Investec
Specialist Bank

Investec Bank (Mauritius) Limited

Unaudited financial reports for the three months ended 30 June 2011

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

Unaudited financial report for the three months ended 30 June 2011

The unaudited financial report for the three months ended 30 June 2011 has been prepared in accordance with the Bank of Mauritius Guideline on Public Disclosure of Information. The annexed unaudited report including the explanatory notes are in conformity with International Financial Reporting Standards (IFRS).

An overview of the bank's performance

The bank posted a profit after tax for the three months ended 30 June 2011 of USD 5.8 million compared to a loss USD 1.4 million for the same period in the previous year. This was mainly due to an increase in net operating income.

- Net interest income increased by USD 1.7 million to USD 9.5 million for the quarter ended 30 June 2011. The increase was primarily due to a decrease in interest paid on amounts due to customers and the holding bank.

- Net fee and commission income increased by USD 0.3 million to USD 0.8 million as a result of an increase in deal activity.

- Net trading income amounted to USD 0.5 million for the quarter ended 30 June 2011 compared to a loss of USD 7.0 million for the same period last year which resulted mainly from a mark-to-market loss of USD 5.0 million on an embedded derivative.

- Net gain on financial instruments amounted to USD 5.0 million, resulting mainly from a USD 4.3 million profit on disposal of CLOs, during the quarter ended 30 June 2011 compared to a loss of USD 0.8 million for the quarter ended 30 June 2010.

The aforesaid gains were reduced by impairment losses of USD 7.2 million for the quarter ended 30 June 2011.

Loans and total advances to customers increased by 4% from USD 558.7 million as at 31 March 2011 to USD 580.4 million as at 30 June 2011. External deposits increased by 13% from USD 372.7 million as at 31 March 2011 to USD 422.1 million as at 30 June 2011.

Related party transactions, policies and practices

The bank adheres to the Bank of Mauritius Guideline on Related Party Transactions issued in January 2009. All transactions with a related party are carried out on terms and conditions that were at least as favourable to the bank as the market conditions prevailing for prime clients at that time.

The 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 June 2011, the total on and off balance sheet credit exposure to related parties amounted to USD 61.2 million (31 March 2011 - USD 62.4 million) representing 7.1% (31 March 2011 – 7.6 %) of the bank's total exposure. The credit exposure to the six related parties with the highest exposure amounted to USD 58.0 million (31 March 2011 - USD 59.2 million) representing 23.4% (31 March 2011- 23.8%) of the Tier 1 Capital and all the related party transactions were within the regulatory limits as recommended in the abovementioned guideline. During the three months ended 30 June 2011, USD 1.7 million was impaired as a result of a negative mark-to-market adjustment in respect of an investment in loan notes to an associate.

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

Pierre de Chasteigner du Mee
Director

Craig C McKenzie
Chief executive officer

Dated: 10 August 2011

Statement of financial position

USD'000	30 June 2011	30 June 2010	31 March 2011
Assets			
Cash and balances with central bank	2,151	6,351	6,752
Due from banks	163,580	342,517	129,458
Asset classified as held for sale	7,954	-	13,208
Derivative financial instruments	41,567	44,139	38,900
Investment securities	24,142	29,991	27,720
Amount due from holding bank	15,288	78,021	24,991
Amount due from group companies	26,344	42,476	24,849
Loans and advances to customers	580,389	500,157	558,736
Investment in associate	4,915	4,000	4,915
Investment in subsidiaries	15	15	15
Equipment	531	651	537
Deferred tax assets	78	162	78
Other assets	671	2,215	589
Total assets	**867,625**	**1,050,695**	**830,748**
Liabilities			
Deposits by banks	83,757	79,970	80,058
Derivative financial instruments	5,444	11,815	12,449
Amount due to holding bank	76,447	214,274	86,001
Amount due to group companies	18,629	30,262	20,600
Due to customers	422,147	481,827	372,685
Current tax liabilities	895	980	495
Other liabilities	4,383	4,035	8,347
Total liabilities	**611,702**	**823,163**	**580,635**
Equity			
Stated capital	56,478	56,478	56,478
Retained earnings	166,000	141,925	160,265
Other reserves	33,445	29,129	33,370
Total equity	**255,923**	**227,532**	**250,113**
Total liabilities and equity	**867,625**	**1,050,695**	**830,748**

