Out of the Ordinary®

Specialist Bank and Asset Manager

# Investec Bank (Mauritius) Limited

Unaudited financial reports for the nine months ended 31 December 2013

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


## Unaudited financial report for the nine months ended 31 December 2013

The unaudited financial report for the nine months ended 31 December 2013 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**

Net interest income increased by 13% to USD 35.0 million for the nine months ended 31 December 2013 as compared to the nine months ended 31 December 2012 as a result of the increase in loans and advances to customers and fixed income investments.

Net fee and commission income increased from USD 2.0 million to USD 4.4 million for the nine months ended 31 December 2013 as compared to the same period last year.

Net trading income amounted to USD 0.4 million for the nine months ended 31 December 2013 as compared to a net trading income of USD 1.3 million reported for the same period last year.

The net gain on financial instruments designated at fair value amounted to USD 0.6 million for the nine months ended 31 December 2013 as compared to a gain of USD 1.0 million for the nine months ended 31 December 2012.

Other operating income stood at USD 0.9 million and represents dividends received from investments.

Operating expenses increased by 6% to USD 7.7 million for the nine months ended 31 December 2013 as compared to USD 7.3 million for the same period last year mainly due to IT costs incurred on the implementation of projects.

Profit after tax increased by 22% to USD 33.5 million for the period ended 31 December 2013 as compared to USD 27.4 million for the period ended 31 December 2012.

Loans and advances to customers increased by 6.4% from USD 779.9 million as at 31 March 2013 to USD 829.8 million as at 31 December 2013 and investment securities increased by 29.1% from USD 189.8 million as at 31 March 2013 to USD 245.1 million as at 31 December 2013. External deposits increased by 13.2% from USD 666.9 million as at 31 March 2013 to USD 847.5 million as at 31 December 2013.

The bank remains well capitalised with a capital adequacy ratio of 25.8% as at 31 December 2013 with tier 1 capital representing 97% of the capital base.

**Related party transactions, policies and practices**

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

As at 31 December 2013, the total on and off balance sheet credit exposure to related parties amounted to USD 102.2 million (31 March 2013 – USD 31.0 million) representing 6.2% (31 March 2013 – 2.3%) of the bank's total exposure. The credit exposure to the six related parties with the highest exposure amounted to USD 101.2 million (31 March 2013 - USD 30.9 million) representing 34.1% (31 March 2013 – 10.3%) of the Tier 1 Capital and 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 reasonnable growth in assets over the next quarter as well as a healthy continued growth in operating income.

| | | |
|---|---|---|
| David M Lawrence<br>**Chairman**<br>**Board of Directors** | Pierre de Chasteigner du Mee<br>**Director** | Craig C McKenzie<br>**Director/CEO** |

Dated: 14 February 2014

## Statement of financial position

| USD'000 | 31 December 2013 | 31 March 2013 | 31 December 2012 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central bank | 18,716 | 4,556 | 4,562 |
| Due from banks | 485,684 | 340,995 | 275,474 |
| Derivative financial instruments | 33,595 | 31,584 | 30,904 |
| Investment securities | 245,069 | 189,756 | 195,257 |
| Amount due from holding bank | 26,989 | 18,625 | 17,025 |
| Amount due from group companies | 3,208 | 3,122 | 3,098 |
| Loans and advances to customers | 822,195 | 772,245 | 792,091 |
| Investment in associate | 4,915 | 4,915 | 4,915 |
| Investment in subsidiary | 15 | 15 | 15 |
| Equipment | 351 | 387 | 411 |
| Deferred tax assets | 262 | 262 | 250 |
| Other assets | 4,550 | 5,136 | 13,730 |
| **Total assets** | **1,645,549** | **1,371,598** | **1,337,732** |
| | | | |
| **Liabilities** | | | |
| Deposits by banks | - | 3,527 | 3,800 |
| Securities sold under repurchase agreement with banks | 119,807 | 119,378 | 64,472 |
| Derivative financial instruments | 17,781 | 3,234 | 6,262 |
| Amount due to holding bank | 35,541 | 35,554 | 40,572 |
| Amount due to group companies | 11,056 | 13,788 | 13,947 |
| Due to customers | 847,506 | 666,854 | 681,291 |
| Debt securities issued | 265,436 | 217,060 | 218,161 |
| Current tax liabilities | 1,529 | 1,015 | 169 |
| Other liabilities | 9,797 | 7,082 | 10,818 |
| **Total liabilities** | **1,308,453** | **1,067,492** | **1,039,491** |
| | | | |
| **Equity** | | | |
| Stated capital | 56,478 | 56,478 | 56,478 |
| Retained earnings | 237,395 | 204,563 | 203,480 |
| Other reserves | 43,223 | 43,065 | 38,282 |
| **Total equity** | **337,096** | **304,106** | **298,241** |
| | | | |
| **Total liabilities and equity** | **1,645,549** | **1,371,598** | **1,337,732** |

