

Investec Bank (Mauritius) Limited

Unaudited financial reports for the quarter ended 30 June 2015

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





Unaudited financial report for the quarter ended 30 June 2015

The unaudited financial report for the quarter ended 30 June 2015 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

Total operating income decreased by US\$4.9 million from US\$24.7 million for the quarter ended 30 June 2014 to US\$19.8 million for the quarter ended 30 June 2015 as a result of the following:

- Net interest income decreased by US\$2.1 million,
- Net fee and commission income decreased by US\$0.8 million,
- Net trading income decreased by US\$1.7 million, and
- Net gain on financial instruments designated at fair value through profit or loss decreased by US\$0.7 million.

Loss on disposal of loans and advances amounted to US\$1.3 million for the quarter ended 30 June 2014.

Operating expenses decreased slightly by 3% primarily due to the appreciation of the US Dollar against the South African Rand and the Mauritian Rupee.

Profit after tax amounted to US\$16.8 million for the quarter ended 30 June 2015 as compared to US\$20.5 million for the quarter ended 30 June 2014 mainly due to the decrease in total operating income referred to above.

Loans and advances to customers decreased by 1% to US\$916.3 million while external deposits increased by 10.5% to US\$858.5 million for the quarter ended 30 June 2015.

The bank remains well capitalised with a capital adequacy ratio of 30.4% as at 30 June 2015 with tier 1 capital representing 97% of the capital base.



Related party transactions, policies and practices

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

The conduct review committee which consists of three non-executive directors, approves, reviews and monitors the related party transactions. The committee meets at least once every quarter to review all related party transactions initiated in the preceding quarter. After each meeting the matters approved and reviewed by the conduct review committee are reported to the board of directors. The bank reports on the proceedings of the conduct review committee during the year to the Bank of Mauritius on a yearly basis.

At 30 June 2015, the total on and off-balance sheet credit exposure to related parties amounted to US\$98.6 million (31 March 2015 – US\$85.5 million) representing 5.8% (31 March 2015 – 5.4%) of the bank's total exposure. The credit exposure to the six related parties with the highest exposure amounted to US\$97.6 million (31 March 2015 – US\$85.0 million) representing 25.9% (31 March 2015 – 22.5%) 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

Net interest and fee income is expected to increase slightly over the next quarter while assets are expected to remain stable.

David M Lawrence
Chairman
Board of directors

Pierre de Chasteigner du Mée
Chairman
Corporate governance committee

Craig C McKenzie
Chief executive officer

Dated: 14 August 2015



Statement of financial position

US\$'000	30 June 2015	31 March 2015	30 June 2014
Assets			
Cash and balances with central bank	7,169	9,337	14,391
Due from banks	296,324	256,603	331,065
Reverse repurchase agreement	-	13,987	49,929
Derivative financial instruments	21,181	29,110	39,329
Investment securities	234,915	216,701	245,901
Amount due from holding bank	200,713	125,634	88,608
Amount due from group companies	3,395	3,693	3,092
Loans and advances to customers	916,282	925,913	865,741
Investment in associate	4,915	4,915	4,915
Equipment	401	409	317
Deferred tax assets	310	310	293
Other assets	2,190	3,284	34,562
Total assets	1,687,795	1,589,896	1,678,143
Liabilities			
Securities sold under repurchase agreement with banks	109,681	110,025	122,170
Derivative financial instruments	1,753	1,038	12,952
Amount due to holding bank	42,677	43,182	38,444
Amount due to group companies	10,154	9,459	10,280
Due to customers	858,486	777,206	847,060
Debt securities issued	251,837	249,512	266,323
Current tax liabilities	1,822	1,582	1,347
Other liabilities	10,490	13,347	9,100
Total liabilities	1,286,900	1,205,351	1,307,676
Equity			
Stated capital	56,478	56,478	56,478
Retained earnings	283,550	266,667	51,868
Other reserves	60,867	61,400	262,121
Total equity	400,895	384,545	370,467
Total liabilities and equity	1,687,795	1,589,896	1,678,143



