478
Retained income	74,243	78,030
Statutory reserves	16,093	16,093
Other reserves	(238)	(342)
Total Tier 1	146,576	150,259
Less: deductions	(24)	(19)
- Other	(24)	(19)
	146,552	**150,240**
Tier 2		
Aggregate amount	5,605	5,097
Less: deductions	(24)	(19)
	5,581	**5,078**
Other deductions from Tier 1 and Tier 2		
Total capital	**152,133**	**155,318**
Capital requirements	**60,799**	**65,632**
Credit risk - prescribed standardised exposure classes	51,731	55,210
Corporates	25,058	28,193
Secured on real estate property	13,983	13,962
Short term claims on institutions and corporates	8,207	9,736
Retail	14	30
Institutions	1,614	2,751
Other exposure classes	2,855	538
Securitisation exposures	-	-
Equity risk - standardised approach	3,028	4,382
Listed equities	76	641
Unlisted equities	2,952	3,741
		-
Operational risk - standardised approach	6,040	6,040
Risk-weighted assets (banking and trading)	**607,991**	**656,315**
Credit risk - prescribed standardised exposure classes	517,312	552,099
Corporates	250,584	281,928
Secured on real estate property	139,832	139,617
Short term claims on institutions and corporates	82,071	97,357
Retail	143	298
Institutions	16,135	27,513
Other exposure classes	28,547	5,386
Securitisation exposures	-	-
Equity risk - standardised approach	30,282	43,819
Listed equities	758	6,408
Unlisted equities	29,524	37,411
Operational risk - standardised approach	60,397	60,397
Capital adequacy ratio	**25.0%**	**23.7%**
Tier 1 ratio	24.1%	22.9%
Capital adequacy ratio - pre operational risk	**27.8%**	**26.1%**
Tier 1 ratio - pre operational risk	26.8%	25.2%

Balance sheet risk management

The table that follow show our liquidity mismatch across our core geographies. The tables reflect that loans and advances to customers are largely fi nanced by stable funding sources.
With respect to the contractual liquidity mismatch:

No assumptions are made, and we record all asset and liabilities with the underlying contractual maturity as determined by the cash fl ow profi le 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 fl ows.

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 profi ling 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 fl ows vary signifi cantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products, which models the point of probable maturity. In addition, re-investment behaviour, with profi le and attrition based on history, is applied to term deposits in the normal course of business.

Contractual Liquidity

At 30 September 2009 USD'million	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short-term funds - banks	153	-	50	-	-	-	-	203
Investment/trading assets and statutory liquids*	14	-	-	-	-	17	11	42
Advances	3	19	16	49	104	279	88	558
Other assets	-	-	-	1	-	-	-	1
Assets	**170**	**19**	**66**	**50**	**104**	**296**	**99**	**804**
Deposits - banks	-	-	-	-	-	(80)	-	(80)
Deposits - non-banks	(155)	(204)	(43)	(6)	(49)	(11)	(6)	(474)
Investment/trading liabilities	-	-	-	-	-	-	-	-
Other liabilities	(1)	-	-	(10)	-	1	-	(10)
Liabilities	**(156)**	**(204)**	**(43)**	**(16)**	**(49)**	**(90)**	**(6)**	**(564)**
Intercompany loans	8	15	(5)	(6)	(12)	(24)	(35)	(59)
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**-**	**(213)**	**(213)**
Off balance sheet	10	(1)	(1)	(1)	(2)	(7)	34	32
Contractual liquidity gap	**32**	**(171)**	**17**	**27**	**41**	**175**	**(121)**	**-**
Cumulative liquidity gap	**32**	**(139)**	**(122)**	**(95)**	**(54)**	**121**	**-**	

Contractual liquidity adjustments

At 30 September 2009 USD'million	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Investment/trading assets and statutory liquids*	(49)	-	-	-	49	-	-	-

Behavioural Liquidity

At 30 September 2009 USD'million	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural Liquidity Gap	**144**	**68**	**46**	**(18)**	**62**	**175**	**(477)**	**-**
Cumulative	144	212	258	240	302	477	-	

Repricing - All Currencies

Non-trading interest rate risk description

Non-trading interest rate risk is the impact on net interest earnings and sensitivity to economic value, as a result of increases or decreases in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers.

Sources of banking-related risk exposures include potential adverse effect of volatility and changes in interest rate levels, yield curves and spreads. These 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. The mix of interest rate repricing characteristics is infl uenced by the underlying fi nancial needs of customers.

Interest rate sensitivity gap

The table below show our non-trading interest rate mismatch. These exposures affect the interest rate margin ealised between lending income and borrowing costs assuming no management intervention.

At 30 September 2009 USD'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non rate	Total non-trading
Cash and short-term funds - banks	203	-	-	-	-	-	203
Investment/trading assets and statutory liquids*	13	4	-	-	-	25	42
Advances	514	25	7	8	10	(6)	558
Other assets	-	-	-	-	-	1	1
Assets	**730**	**29**	**7**	**8**	**10**	**20**	**804**
Deposits - banks	(80)	-	-	-	-	-	(80)
Deposits - non-banks	(405)	(7)	(49)	(7)	(5)	-	(473)
Investment/trading liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	(10)	(10)
Liabilities	**(485)**	**(7)**	**(49)**	**(7)**	**(5)**	**(10)**	**(563)**
Intercompany loans	(46)	(40)	-	-	-	27	(59)
Shareholders' funds	-	-	-	-	-	(213)	**(213)**
Off balance sheet	8	(2)	(10)	(2)	5	32	31
Repricing gap	**207**	**(20)**	**(52)**	**(1)**	**10**	**(144)**	**-**
Cumulative repricing gap	**207**	**187**	**135**	**134**	**144**	**-**	

NPV 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, i.e. the numbers represent the change in our net asset value should such a hypothetical scenario arise.

	Sensitivity to the following interest rates (expressed in original currencies)				
At 30 September 2009 'million	**ZAR**	**GBP**	**USD**	**EUR**	**All (USD)**
200bp Down	2.64	0.07	0.91	0.18	**1.64**
200bp Up	(2.25)	(0.09)	0.41	0.06	**0.07**