## Statement of comprehensive income

| USD'000 | Quarter ended 31 December 2013 | Quarter ended 31 December 2012 | Nine months ended 31 December 2013 | Nine months ended 31 December 2012 | Year ended 31 March 2013 |
|---|---|---|---|---|---|
| Interest income | 15,709 | 15,063 | 46,533 | 42,365 | 55,797 |
| Interest expense | (3,755) | (3,739) | (11,544) | (11,394) | (14,820) |
| **Net interest income** | **11,954** | **11,324** | **34,990** | **30,971** | **40,977** |
| Fee and commission income | 1,433 | 441 | 4,920 | 2,264 | 3,670 |
| Fee and commission expense | (271) | (113) | (492) | (282) | (504) |
| **Net fee and commission income** | **1,162** | **328** | **4,427** | **1,981** | **3,166** |
| Net trading income / (loss) | 2,333 | 2,277 | 360 | 1,324 | 1,327 |
| Net gain/(loss) on financial instruments designated at fair value through profit or loss | 3,180 | (1,365) | 572 | 975 | (1,199) |
| Other operating income | 650 | - | 880 | - | - |
| **Total operating income** | **19,280** | **12,564** | **41,229** | **35,252** | **44,271** |
| Impairment reversal / (loss) on loans and advances | 386 | (523) | 2 | (544) | (377) |
| **Net operating income** | **19,665** | **12,041** | **41,230** | **34,708** | **43,894** |
| Personnel expenses | (1,373) | (1,092) | (3,477) | (3,114) | (4,080) |
| Depreciation of equipment | (33) | (30) | (95) | (96) | (126) |
| Other operating expenses | (1,213) | (1,303) | (4,154) | (4,062) | (5,439) |
| **Total operating expenses** | **(2,620)** | **(2,426)** | **(7,725)** | **(7,273)** | **(9,645)** |
| **Profit before tax** | **17,046** | **9,615** | **33,505** | **27,435** | **34,249** |
| Income tax expense | (160) | (15) | (653) | (307) | (1,255) |
| **Profit for the period / year** | **16,886** | **9,600** | **32,852** | **27,128** | **32,994** |
| **Analysed as follows:** | | | | | |
| Transfer to statutory reserve | - | - | - | - | 4,949 |
| Transfer to retained earnings | 16,886 | 9,600 | 32,852 | 27,128 | 28,045 |
| **Porfit attributable to equity holder of the bank** | **16,886** | **9,600** | **32,852** | **27,128** | **32,994** |
| Other comprehensive loss | 2,169 | - | 138 | - | - |
| **Total comprehensive income for the year** | **19,056** | **9,600** | **32,991** | **27,128** | **32,994** |