Income statement

USD'000	Three months ended 30 June 2011	Three months ended 30 June 2010	Year ended 31 March 2011
Interest income	10,944	12,156	47,182
Interest expense	(1,409)	(4,278)	(12,474)
Net interest income	**9,535**	**7,878**	**34,708**
Fee and commission income	857	605	2,808
Fee and commission expense	(48)	(104)	(883)
Net fee and commission income	**809**	**501**	**1,925**
Net trading (loss)/ income	497	(6,984)	(7,945)
Net gain/(loss) on financial instruments designated at fair value through profit or loss	5,023	(836)	16,402
Other operating loss	-	-	(242)
Total operating income	**15,864**	**559**	**44,848**
Impairment (loss)/ release on loans and advances	(5,530)	159	(364)
Impairment loss on asset classsified as held-for-sale	(1,707)	-	(12,615)
Net operating income	**8,627**	**718**	**31,869**
Personnel expenses	(1,156)	(1,152)	(4,554)
Depreciation of equipment	(31)	(37)	(133)
Other operating expenses	(1,231)	(917)	(4,519)
Total operating expenses	**(2,418)**	**(2,106)**	**(9,206)**
Profit before income tax	**6,209**	**(1,388)**	**22,663**
Income tax (expense)/ release	(400)	(6)	(1,476)
Profit for the quarter/period/ year	**5,809**	**(1,394)**	**21,187**
Transfer to statutory reserve	-	-	3,178
Transfer to retained earnings	5,809	(1,394)	18,009
Profit attributable to equity holder of the bank	**5,809**	**(1,394)**	**21,187**

Statement of comprehensive income

USD'000	Three months ended 30 June 2011	Three months ended 30 June 2010	Year ended 31 March 2011
Profit for the period/ year	**5,809**	**(1,394)**	**21,187**
Other comprehensive income/(loss)	-	-	-
Total comprehensive income for the period/ year	**5,809**	**(1,394)**	**21,187**
Attributable to:			
Equity holder of the bank	**5,809**	**(1,394)**	**21,187**

Statement of changes in equity

USD'000	Stated capital	General banking reserve	Statutory reserve	Retained earnings	Total
At 1 April 2010	56,478	573	28,355	143,520	228,926
Movement in reserves 1 April 2010 - 30 June 2010					
Total comprehensive income					
Loss for the period	-	-	-	(1,394)	(1,394)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(1,394)	(1,394)
Appropriations to other reserves	-	201	-	(201)	-
Balance at 30 June 2010	**56,478**	**774**	**28,355**	**141,925**	**227,532**
At 1 April 2010	56,478	573	28,355	143,520	228,926
Movement in reserves 1 April 2010 - 31 March 2011					
Total comprehensive income					
Profit for the year	-	-	-	21,187	21,187
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	21,187	21,187
Appropriations to other reserves	-	1,264	3,178	(4,442)	-
Balance at 31 March 2011	**56,478**	**1,837**	**31,533**	**160,265**	**250,113**
At 1 April 2011	56,478	1,837	31,533	160,265	250,113
Movement in reserves 1 April 2011 - 30 June 2011					
Total comprehensive income					
Profit for the period	-	-	-	5,809	5,809
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	5,809	5,809
Appropriations to other reserves	-	74	-	(74)	-
Balance at 30 June 2011	**56,478**	**1,911**	**31,533**	**166,000**	**255,923**