Statement of profit or loss

US\$'000	Quarter ended		Year ended
	30 June 2015	30 June 2014	31 March 2015
Interest income	15,317	18,828	69,368
Interest expense	(2,669)	(4,041)	(12,940)
Net interest income	12,648	14,787	56,428
Fee and commission income	2,231	3,478	10,815
Fee and commission expense	(475)	(960)	(3,036)
Net fee and commission income	1,756	2,518	7,779
Net trading income/ (loss)	582	2,282	(2,056)
Net gain on financial instruments designated at fair value through profit or loss	4,355	5,093	3,439
Net other operating income	454	24	539
Total operating income	19,795	24,704	66,129
Impairment (loss)/ reversal on loans and advances	(12)	135	2,359
Loss on disposal of loans and advances	-	(1,273)	-
Net operating income	19,783	23,566	68,488
Personnel expenses	(1,292)	(1,411)	(5,810)
Depreciation of equipment	(31)	(33)	(125)
Other operating expenses	(1,445)	(1,422)	(5,466)
Total operating expenses	(2,769)	(2,866)	(11,401)
Profit before tax	17,015	20,700	57,087
Income tax expense	(242)	(240)	(2,630)
Profit for the period/year	16,773	20,460	54,457
Analysed as follows:			
Transfer to statutory reserve	-	-	8,169
Transfer to retained earnings	16,773	20,460	46,288
Profit attributable to equity holder of the bank	16,773	20,460	54,457

Statement of other comprehensive income

US\$'000	Quarter ended		Year ended
	30 June 2015	30 June 2014	31 March 2015
Profit for the period/year	16,773	20,460	54,457
Other comprehensive loss to be reclassified to profit or loss in subsequent period			
- Fair value movements on available-for-sale assets	(423)	(399)	(482)
Total comprehensive income for the period/year	16,350	20,061	53,975
Attributable to:			
Equity holder of the bank	16,350	20,061	53,975



Statement of changes in equity

US\$'000	Stated capital	Available-for-sale reserve	General banking reserve	Statutory reserve	Retained earnings	Total
At 1 April 2015	56,478	(83)	6,109	55,374	266,667	384,545
Movement in reserves 1 April 2015 - 30 June 2015						
Total comprehensive income						
Profit for the period	-	-	-	-	16,773	16,773
Other comprehensive loss	-	(423)	-	-	-	(423)
Total comprehensive income for the period	-	(423)	-	-	16,773	16,350
Appropriations from other reserves	-	-	(110)	-	110	-
Balance at 30 June 2015	56,478	(506)	5,999	55,374	283,550	400,895
At 1 April 2014	56,478	399	4,687	47,205	241,637	350,406
Movement in reserves 1 April 2014 - 31 March 2015						
Total comprehensive income						
Profit for the year	-	-	-	-	54,457	54,457
Other comprehensive loss	-	(482)	-	-	-	(482)
Total comprehensive income for the year	-	(482)	-	-	54,457	53,975
Appropriations to other reserves	-	-	1,422	8,169	(9,591)	-
Ordinary dividend paid	-	-	-	-	(19,836)	(19,836)
Balance at 31 March 2015	56,478	(83)	6,109	55,374	266,667	384,545
At 1 April 2014	56,478	399	4,687	47,205	241,637	350,406
Movement in reserves 1 April 2014 - 30 June 2014						
Total comprehensive income						
Profit for the period	-	-	-	-	20,460	20,460
Other comprehensive loss	-	(399)	-	-	-	(399)
Total comprehensive income for the period	-	(399)	-	-	20,460	20,061
Appropriations to other reserves	-	-	(24)	-	24	-
Balance at 30 June 2014	56,478	-	4,663	47,205	262,121	370,467