## Statement of changes in equity

| USD'000 | Stated capital | Available-for-sale reserve | General banking reserve | Statutory reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **At 1 April 2013** | 56,478 | - | 2,745 | 40,320 | 204,563 | 304,106 |
| **Movement in reserves 1 April 2013 - 31 December 2013** | | | | | | |
| **Total comprehensive income** | | | | | | |
| Profit for the period | - | - | - | - | 32,852 | 32,852 |
| Other comprehensive income | - | 138 | - | - | - | 138 |
| Total comprehensive income | - | 138 | - | - | 32,852 | 32,991 |
| Appropriations to other reserves | - | - | 20 | - | (20) | - |
| **Balance at 31 December 2013** | **56,478** | **138** | **2,765** | **40,320** | **237,395** | **337,096** |
| **At 1 April 2012** | 56,478 | - | 2,885 | 35,371 | 176,378 | 271,112 |
| **Movement in reserves 1 April 2012 - 31 March 2013** | | | | | | |
| Total comprehensive income | - | - | - | - | 32,994 | 32,994 |
| Appropriations to other reserves | - | - | (140) | 4,949 | (4,809) | - |
| **Balance at 31 March 2013** | **56,478** | **-** | **2,745** | **40,320** | **204,563** | **304,106** |
| **At 1 April 2012** | 56,478 | - | 2,885 | 35,371 | 176,378 | 271,112 |
| **Movement in reserves 1 April 2012 - 31 December 2012** | | | | | | |
| **Total comprehensive loss** | | | | | | |
| Total comprehensive income | - | - | - | - | 27,128 | 27,128 |
| Appropriations to other reserves | - | - | 26 | - | (26) | - |
| **Balance at 31 December 2012** | **56,478** | **-** | **2,911** | **35,371** | **203,480** | **298,240** |

## Cash flow statement

| USD'000 | 31 December 2013 | 31 March 2013 | 31 December 2012 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | 33,505 | 34,249 | 27,435 |
| **Adjustments for:** | | | |
| Change in operating assets | (5,660) | (122,468) | (51,255) |
| Change in operating liabilities | 191,642 | 62,205 | 85,080 |
| Non-cash item included in profit before income tax | 2,742 | (3,162) | (1,659) |
| Income tax paid | (140) | (272) | (158) |
| **Net cash flows (used in) / generated from operating activities** | **222,090** | **(29,448)** | **59,443** |
| **Investing activities** | | | |
| Purchase of investment securities | (73,670) | - | (48,657) |
| Proceeds on disposal of investment securities | 12,520 | - | - |
| Purchase of equipment | (59) | (28) | (22) |
| **Net cash flows used in investing activities** | **(61,209)** | **(28)** | **(48,678)** |
| **Financing activities** | | | |
| Dividends received from subsidiary | 655 | - | - |
| Dividends received from investments | 230 | - | - |
| Reverse repurchase agreement with banks | (44,630) | - | - |
| Reverse repurchase agreement with banks repaid | 44,630 | - | - |
| Securities sold under repurchase agreement with banks | - | 119,743 | 64,472 |
| Issue of preference shares | 44,000 | - | - |
| **Net cash flows generated from financing activities** | **44,885** | **119,743** | **-** |
| Net increase in cash and cash equivalents | 205,765 | 90,267 | 75,237 |
| Cash and cash equivalents at beginning of the period / year | 291,515 | 201,248 | 204,799 |
| **Cash and cash equivalents at end of the period / year** | **497,280** | **291,515** | **280,036** |

## Notes to the unaudited financial accounts for the nine months ended 31 December 2013

### 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 nine months ended 31 December 2013 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 2013.

**(c) Functional currency of the bank**

The bank's functional currency is USD.

## Notes to the unaudited financial accounts for the nine months ended 31 December 2013

### 3. Related party transactions

| USD'000 | 31 December 2013 | 31 March 2013 | 31 December 2012 |
|---|---|---|---|
| Net fair value of derivatives held with group companies | **(13,549)** | (1,097) | (4,855) |
| Interest income | **3,718** | 545 | 477 |
| Interest expense | **(1,526)** | (4,019) | (3,430) |
| Loans and advances | **70,021** | 1,039 | 1,148 |
| Deposits | **(3,326)** | (4,248) | (5,012) |
| Net amount due to group companies | **(16,400)** | (27,595) | (34,396) |