Cash flow statement

USD'000	30 June 2011	30 June 2010	31 March 2011
Operating activities			
Profit before tax	6,209	(1,388)	22,663
Adjustments for:			
Change in operating assets	(18,545)	6,006	31,946
Change in operating liabilities	30,666	(35,338)	(262,750)
Non-cash item included in (loss)/ profit before tax	1,751	7,697	4,744
Income tax paid	-	-	(1,868)
Net cash flows (used in) / from operating activities	**20,081**	**(23,024)**	**(205,265)**
Investing activities			
Purchase of investment securities	(500)	-	(915)
Proceeds on disposal of investment securities	9,967	-	12,454
Purchase of equipment	(27)	(10)	(65)
Proceeds on disposal of equipment	-	-	118
Net cash from / (used in) from investing activities	**9,440**	**(10)**	**11,592**
Net (decrease)/ increase in cash and cash equivalents	29,521	(23,034)	(193,673)
Cash and cash equivalents at beginning of quarter / year	136,210	329,883	329,883
Cash and cash equivalents at end of the quarter / year	**165,731**	**306,849**	**136,210**

Notes to the unaudited financial accounts for the three months ended 30 June 2011

1. General information

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

2. Significant accounting policies

(a) Statement of compliance

The financial reports for the three months ended 30 June 2011 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 (USD).

The reports have been prepared using the same accounting policies as those applied in the accounts for the financial year ended 31 March 2011.

(c) Functional currency of the bank

The bank's functional currency is USD.

Notes to the unaudited financial accounts for the three months ended 30 June 2011

3. Related party transactions

USD'000	30 June 2011	30 June 2010	31 March 2011
Net fair value of derivatives held with group companies	**(1,846)**	6,619	(11,541)
Interest income	**159**	393	1,263
Interest expense	**(353)**	(2,750)	(7,740)
Loans and advances	**3,185**	5,761	3,224
Deposits	**(315)**	(764)	(289)
Net amount due to group companies	**(45,491)**	(124,040)	(43,553)

Terms and conditions of transactions with related parties

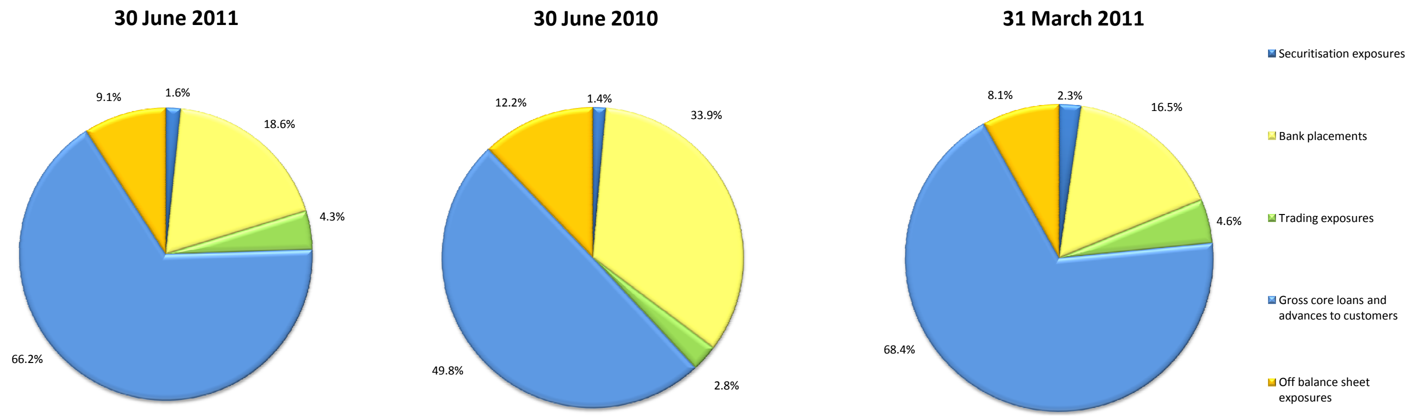
The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates. Outstanding balances at the year-end are unsecured. For the three months ended 30 June 2011, the bank has not made any impairment provision relating to amounts owed by related parties (30 June 2010 and 31 March 2011: Nil).