Statement of cash flows

US\$'000	30 June 2015	31 March 2015	30 June 2014
Operating activities			
Profit before tax	17,015	57,087	20,700
Adjustments for:			
Change in operating assets	(59,771)	33,860	79,303
Change in operating liabilities	79,325	(84,027)	(10,426)
Reverse repurchase agreements made with banks		(13,984)	
Non-cash item included in profit before income tax	(6,966)	(4,716)	(3,902)
Income tax paid	-	(2,170)	-
Net cash flows generated from/ (used in) operating activities	29,603	(13,950)	85,675
Investing activities			
Purchase of investment securities	(16,301)	(1,867)	-
Proceeds from disposal of investment securities	3,188	27,969	3,494
Purchase of equipment	(23)	(203)	-
Net cash flows (used in)/ generated from investing activities	(13,136)	25,899	3,494
Financing activities			
Repurchase agreements made with banks	13,987	-	(49,929)
Ordinary dividend paid	-	(19,836)	-
Redemption of preference shares	-	(256,841)	-
Issue of preference shares	-	256,841	-
Net cash flows generated from/ (used in) financing activities	13,987	(19,836)	(49,929)
Net increase/ (decrease) in cash and cash equivalents	30,454	(7,887)	39,240
Net foreign exchange differences	2,884	(23,294)	5,906
Cash and cash equivalents at beginning of the period/year	264,147	295,328	295,328
Cash and cash equivalents at end of the period/year	297,485	264,147	340,474



Notes to the unaudited financial accounts for the quarter ended 30 June 2015

1. General information

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

2. Significant accounting policies

(a) Statement of compliance

The financial reports for the quarter ended 30 June 2015 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 2015.

(c) Functional currency of the bank

The bank's functional currency is USD.



Notes to the unaudited financial accounts for the quarter ended 30 June 2015

3. Related party transactions

US\$'000	30 June 2015	31 March 2015	30 June 2014
Net fair value of derivatives held with group companies	860	10,833	(11,051)
Interest income	1,727	1,000	462
Interest expense	(134)	(588)	(151)
Loans and advances	57,098	52,206	82,187
Deposits	(5,950)	(3,721)	(5,630)
Net amount due to group companies	151,277	76,686	42,976

Terms and conditions of transactions with related parties

The abovementioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates. Loans and advances to related parties at 30 June 2015 were secured. For the period ended 30 June 2015, the bank has not made any impairment relating to amounts owed by related parties (31 March 2015: Nil and 30 June 2014: Nil).



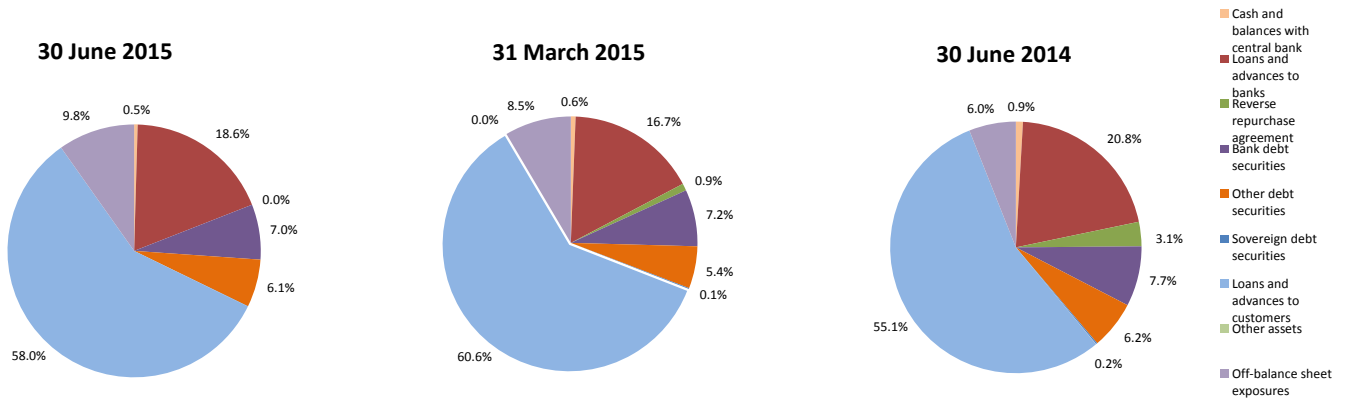
Credit and counterparty risk information