**Terms and conditions of transactions with related parties**

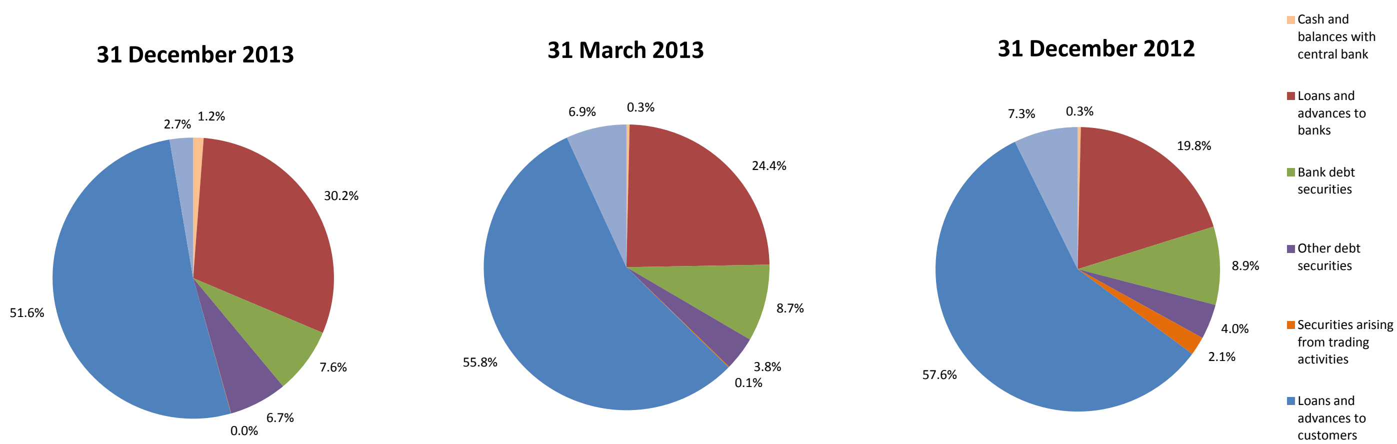
The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates. Loans and advances to related parties as at 31 December 2013 were secured. For the nine months ended 31 December 2013, the bank has not made any impairment relating to amounts owed by related parties (31 March 2013: Nil and 31 December 2012: Nil).

## Credit and counterparty risk information

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

| | 31 December 2013 | 31 March 2013 | 31 December 2012 | 31 December 2013 vs 31 March 2013 | Average* |
|---|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | % change | USD'000 |
| **On-balance sheet exposures** | **1,564,904** | **1,302,171** | **1,288,153** | **21.5** | **1,433,538** |
| Cash and balances with central bank | 18,709 | 4,552 | 4,560 | 311.0 | 11,631 |
| Loans and advances to banks | 485,684 | 340,995 | 275,474 | 42.4 | 413,340 |
| Bank debt securities | 122,471 | 121,740 | 123,368 | 0.6 | 122,105 |
| Other debt securities | 107,578 | 53,479 | 55,266 | 101.2 | 80,529 |
| Securities arising from trading activities | 623 | 1,459 | 29,498 | >100 | 1,041 |
| Loans and advances to customers | 829,839 | 779,946 | 799,988 | 6.4 | 804,892 |
| **Off-balance sheet exposures** | **43,664** | **95,938** | **101,152** | **(56.8)** | **69,800** |
| Guarantees^ | 15,195 | 14,564 | 27,590 | 4.3 | 14,879 |
| Contingent liabilities, committed facilities and other | 28,469 | 81,374 | 73,563 | (65.0) | 54,921 |
| **Total gross credit and counterparty exposures pre collateral or other credit enhancements** | **1,608,567** | **1,398,109** | **1,389,306** | **15.1** | **1,503,338** |

*Where the average is based on a straight line average.
^Excludes guarantees provided to clients which are backed/secured by cash deposits with the bank