Credit and counterparty risk information

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

	30 June 2011 USD'000	30 June 2010 USD'000	31 March 2011 USD'000	31 March 2011 vs 30 June 2011 % change	Average* USD'000
On-balance sheet exposures	**809,259**	**905,142**	**757,107**	**6.9**	**783,183**
Unrated credit instruments arising from securitisation/principal finance activities	14,524	14,372	18,980	(23.5)	16,752
Bank placements	165,730	348,867	136,208	21.7	150,969
Trading exposures (positive fair value excluding potential future exposures)	37,969	29,232	37,990	(0.1)	37,979
Gross core loans and advances to customers	591,036	512,671	563,929	4.8	577,483
Off-balance sheet exposures	**81,159**	**125,313**	**66,799**	**21.5**	**73,980**
Guarantees	7,586	27,092	5,419	>100%	6,503
Contingent liabilities, committed facilities and other	73,573	98,221	61,380	19.9	67,477
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**890,418**	**1,030,455**	**823,906**	**8.1**	**857,163**

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



Asset quality and impairments

USD'000	30 June 2011	30 June 2010	31 March 2011
Gross core loans and advances to customers (including held-to-maturity assets)	**591,036**	**512,671**	**563,929**
Total impairments	**(10,647)**	**(4,571)**	**(5,117)**
Portfolio impairments	(10,433)	(4,387)	(4,893)
Specific impairments	(214)	(184)	(224)
Net core loans and advances to customers	**580,389**	**508,100**	**558,812**
Average gross core loans and advances to customers	**551,854**	**522,482**	**548,111**
Current loans and advances to customers	551,170	429,840	556,051
Past due and default core loans and advances to customers	39,866	82,831	7,878
Past due loans and advances to customers (1-60 days)	36,066	78,687	2,761
Special mention loans and advances to customers	-	1,280	-
Default loans and advances to customers	3,799	2,864	5,117
Gross core loans and advances to customers	**591,036**	**512,671**	**563,929**
Past due and default core loans and advances to customers	**39,866**	**82,831**	**7,878**
Gross core loans and advances to customers that are past due but not impaired	38,272	81,423	6,304
Gross core loans and advances to customers that are impaired	1,594	1,408	1,574
Total income statement charge for impairments against core loans	**(5,530)**	**159**	**(364)**
Gross default loans and advances to customers	3,799	2,864	5,117
Specific impairments	(214)	(184)	(224)
Portfolio impairments	(10,433)	(4,387)	(4,893)
Defaults net of impairments	-	-	-
Collateral and other credit enhancements	4,689	2,799	9,406
Net default loans and advances to customers (limited to zero)	-	-	-
Ratios:			
Total impairments as a % of gross core loans and advances to customers	1.80%	0.89%	0.91%
Specific impairments as a % of gross default loans	5.63%	6.42%	4.38%
Gross defaults as a % of gross core loans and advances to customers	0.64%	0.56%	0.91%
Defaults (net of impairments) as a % of net core loans and advances to customers	-	-	-
Net defaults as a % of gross core loans and advances to customers	-	-	-
Credit loss ratio (i.e income statement charge as a % of average gross loans and advances)	4.01%	0.12%	0.07%

Capital structure

USD '000	30 June 2011	30 June 2010	31 March 2011
Regulatory capital			
Tier 1			
Stated capital	56,478	56,478	56,478
Retained income	160,264	143,520	160,265
Statutory reserves	31,533	28,355	31,533
Other reserves	-	(1,595)	-
Total Tier 1	**248,275**	**226,758**	**248,276**
Less: deductions	(7)	(7)	(7)
	248,267	**226,751**	**248,269**
Tier 2			
Aggregate amount	8,279	5,161	6,731
Less: deductions	(7)	(7)	(7)
	8,272	**5,154**	**6,724**
Tier 3			
Aggregate amount			
Total capital	**256,539**	**231,905**	**254,993**
Capital requirements	**66,239**	**65,147**	**63,377**
Credit risk - prescribed standardised exposure classes	57,666	56,320	54,358
Corporates	36,067	30,784	32,847
Secured on real estate property	14,391	9,976	14,255
Short term claims on institutions and corporates	2,448	7,466	1,780
Retail	29	1,005	22
Institutions	4,723	6,578	5,333
Other exposure classes	8	511	121
Securitisation exposures	-	-	
Equity risk - standardised approach	2,906	2,605	3,262
Listed equities	58	51	66
Unlisted equities	2,848	2,553	3,196
Aggregate net open foreign exchange position	555	248	645
Operational risk - standardised approach	5,112	5,974	5,112