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

US\$'000	30 June 2015	31 March 2015	30 June 2014	30 June 2015 vs 31 March 2015 % change	Average*
On-balance sheet exposures	1,436,409	1,408,685	1,494,080	(3.9)	1,422,547
Cash and balances with central bank	7,167	9,335	14,387	(23.2)	8,251
Loans and advances to banks	296,324	256,603	331,065	15.5	276,463
Reverse repurchase agreement	-	13,987	49,929	>100	6,994
Investment securities - bank debt securities	112,123	111,576	122,945	0.5	111,849
Investment securities - other debt securities	97,135	82,897	98,598	17.2	90,016
Investment securities - sovereign debt securities	714	1,642	2,638	100.0	1,178
Derivative financial instruments	-	79	481	(100.0)	40
Loans and advances to customers	922,946	932,566	873,972	(1.0)	927,756
Other assets	-	-	65	-	-
Off-balance sheet exposures	156,021	130,762	95,766	62.9	143,392
Guarantees [^]	25,874	16,447	20,972	57.3	21,161
Contingent liabilities, committed facilities and other	130,147	114,315	74,794	13.8	122,231
Total gross credit and counterparty exposures pre collateral or other credit enhancements	1,592,430	1,539,447	1,589,846	3.4	1,565,939

*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

US\$'000	30 June 2015	31 March 2015	30 June 2014
Gross core loans and advances to customers	922,946	932,566	873,972
Total impairments	(6,664)	(6,653)	(8,231)
Portfolio impairments	(6,664)	(6,653)	(8,154)
Specific impairments	-	-	(77)
Net core loans and advances to customers	916,282	925,913	865,741
Average gross core loans and advances to customers	927,756	915,818	886,520
Current loans and advances to customers	869,247	928,327	836,747
Past due and default core loans and advances to customers	53,699	4,239	37,225
Past due loans and advances to customers (1-60 days)	27,791	2,661	34,221
Special mention loans and advances to customers	24,555	1,142	-
Default loans and advances to customers	1,353	436	3,004
Gross core loans and advances to customers	922,945	932,566	873,972
Current loans and advances to customers	869,247	928,327	836,747
Gross core loans and advances to customers that are past due but not impaired	53,699	4,239	37,148
Gross core loans and advances to customers that are impaired	-	-	77
Gross core loans and advances to customers	922,946	932,566	873,972
Total income statement (charge)/reversal for impairments on core loans and advances	(12)	2,359	(1,138)
Gross default loans and advances to customers	1,353	436	3,004
Specific impairments	-	-	(77)
Portfolio impairments	(6,664)	(6,653)	(8,154)
Defaults net of impairments	(5,311)	(6,217)	(5,226)
Collateral and other credit enhancements	4,180	1,136	3,360
Net default loans and advances to customers (limited to zero)	-	-	-
Ratios:			
Total impairments as a % of gross core loans and advances to customers	0.72%	0.71%	0.94%
Total impairments as a % of gross default loans	>100%	>100%	>100%
Gross defaults as a % of gross core loans and advances to customers	0.15%	0.05%	0.34%
Defaults (net of impairments) as a % of net core loans and advances to customers	(0.58%)	(0.67%)	(0.60%)
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average gross core loans and advances)	0.00%	(0.26%)	0.51%



Capital structure

US\$'000	30 June 2015	31 March 2015	30 June 2014
Capital Base			
Paid up or assigned capital	56,478	56,478	56,478
Statutory reserve	55,374	55,374	47,205
Retained earnings	265,314	266,666	239,849
<i>Deductions</i>			
Loss on available-for-sale securities	(506)	(83)	-
Deferred tax	(310)	(310)	(293)
Core capital (Tier 1)	376,350	378,126	343,239
Net core capital (A)	376,350	378,126	343,239
General banking reserve	5,999	6,109	4,663
Portfolio provisions	6,664	6,653	8,154
Supplementary capital (Tier 2)	12,663	12,762	12,817
Net supplementary capital (B)	12,663	12,762	12,817
Capital base (A + B)	389,014	390,888	356,056
Risk-weighted assets			
Risk-weighted on-balance sheet assets	1,094,130	1,071,147	1,081,995
Non-market related off-balance sheet risk-weighted assets	85,058	84,328	64,934
Market related off-balance sheet risk-weighted assets	6,439	12,286	15,323
Operational risk	90,767	90,767	79,233
Aggregate net open foreign exchange position	2,065	1,049	11,631
Total risk-weighted assets	1,278,458	1,259,577	1,253,116
Capital adequacy ratio (%)	30.4%	31.0%	28.4%
Tier 1 ratio	29.4%	30.0%	27.4%