## Asset quality and impairments

| USD'000 | 31 December 2013 | 31 March 2013 | 31 December 2012 |
|---|---|---|---|
| **Gross core loans and advances to customers** | **829,839** | **779,946** | **799,988** |
| **Total impairments** | **(7,643)** | **(7,701)** | **(7,896)** |
| Portfolio impairments | (7,261) | (7,150) | (7,309) |
| Specific impairments | (382) | (551) | (588) |
| **Net core loans and advances to customers** | **822,194** | **772,245** | **792,091** |
| **Average gross core loans and advances to customers** | **804,892** | **756,044** | **766,065** |
| Current loans and advances to customers | 757,848 | 761,500 | 769,731 |
| Past due loans and advances to customers (1-60 days) | 65,661 | 12,327 | 9,561 |
| Special mention loans and advances to customers | 797 | 111 | 8,761 |
| Default loans and advances to customers | 5,533 | 6,008 | 11,935 |
| **Gross core loans and advances to customers** | **829,839** | **779,946** | **799,988** |
| Current loans and advances to customers | 757,848 | 761,500 | 769,731 |
| Gross core loans and advances to customers that are past due but not impaired | 68,972 | 14,209 | 25,659 |
| Gross core loans and advances to customers that are impaired | 3,019 | 4,237 | 4,598 |
| **Gross core loans and advances to customers** | **829,839** | **779,946** | **799,988** |
| **Total income statement reversal / (charge) for impairments on loans and advances** | **2** | **(377)** | **(544)** |
| Gross default loans and advances to customers | 5,533 | 6,008 | 11,935 |
| Specific impairments | (382) | (551) | (588) |
| Portfolio impairments | (7,261) | (7,150) | (7,309) |
| **Defaults net of impairments** | **(2,110)** | **(1,693)** | **4,039** |
| Collateral and other credit enhancements | 8,054 | 10,243 | 6,801 |
| **Net default loans and advances to customers (limited to zero)** | **-** | **-** | **-** |
| **Ratios:** | | | |
| Total impairments as a % of gross core loans and advances to customers | 0.92% | 0.99% | 0.99% |
| Total impairments as a % of gross default loans | >100% | >100% | 66.16% |
| Gross defaults as a % of gross core loans and advances to customers | 0.67% | 0.77% | 1.49% |
| Defaults (net of impairments) as a % of net core loans and advances to customers | (0.26%) | (0.22%) | 0.51% |
| Net defaults as a % of gross core loans and advances to customers | - | - | - |
| Annualised credit loss ratio (i.e. income statement impairment charge as a % of average gross core loans and advances) | (0.00%) | 0.05% | 0.09% |

## Capital structure

| USD '000 | 31 December 2013 | 31 March 2013 | 31 December 2012 |
|---|---|---|---|
| **Regulatory capital** | | | |
| **Tier 1** | | | |
| Stated capital | 56,478 | 56,478 | 56,478 |
| Retained income | 199,970 | 204,563 | 170,933 |
| Statutory reserves | 40,320 | 40,320 | 35,371 |
| **Total tier 1** | **296,768** | **301,361** | **262,782** |
| Less: deduction | (269) | (269) | (257) |
| | **296,499** | **301,092** | **262,525** |
| **Tier 2** | | | |
| General banking reserve | 2,764 | 2,745 | 2,911 |
| Portfolio provision | 7,261 | 7,150 | 7,308 |
| **Total tier 2** | **10,025** | **9,895** | **10,220** |
| Less: deduction | (7) | (7) | (7) |
| | **10,018** | **9,888** | **10,212** |
| **Total capital** | **306,517** | **310,980** | **272,737** |
| **Capital requirements** | **118,917** | **106,906** | **103,522** |
| Credit risk - prescribed standardised exposure classes | 108,600 | 96,750 | 93,262 |
| Corporates | 44,885 | 40,869 | 37,623 |
| Secured on real estate property | 36,569 | 39,413 | 39,704 |
| Short-term claims on institutions and corporates | 10,364 | 6,707 | 6,123 |
| Retail | 9 | 14 | 16 |
| Institutions | 14,115 | 8,818 | 8,758 |
| Other exposure classes | 2,658 | 928 | 1,039 |
| Equity risk - standardised approach | 3,082 | 3,108 | 3,375 |
| Listed equities | 20 | 17 | 14 |
| Unlisted equities | 3,062 | 3,091 | 3,361 |
| Aggregate net open foreign exchange position | 731 | 544 | 323 |
| Operational risk - standardised approach | 6,505 | 6,505 | 6,562 |