Capital adequacy

USD '000	30 June 2011	30 June 2010	31 March 2011
Primary capital (Tier 1)	248,275	226,758	248,276
less:deductions	(7)	(7)	(7)
	248,267	226,751	248,269
Tier 2 capital	8,279	5,161	6,731
less: deductions	(7)	(7)	(7)
	8,272	5,154	6,724
Total capital	**256,539**	**231,905**	**254,993**
Risk-weighted assets (banking and trading)	**662,395**	**651,467**	**633,772**
Credit risk - prescribed standardised exposure classes	576,656	563,202	543,581
Corporates	360,674	307,842	328,470
Secured on real estate property	143,911	99,760	142,554
Short term claims on institutions and corporates	24,479	74,663	17,801
Retail	287	10,050	221
Institutions	47,227	65,776	53,325
Other exposure classes	78	5,112	1,210
Equity risk - standardised approach	29,064	26,048	32,622
Listed equities	581	514	661
Unlisted equities	28,483	25,533	31,961
Aggregate net open foreign exchange position	5,552	2,475	6,445
Operational risk - standardised approach	51,123	59,742	51,124
Capital adequacy ratio	**38.7%**	**35.6%**	**40.2%**
Tier 1 ratio	37.5%	34.8%	39.2%
Capital adequacy ratio - pre operational risk	**42.0%**	**39.2%**	**43.8%**
Tier 1 ratio - pre operational risk	40.6%	38.3%	42.6%

Balance Sheet risk management

The tables that follows show our liquidity mismatch. The tables reflect that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

No assumptions are made, and we record all asset and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.

As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered cash and near cash as a buffer against both expected and unexpected cash flows.

With respect to the behavioural liquidity mismatch:

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

Contractual Liquidity

At 30 June 2011 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	94	14	56	-	-	-	-	164
Investment/trading assets*	18	-	-	-	-	-	56	74
Advances	7	7	139	37	49	264	77	580
Other assets	-	-	-	1	-	-	-	1
Assets	**119**	**21**	**195**	**38**	**49**	**264**	**133**	**819**
Deposits - banks	-	(4)	(80)	-	-	-	-	(84)
Deposits - non-banks	(147)	(213)	(10)	(1)	(31)	(19)	(1)	(422)
Investment/trading liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	(5)	-	-	-	(5)
Liabilities	**(147)**	**(217)**	**(90)**	**(6)**	**(31)**	**(19)**	**(1)**	**(511)**
Intercompany loans	9	-	11	(3)	6	(76)	-	(53)
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**-**	**(256)**	**(256)**
Balance sheet	**(19)**	**(196)**	**116**	**29**	**24**	**169**	**(124)**	**(1)**
Off balance sheet	**-**	**2**	**-**	**-**	**-**	**(1)**	**-**	1
Contractual liquidity gap	**(19)**	**(194)**	**116**	**29**	**24**	**168**	**(124)**	**-**
Cumulative liquidity gap	**(19)**	**(213)**	**(97)**	**(68)**	**(44)**	**124**	**-**	**-**

At 30 June 2010 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	161	140	-	25	17	-	-	343
Investment/trading assets*	27	-	-	-	23	5	20	75
Advances	5	9	26	89	130	182	59	500
Other assets	-	-	-	3	-	-	-	3
Assets	**193**	**149**	**26**	**117**	**170**	**187**	**79**	**921**
Deposits - banks	-	-	-	-	-	(80)	-	(80)
Deposits - non-banks	(130)	(263)	(47)	(17)	(6)	(16)	(3)	(482)
Investment/trading liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	(5)	-	-	-	(5)
Liabilities	**(130)**	**(263)**	**(47)**	**(22)**	**(6)**	**(96)**	**(3)**	**(567)**
Intercompany loans	(13)	6	(20)	(30)	(34)	4	(37)	(124)
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**-**	**(228)**	**(228)**
Balance sheet	**50**	**(108)**	**(41)**	**65**	**130**	**95**	**(189)**	**2**
Off-balance sheet	(3)	(2)	1	3	-	(1)	-	(2)
Contractual liquidity gap	**47**	**(110)**	**(40)**	**68**	**130**	**94**	**(189)**	**-**
Cumulative liquidity gap	**47**	**(63)**	**(103)**	**(35)**	**95**	**189**	**-**	**-**