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

US\$'000	Balance sheet amount	Amounts included for regulatory purposes
Paid in capital and qualifying capital instruments	56,478	56,478
Retained earnings	283,550	265,314
Other reserves	60,867	54,868
Qualifying common equity tier 1 capital before regulatory adjustments	400,895	376,660
Regulatory adjustments	-	(310)
Qualifying common equity tier 1 capital (CET1)	400,895	376,350
Additional Tier 1 capital after regulatory	-	-
Qualifying tier 1 capital	400,895	376,350
Tier 2 capital after regulatory adjustments and general allowance for credit impairments (T2)	-	12,663
Total qualifying capital	400,895	389,013



Capital structure

US\$'000	30 June 2015			31 March 2015	30 June 2014
Risk-weighted on-balance sheet assets	Exposures amount	Risk-weights %	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets
Cash items	2	0%	-	-	-
Claims on sovereigns	87,534	50%-100%	53,539	33,732	44,668
Claims on central banks and international institutions	7,167	0%-50%	3,048	2,300	4,376
Claims on multilateral development banks (MDBs)	13,676	50%	6,838	10,359	7,455
Claims on banks	631,798	20%-50%	178,543	173,967	185,559
Claims on corporates	545,643	20%-100%	532,965	478,422	431,125
Claims included in the regulatory retail portfolio	64	75%	48	99	81
Claims secured by residential property	44,781	35%-125%	29,187	24,160	26,479
Claims secured by commercial real estate	250,370	100%-125%	253,870	315,497	313,643
Past due claims	361	100%-150%	541	436	2,195
Other assets	35,551	100%	35,551	32,175	66,414
Total on-balance sheet credit risk-weighted	1,616,947		1,094,130	1,071,147	1,081,995



Risk-weighted assets

US\$'000	30 June 2015				31 March 2015	30 June 2014
	Notional amount	Credit conversion factor %	Credit equivalent amount	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets
Non-market related off-balance sheet risk-weighted assets						
Direct credit substitutes	10,479	100	10,479	5,615	6,836	3,541
Transaction-related contingent items	15,383	50	7,691	7,084	5,477	8,917
Total other commitments	228,075	-	72,557	72,359	72,015	52,476
Total non-market-related off-balance sheet risk-weighted credit exposures	253,937		90,727	85,058	84,328	64,934

US\$'000	30 June 2015				31 March 2015	30 June 2014	
	Notional principal amount	Potential future exposure	Current exposure	Credit equivalent amount	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets
Market related off-balance sheet risk-weighted assets							
Interest rate contracts	130,810	879	41	920	460	474	1,826
Foreign exchange and gold contracts	448,616	6,966	2,572	9,538	3,665	9,674	4,145
Other market-related contracts	-	-	18,567	18,567	2,313	2,138	9,352
Total market-related off-balance sheet risk-weighted credit exposures	579,426	7,845	21,180	29,025	6,439	12,286	15,323



Balance Sheet risk management

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

With respect to the contractual liquidity mismatch:

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

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

With respect to the behavioural liquidity mismatch:

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

Contractual liquidity

At 30 June 2015 US\$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> five years	Total
Cash and short-term funds - banks	156	69	78	-	-	-	-	303
Investment/trading assets	-	-	1	1	3	193	60	258
Advances	17	52	72	57	72	490	156	916
Other assets	-	-	-	-	-	-	3	3
Assets	173	121	151	58	75	683	219	1,480
Deposits - non-banks	(696)	(26)	(14)	(38)	(51)	(33)	-	(858)
Securities sold under repurchase agreement	(6)	-	-	-	-	(104)	-	(110)
Other liabilities	(7)	-	-	(5)	-	-	-	(12)
Liabilities	(709)	(26)	(14)	(43)	(51)	(137)	-	(980)
Intercompany loans	95	60	-	(4)	-	(149)	(102)	(100)
Shareholders' funds	-	-	-	-	-	-	(401)	(401)
Balance sheet	(441)	155	137	11	24	397	(284)	(1)
Off-balance sheet	-	-	-	-	2	(2)	1	1
Contractual liquidity gap	(441)	155	137	11	26	395	(283)	-
Cumulative liquidity gap	(441)	(286)	(149)	(138)	(112)	283	-	-

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	-	-	3	4	3	185	44	239
Advances	6	85	87	59	100	486	102	925
Other assets	-	-	-	-	-	-	4	4
Assets	176	117	168	63	103	671	150	1,448
Deposits - non-banks	(630)	(48)	(38)	(23)	(11)	(27)	-	(777)
Securities sold under repurchase agreement	(7)	-	-	-	-	(103)	-	(110)
Other liabilities	(8)	-	-	(6)	-	-	-	(14)
Liabilities	(645)	(48)	(38)	(29)	(11)	(130)	-	(901)
Intercompany loans	118	-	(1)	(36)	(6)	(147)	(101)	(173)
Shareholders' funds	-	-	-	-	-	-	(385)	(385)
Balance sheet	(351)	69	129	(2)	86	394	(336)	(11)
Off-balance sheet	-	6	-	-	-	5	-	11
Contractual liquidity gap	(351)	75	129	(2)	86	399	(336)	-
Cumulative liquidity gap	(351)	(276)	(147)	(149)	(63)	336	-	-

At 30 June 2014 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	264	50	81	-	-	-	-	395
Investment/trading assets	-	1	21	1	2	157	106	288
Advances	5	5	24	129	126	462	115	866
Other assets	-	-	-	-	-	-	35	35
Assets	269	56	126	130	128	619	256	1,584
Deposits - banks	-	-	-	-	-	-	-	-
Deposits - non-banks	(658)	(40)	(29)	(67)	(41)	(12)	-	(847)
Securities sold under repurchase agreement	-	-	-	-	-	(72)	(50)	(122)
Other liabilities	(3)	-	-	(7)	-	-	-	(10)
Liabilities	(661)	(40)	(29)	(74)	(41)	(84)	(50)	(979)
Intercompany loans	12	-	68	(2)	(3)	(146)	(153)	(224)
Shareholders' funds	-	-	-	-	-	-	(370)	(370)
Balance sheet	(380)	16	165	54	84	389	(317)	11
Off-balance sheet	-	(2)	-	-	(1)	(8)	-	(11)
Contractual liquidity gap	(380)	14	165	54	83	381	(317)	-
Cumulative liquidity gap	(380)	(366)	(201)	(147)	(64)	317	-	-



Behavioural liquidity

At 30 June 2015 US\$ million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> five years	Total
Behavioural liquidity gap	138	158	92	131	89	97	(705)	-
Cumulative	138	296	388	519	608	705	-	-

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
Behavioural liquidity gap	196	103	116	76	97	129	(717)	-
Cumulative	196	299	415	491	588	717	-	-

At 30 June 2014 US\$ million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> five years	Total
Behavioural liquidity gap	134	45	176	120	122	121	(718)	-
Cumulative	134	179	355	475	597	718	-	-

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, otherwise known as interest rate risk in the banking book, the delivery of products and services to our customers.

Sources of interest rate risk include:

- Repricing risk: Arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive portfolios
- Yield curve risk: Repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- Basis risk: Arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- Optionality: The bank is not materially exposed to optionality risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while prepayment optionality is restricted to variable rate contracts and has no impact on interest rate risk.

The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest income and the economic value of equity.