## Capital adequacy

| USD '000 | 31 December 2013 | 31 March 2013 | 31 December 2012 |
|---|---|---|---|
| **Primary capital (tier 1)** | 296,768 | 301,361 | 262,782 |
| less:deduction | (269) | (269) | (257) |
| | **296,499** | **301,092** | **262,525** |
| **Tier 2 capital** | 10,025 | 9,895 | 10,220 |
| less: deduction | (7) | (7) | (7) |
| | **10,018** | **9,888** | **10,212** |
| **Total capital** | **306,517** | **310,980** | **272,737** |
| **Risk-weighted assets** | **1,189,171** | **1,069,061** | **1,035,222** |
| Credit risk - prescribed standardised exposure classes | 1,086,004 | 967,498 | 932,621 |
| Corporates | 448,853 | 408,692 | 376,228 |
| Secured on real estate property | 365,692 | 394,134 | 397,037 |
| Short-term claims on institutions and corporates | 103,637 | 67,068 | 61,229 |
| Retail | 88 | 143 | 162 |
| Institutions | 141,153 | 88,181 | 87,578 |
| Other exposure classes | 26,581 | 9,280 | 10,387 |
| Equity risk - standardised approach | 30,816 | 31,082 | 33,753 |
| Listed equities | 196 | 174 | 143 |
| Unlisted equities | 30,620 | 30,908 | 33,610 |
| Aggregate net open foreign exchange position | 7,305 | 5,435 | 3,233 |
| Operational risk - standardised approach | 65,046 | 65,046 | 65,615 |
| **Capital adequacy ratio** | **25.8%** | **29.1%** | **26.3%** |
| Tier 1 ratio | 24.9% | 28.2% | 25.4% |

## Balance Sheet risk management

The tables that follow 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 31 December 2013**<br>**USD'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 | 358 | 96 | 50 | - | - | - | - | 504 |
| Investment/trading assets* | - | - | 2 | 1 | 21 | 101 | 154 | 279 |
| Advances | 14 | 21 | 20 | 81 | 110 | 474 | 102 | 822 |
| Other assets | - | - | - | - | - | - | 5 | 5 |
| **Assets** | **372** | **117** | **72** | **82** | **131** | **575** | **261** | **1,610** |
| Deposits - banks | - | - | - | - | - | - | - | - |
| Deposits - non-banks | (635) | (64) | (25) | (18) | (91) | (15) | - | (848) |
| Securities sold under repurchase agreement with banks | - | - | - | - | - | (18) | (102) | (120) |
| Other liabilities | - | - | - | (11) | - | - | - | (11) |
| **Liabilities** | **(635)** | **(64)** | **(25)** | **(29)** | **(91)** | **(33)** | **(102)** | **(979)** |
| Intercompany loans | 19 | - | (1) | - | (1) | (97) | (202) | (282) |
| **Shareholders' funds** | - | - | - | - | - | - | (337) | (337) |
| **Balance sheet** | **(244)** | **53** | **46** | **53** | **39** | **445** | **(380)** | **12** |
| Off balance sheet | - | 3 | (13) | - | - | (2) | - | (12) |
| **Contractual liquidity gap** | **(244)** | **56** | **33** | **53** | **39** | **443** | **(380)** | **-** |
| Cumulative liquidity gap | (244) | (188) | (155) | (102) | (63) | 380 | - | - |