At 31 March 2011 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	41	-	18	70	-	-	-	129
Investment/trading assets*	27	-	-	-	-	-	58	85
Advances	-	11	179	24	62	213	70	559
Other assets	-	-	-	1	-	-	-	1
Assets	**68**	**11**	**197**	**95**	**62**	**213**	**128**	**774**
Deposits - banks	-	-	-	(80)	-	-	-	(80)
Deposits - non-banks	(118)	(210)	(6)	(3)	(30)	(5)	(1)	(373)
Investment/trading liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	(8)	-	-	-	(8)
Liabilities	**(118)**	**(210)**	**(6)**	**(91)**	**(30)**	**(5)**	**(1)**	**(461)**
Intercompany loans	19	(47)	(2)	12	3	(42)	-	(57)
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**-**	**(250)**	**(250)**
Balance sheet	**(31)**	**(246)**	**189**	**16**	**35**	**166**	**(123)**	**6**
Off-balance sheet	-	(4)	-	-	-	(2)	-	(6)
Contractual liquidity gap	**(31)**	**(250)**	**189**	**16**	**35**	**164**	**(123)**	**-**
Cumulative liquidity gap	**(31)**	**(281)**	**(92)**	**(76)**	**(41)**	**123**	**-**	

Contractual liquidity adjustments

At 30 June 2011 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
*Investments/trading assets	**(16)**	**-**	**-**	**-**	**-**	**-**	**16**	**-**

At 30 June 2010 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
*Investments/trading assets	(41)	12	-	-	4	25	-	-

At 31 March 2011 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
*Investments/trading assets	(7)	-	-	-	-	-	7	-

Behavioural Liquidity

At 30 June 2011 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	**79**	**(34)**	**1**	**61**	**61**	**126**	**(294)**	**-**
Cumulative	79	45	46	107	168	294	-	-

At 30 June 2010 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	**134**	**156**	**(66)**	**24**	**45**	**146**	**(439)**	**-**
Cumulative	134	290	224	248	293	439	-	-

USD'million	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1	1 to 5 years	> 5 years	Total
Behavioural Liquidity Gap	**63**	**(16)**	**67**	**15**	**22**	**172**	**(323)**	**-**
Cumulative	63	47	114	129	151	323	-	-

As discussed above our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention, i.e. the numbers represent the change in our net asset value should such a hypothetical scenario arise.

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 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 banking-related risk exposures include the potential adverse effect of volatility and changes in interest rate levels, the shape of the yield curves, basic risk spreads and optionality inherent in certain products. 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 influenced by the underlying financial needs of customers.

Interest rate sensitivity gap

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

At 30 June 2011 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	164	-	-	-	-	-	164
Investment/trading assets	14	-	12	-	-	48	74
Advances	510	45	5	16	4	-	580
Other assets	-	-	-	-	-	1	1
Assets	**688**	**45**	**17**	**16**	**4**	**49**	**819**
Deposits - banks	(84)	**-**	**-**	**-**	**-**	**-**	(84)
Deposits - non-banks	(370)	**(1)**	**(33)**	**(17)**	**(1)**	**-**	(422)
Other liabilities	-	**-**	**-**	**-**	**-**	**(5)**	(5)
Liabilities	**(454)**	**(1)**	**(33)**	**(17)**	**(1)**	**(5)**	**(511)**
Intercompany loans	(17)	(36)	-	-	-	-	(53)
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**(256)**	**(256)**
Balance sheet	**217**	**8**	**(16)**	**(1)**	**3**	**(212)**	**(1)**
Off balance sheet	17	(2)	(3)	(11)	-	-	1
Repricing gap	**234**	**6**	**(19)**	**(12)**	**3**	**(212)**	**-**
Cumulative repricing gap	234	240	221	209	212	-	**-**