Interest rate sensitivity gap

The tables below show our non-trading interest rate mismatch. These exposures affected the interest rate margin realised between lending income and borrowing costs assuming no management intervention. The bank's assets and liabilities are included at carrying amount and are categorised by earlier of contractual repricing or maturity date.

At 30 June 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	303	-	-	-	-	-	303
Investment/trading assets	11	-	1	169	16	61	258
Advances	695	92	28	53	48	-	916
Other assets	-	-	-	-	-	3	3
Assets	1,009	92	29	222	64	64	1,480
Deposits - banks	-	-	-	-	-	-	-
Deposits - non-banks	(736)	(38)	(51)	(33)	-	-	(858)
Repurchase agreements with banks	(92)	(18)	-	-	-	-	(110)
Other liabilities	-	-	-	-	-	(12)	(12)
Liabilities	(828)	(56)	(51)	(33)	-	(12)	(980)
Intercompany loans	49	-	-	(149)	-	-	(100)
Shareholders' funds	-	-	-	-	-	(401)	(401)
Balance sheet	230	36	(22)	40	64	(349)	(1)
Off balance sheet	135	(2)	12	(122)	(22)	-	1
Repricing gap	365	34	(10)	(82)	42	(349)	-
Cumulative repricing gap	365	399	389	307	349	-	-

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	14	3	1	162	3	56	239
Advances	785	15	23	55	45	2	925
Other assets	-	-	-	-	-	4	4
Assets	1,079	18	24	217	48	62	1,448
Deposits - banks	-	-	-	-	-	-	-
Deposits - non-banks	(700)	(39)	(11)	(27)	-	-	(777)
Securities sold under repurchase agreement	(110)	-	-	-	-	-	(110)
Other liabilities	-	-	-	-	-	(14)	(14)
Liabilities	(810)	(39)	(11)	(27)	-	(14)	(901)
Intercompany loans	(25)	(1)	-	(147)	-	-	(173)
Shareholders' funds	-	-	-	-	-	(385)	(385)
Balance sheet	244	(22)	13	43	48	(337)	(11)
Off-balance sheet	144	(3)	1	(120)	(11)	-	11
Repricing gap	388	(25)	14	(77)	37	(337)	-
Cumulative repricing gap	388	363	377	300	337	-	-



At 30 June 2014 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	395	-	-	-	-	-	395
Investment/trading assets	24	-	6	126	51	81	288
Advances	669	56	37	22	82	-	866
Other assets	-	-	-	-	-	35	35
Assets	1,088	56	43	148	133	116	1,584
Deposits - non-banks	(725)	(66)	(44)	(12)	-	-	(847)
Repurchase agreements with banks	(122)	-	-	-	-	-	(122)
Other liabilities	-	-	-	-	-	(10)	(10)
Liabilities	(847)	(66)	(44)	(12)	-	(10)	(979)
Intercompany loans	(29)	(35)	(3)	(112)	(45)	-	(224)
Shareholders' funds	-	-	-	-	-	(370)	(370)
Balance sheet	212	(45)	(4)	24	88	(264)	11
Off balance sheet	113	11	(13)	(101)	(21)	-	(11)
Repricing gap	325	(34)	(17)	(77)	67	(264)	-
Cumulative repricing gap	325	291	274	197	264	-	-

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.

As at 'million	Sensitivity to the following interest rates (expressed in original currencies)					
	ZAR	GBP	USD	EUR	AUD	All (USD)
30 June 2015	(0.94)	2.91	1.00	0.37	0.09	5.97
200bp Down	0.96	(2.54)	(1.01)	(0.35)	(0.09)	(5.38)
200bp Up	-	-	-	-	-	-
31 March 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)
30 June 2014						
200bp Down	(0.56)	4.35	2.36	(0.05)	0.19	9.86
200bp Up	0.61	(3.76)	(2.14)	0.05	(0.19)	(8.61)

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 exchange position
30 June 2015						
Long/(short) position	(436)	371	21	158	1,515	2,065
31 March 2015						
Long/(short) position	60	(449)	22	(135)	967	1,049
30 June 2014						
Long/(short) position	(1,316)	(159)	21	(116)	11,610	11,631