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

| **At 31 December 2012**<br>**USD'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 | 181 | 69 | 30 | - | - | - | - | 280 |
| Investment/trading assets* | - | - | - | - | - | - | 228 | 228 |
| Advances | 13 | 2 | 20 | 83 | 63 | 578 | 33 | 792 |
| Other assets | - | - | - | 14 | - | - | - | 14 |
| **Assets** | **194** | **71** | **50** | **97** | **63** | **578** | **261** | **1,314** |
| Deposits - banks | - | (4) | - | - | - | - | - | (4) |
| Deposits - non-banks | (337) | (193) | (75) | (2) | (35) | (39) | - | (681) |
| Repurchase agreements with banks | (3) | - | - | - | - | - | (61) | (64) |
| Other liabilities | - | - | (4) | (7) | - | - | - | (11) |
| **Liabilities** | **(340)** | **(197)** | **(79)** | **(9)** | **(35)** | **(39)** | **(61)** | **(760)** |
| Intercompany loans | 11 | (3) | (6) | - | - | (35) | (220) | (253) |
| **Shareholders' funds** | - | - | - | - | - | - | (298) | (298) |
| **Balance sheet** | **(135)** | **(129)** | **(35)** | **88** | **28** | **504** | **(318)** | **3** |
| Off balance sheet | - | (1) | (3) | - | 1 | - | - | (3) |
| **Contractual liquidity gap** | **(135)** | **(130)** | **(38)** | **88** | **29** | **504** | **(318)** | **-** |
| Cumulative liquidity gap | (135) | (265) | (303) | (215) | (186) | 318 | - | - |

## Behavioural liquidity

| At 31 December 2013<br>USD'million | Demand | Up to one month | One to three months | Three to six months | Six months to one year | One to five years | > five years | Total |
|---|---|---|---|---|---|---|---|---|
| **Behavioural Liquidity Gap** | **235** | **91** | **58** | **71** | **146** | **167** | **(768)** | **-** |
| Cumulative | 235 | 326 | 384 | 455 | 601 | 768 | - | |

| At 31 March 2013<br>USD'million | Demand | Up to one month | One to three months | Three to six months | Six months to one year | One to five years | > five years | Total |
|---|---|---|---|---|---|---|---|---|
| **Behavioural Liquidity Gap** | **162** | **27** | **89** | **(46)** | **109** | **310** | **(651)** | **-** |
| Cumulative | 162 | 189 | 278 | 232 | 341 | 651 | - | |

| At 31 December 2012<br>USD'million | Demand | Up to one month | One to three months | Three to six months | Six months to one year | One to five years | > five years | Total |
|---|---|---|---|---|---|---|---|---|
| **Behavioural Liquidity Gap** | **144** | **17** | **(33)** | **89** | **51** | **341** | **(609)** | |
| Cumulative | 144 | 161 | 128 | 217 | 268 | 609 | - | |

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

| At 31 December 2013<br>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 | 504 | - | - | - | - | - | 504 |
| Investment/trading assets | 23 | - | 5 | 80 | 102 | 69 | 279 |
| Advances | 546 | 100 | 58 | 41 | 77 | - | 822 |
| Other assets | - | - | - | - | - | 5 | 5 |
| **Assets** | **1,073** | **100** | **63** | **121** | **179** | **74** | **1,610** |
| Deposits - banks | - | - | - | - | - | - | - |
| Deposits - non-banks | (725) | (18) | (91) | (14) | - | - | (848) |
| Repurchase agreements with banks | (120) | - | - | - | - | - | (120) |
| Other liabilities | - | - | - | - | - | (11) | (11) |
| **Liabilities** | **(845)** | **(18)** | **(91)** | **(14)** | **-** | **(11)** | **(979)** |
| Intercompany loans | (125) | - | (1) | (62) | (94) | - | (282) |
| **Shareholders' funds** | - | - | - | - | - | (337) | **(337)** |
| **Balance sheet** | **103** | **82** | **(29)** | **45** | **85** | **(274)** | **12** |
| Off balance sheet | 107 | (5) | 23 | (113) | (24) | - | (12) |
| **Repricing gap** | **210** | **77** | **(6)** | **(68)** | **61** | **(274)** | **-** |
| Cumulative repricing gap | 210 | 287 | 281 | 213 | 274 | - | - |