At 30 June 2010 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	343	-	-	-	-	-	343
Investment/trading assets	14	-	-	-	-	61	75
Advances	385	52	46	11	6	-	500
Other assets	-	-	-	-	-	3	3
Assets	**742**	**52**	**46**	**11**	**6**	**64**	**921**
Deposits - banks	(80)	-	-	-	-	-	(80)
Deposits - non-banks	(440)	(18)	(6)	(15)	(3)	-	(482)
Other liabilities	-	-	-	-	-	(5)	(5)
Liabilities	**(520)**	**(18)**	**(6)**	**(15)**	**(3)**	**(5)**	**(567)**
Intercompany loans	(57)	(59)	(30)	-	-	22	(124)
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**(228)**	**(228)**
Balance sheet	**165**	**(25)**	**10**	**(4)**	**3**	**(147)**	**2**
Off-balance sheet	(7)	14	(1)	(8)	-	-	(2)
Repricing gap	**158**	**(11)**	**9**	**(12)**	**3**	**(147)**	**-**
Cumulative repricing gap	158	147	156	144	147	-	-

At 31 March 2011 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	58	71	-	-	-	-	129
Investment/trading assets	21	-	12	-	-	52	85
Advances	533	4	3	15	4	-	559
Other assets	-	-	-	-	-	1	1
Assets	**612**	**75**	**15**	**15**	**4**	**53**	**774**
Deposits - banks	(80)	-	-	-	-	-	(80)
Deposits - non-banks	(335)	(3)	(29)	(5)	(1)	-	(373)
Other liabilities	-	-	-	-	-	(8)	(8)
Liabilities	**(415)**	**(3)**	**(29)**	**(5)**	**(1)**	**(8)**	**(461)**
Intercompany loans	(52)	(5)	-	-	-	-	(57)
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**(250)**	**(250)**
Balance sheet	**145**	**67**	**(14)**	**10**	**3**	**(205)**	**6**
Off-balance sheet	9	(1)	(3)	(11)	-	-	(6)
Repricing gap	**154**	**66**	**(17)**	**(1)**	**3**	**(205)**	**-**
Cumulative repricing gap	154	220	203	202	205	-	

NPV Sensitivity

Our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention, i.e. the numbers represent the change in our net asset value should such a hypothetical scenario arise the effect of the change in net asset value is on the income statement only - there is no effect on other comprehensive income.

	Sensitivity to the following interest rates (expressed in original currencies)					
'million	ZAR	GBP	USD	EUR	AUD	All (USD)
30 June 2011						
200bp down	(0.98)	0.06	1.34	(0.06)	0.03	**1.23**
200bp up	1.04	(0.11)	(1.92)	0.03	(0.03)	**(1.92)**
30 June 2010						
200bp down	(9.93)	0.02	2.02	0.30	0.57	**1.60**
200bp up	9.85	(0.02)	(2.20)	(0.43)	(0.57)	**(1.95)**
31 March 2011						
200bp down	(0.75)	(0.02)	1.58	0.33	(0.10)	**1.78**
200bp up	0.82	0.05	(2.02)	(0.30)	0.10	**(2.13)**

Foreign exchange risk

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

The bank computes its net open foreign position in accordance with the Bank of Mauritius guideline for calculation and reporting of foreign exchange exposures by taking the higher of the absolute values of all net short and net long positions. The bank monitors the net open position on a daily basis.

Open position (USD'000)	EUR	GBP	JPY	MUR	other currencies	Aggregate Net Open foreign exhange position
at 30 June 2011						
Long/(short) position	1,054	562	(2)	755	(5,550)	**(3,181)**
at 30 June 2010						
Long/(short) position	368	43	1	2,475	(3,464)	**(577)**
at 31 March 2011						
Long/(short) position	(1,527)	19	(1)	769	(4,917)	**(6,445)**