| At 31 March 2013<br>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 | 346 | - | - | - | - | - | 346 |
| Investment/trading assets | 42 | - | - | - | 112 | 69 | 223 |
| Advances | 714 | 25 | 7 | 26 | - | - | 772 |
| Other assets | - | - | - | - | - | 6 | 6 |
| **Assets** | **1,102** | **25** | **7** | **26** | **112** | **75** | **1,347** |
| Deposits - banks | (4) | - | - | - | - | - | (4) |
| Deposits - non-banks | (564) | (15) | (45) | (43) | - | - | (667) |
| Securities sold under repurchase agreement | (119) | - | - | - | - | - | (119) |
| Other liabilities | - | - | - | - | - | (8) | (8) |
| **Liabilities** | **(687)** | **(15)** | **(45)** | **(43)** | **-** | **(8)** | **(798)** |
| Intercompany loans | (134) | - | (2) | (18) | (91) | - | (245) |
| **Shareholders' funds** | - | - | - | - | - | (304) | (304) |
| **Balance sheet** | **281** | **10** | **(40)** | **(35)** | **21** | **(237)** | **-** |
| Off-balance sheet | (21) | (1) | 17 | 5 | - | - | - |
| **Repricing gap** | **260** | **9** | **(23)** | **(30)** | **21** | **(237)** | **-** |
| Cumulative repricing gap | 260 | 269 | 246 | 216 | 237 | - | - |

| At 31 December 2012<br>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 | 280 | - | - | - | - | - | 280 |
| Investment/trading assets | 46 | - | - | (1) | 111 | 72 | 228 |
| Advances | 725 | 52 | 4 | 11 | - | - | 792 |
| Other assets | - | - | - | - | - | 14 | 14 |
| **Assets** | **1,051** | **52** | **4** | **10** | **111** | **86** | **1,314** |
| Deposits - banks | (4) | - | - | - | - | - | (4) |
| Deposits - non-banks | (605) | (2) | (38) | (36) | - | - | (681) |
| Repurchase agreements with banks | (64) | - | - | - | - | - | (64) |
| Other liabilities | - | - | - | - | - | (11) | (11) |
| **Liabilities** | **(673)** | **(2)** | **(38)** | **(36)** | **-** | **(11)** | **(760)** |
| Intercompany loans | (140) | - | (2) | - | (111) | - | (253) |
| **Shareholders' funds** | - | - | - | - | - | (298) | (298) |
| **Balance sheet** | **238** | **50** | **(36)** | **(26)** | **-** | **(223)** | **3** |
| Off balance sheet | (38) | - | 20 | 15 | - | - | (3) |
| **Repricing gap** | **200** | **50** | **(16)** | **(11)** | **-** | **(223)** | **-** |
| Cumulative repricing gap | 200 | 250 | 234 | 223 | 223 | - | - |

### Economic value sensitivity

Our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention, 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) | | | | | |
|---|---|---|---|---|---|---|
| **As at<br>'million** | **ZAR** | **GBP** | **USD** | **EUR** | **AUD** | **All (USD)** |
| **31 December 2013** | | | | | | |
| 200bp Down | 0.99 | 4.18 | 2.54 | 0.57 | 0.24 | **10.54** |
| 200bp Up | (0.88) | (3.55) | (2.51) | (0.52) | (0.24) | **(9.39)** |
| **31 March 2013** | | | | | | |
| 200bp Down | (0.39) | 0.34 | 2.86 | 0.31 | (0.04) | **3.70** |
| 200bp Up | 0.50 | (0.33) | (2.68) | (0.26) | 0.04 | **(3.41)** |
| **31 December 2012** | | | | | | |
| 200bp Down | (0.55) | 0.06 | 0.75 | 0.33 | -0.78 | **0.41** |
| 200bp Up | 0.62 | (0.20) | (2.84) | (0.49) | 0.75 | **(2.97)** |

### 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 |
|---|---|---|---|---|---|---|
| **31 December 2013** | | | | | | |
| Long/(short) position | (627) | 484 | 16 | (700) | 6,805 | **7,305** |
| **31 March 2013** | | | | | | |
| Long/(short) position | (38) | 1,764 | - | 281 | 3,390 | **5,435** |
| **31 December 2012** | | | | | | |
| Long/(short) position | 291 | 957 | 1 | 49 | 1,935 | **3,233** |