

Out of the Ordinary®



Specialist Bank and  
Asset Manager

## **Investec Bank (Mauritius) Limited**

Unaudited financial reports for the six months ended 30 September 2016

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





## Unaudited financial report for the six months ended 30 September 2016

The unaudited financial report for the six months ended 30 September 2016 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 group's performance

Operating income decreased by 44% to US\$18.0 million for the six months ended 30 September 2016 from US\$32.4 million for the comparative period mainly due to the following:

- Net interest income decreased by US\$2.8 million due to a contraction in margin as a result of lower average advances to customers and significantly higher cash balances.
- Net fee and commission income decreased by US\$0.5 million as a result of a lower deal activity.
- Investment loss amounted to a loss of US\$2.6 million as compared to a gain of US\$5.9 million for the comparative period.
- Net trading loss stood at US\$2.6 million as compared to US\$2.2 million for the comparative period.

Impairment loss stood at US\$2.6 million as compared to US\$0.4 for the comparative period.

Operating expenses remained stable at US\$5.7 million.

The share of result in associate amounted to US\$0.3 million as compared to a loss of US\$0.7 million for the comparative period.

Profit after tax decreased to US\$11.8 million for the six months ended 30 September 2016 from US\$24.5 million for the comparative period mainly due to the decrease in operating income referred to above.

Loans and advances to customers increased by 3.7% to US\$923.8 million and cash holdings increased to US\$810.9 million while external deposits increased by 15.8% to US\$1,248 million for the period ended 30 September 2016, negatively impacting net interest margin.

The group remains well capitalised with a capital adequacy ratio of 25.7% as at 30 September 2016, well in excess of regulatory requirements, 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 the related party transactions. 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 September 2016, the total on and off-balance sheet credit exposure to related parties amounted to US\$80.3 million (31 March 2016 – US\$85.6 million) representing 4.0% (31 March 2016 – 4.6%) of the bank's total exposure. The credit exposure to the six related parties with the highest exposure amounted to US\$79.5 million (31 March 2016 – US\$85.5 million) representing 22.5% (31 March 2016 – 24.1%) of Tier 1 Capital. All 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 income and net fee income are expected to improve in the next quarter as loans and advances to customers are forecast to grow.

Handwritten signature of David M Lawrence in blue ink.

David M Lawrence  
**Chairman**  
**Board of directors**

Handwritten signature of Pierre de Chasteigner du Mée in blue ink.

Pierre de Chasteigner du Mée  
**Director**

Handwritten signature of Craig C McKenzie in blue ink.

Craig C McKenzie  
**Chief executive officer/Director**

Dated: 14 November 2016



## Consolidated balance sheets

As at US\$'000	Group		Bank		Group and Bank 30 September 2015
	30 September 2016	31 March 2016	30 September 2016	31 March 2016	
<b>Assets</b>					
Cash and balances at central bank	11,147	9,947	11,147	9,947	7,453
Due from banks	810,875	682,160	810,875	682,160	546,449
Bank debt securities	110,380	112,357	110,380	112,357	111,125
Other debt securities	92,666	95,699	92,666	95,699	97,936
Derivative financial instruments	23,413	25,289	23,413	25,289	21,245
Investment portfolio	18,112	17,045	18,112	17,045	22,748
Loans and advances to customers	923,785	891,098	923,785	891,098	929,387
Interest in associated undertakings	4,100	3,720	4,100	3,720	3,835
Deferred taxation assets	116	116	116	116	310
Other assets	2,744	2,476	2,744	2,476	3,365
Equipment	327	337	327	337	375
Amount due from group companies	3,835	3,536	4,177	3,958	3,512
Investment in subsidiary	-	-	17	17	17
<b>Total assets</b>	<b>2,001,501</b>	<b>1,843,780</b>	<b>2,001,859</b>	<b>1,844,219</b>	<b>1,747,757</b>
<b>Liabilities</b>					
Derivative financial instruments	5,103	6,610	5,103	6,610	1,523
Repurchase agreements	105,870	108,260	105,870	108,260	108,949
Customer accounts (deposits)	1,248,310	1,077,907	1,248,310	1,077,907	934,798
Debt securities in issue	252,457	253,547	252,457	253,547	251,981
Amount due to group companies	6,544	9,684	6,544	9,684	27,289
Current taxation liabilities	368	334	368	334	607
Other liabilities	8,928	27,555	8,876	27,555	14,276
<b>Total liabilities</b>	<b>1,627,580</b>	<b>1,483,897</b>	<b>1,627,528</b>	<b>1,483,897</b>	<b>1,339,423</b>
<b>Equity</b>					
Ordinary share capital	56,478	56,478	56,478	56,478	56,478
Other reserves	62,182	59,987	62,182	59,987	60,606
Retained income	255,261	243,418	255,671	243,857	291,250
<b>Total equity</b>	<b>373,921</b>	<b>359,883</b>	<b>374,331</b>	<b>360,322</b>	<b>408,334</b>
<b>Total liabilities and equity</b>	<b>2,001,501</b>	<b>1,843,780</b>	<b>2,001,859</b>	<b>1,844,219</b>	<b>1,747,757</b>



### Consolidated income statements

For the period ended US\$'000	Group			Bank			Group and Bank	
	Quarter 30 September 2016	Six months ended 30 September 2016	Year 31 March 2016	Quarter 30 September 2016	Six months ended 30 September 2016	Year 31 March 2016	Quarter 30 September 2015	Six months ended 30 September 2015
Interest income	14,598	29,546	60,696	14,549	29,500	60,699	15,684	31,001
Interest expense	(3,367)	(6,744)	(11,381)	(3,367)	(6,744)	(11,381)	(2,777)	(5,446)
<b>Net interest income</b>	<b>11,232</b>	<b>22,802</b>	<b>49,315</b>	<b>11,182</b>	<b>22,756</b>	<b>49,318</b>	<b>12,907</b>	<b>25,555</b>
Fee and commission income	1,782	3,798	7,770	1,884	3,793	7,770	2,219	4,450
Fee and commission expense	(403)	(806)	(1,677)	(403)	(806)	(1,677)	(447)	(921)
<b>Net fee and commission income</b>	<b>1,378</b>	<b>2,992</b>	<b>6,093</b>	<b>1,480</b>	<b>2,987</b>	<b>6,093</b>	<b>1,772</b>	<b>3,529</b>
Investment income / (loss)	4,421	(2,615)	2,058	4,421	(2,615)	2,058	1,067	5,875
Net trading (loss) / income	(877)	(2,609)	(5,619)	(877)	(2,614)	(5,619)	(2,793)	(2,210)
<b>Total operating income before impairment (reversals) / losses on loans and advances</b>	<b>16,155</b>	<b>20,570</b>	<b>51,847</b>	<b>16,206</b>	<b>20,515</b>	<b>51,850</b>	<b>12,953</b>	<b>32,749</b>
Impairment (losses) / reversals on loans and advances	(2,786)	(2,562)	1,003	(2,786)	(2,562)	1,003	(363)	(375)
<b>Operating income</b>	<b>13,369</b>	<b>18,008</b>	<b>52,850</b>	<b>13,421</b>	<b>17,953</b>	<b>52,853</b>	<b>12,590</b>	<b>32,374</b>
Operating costs	(2,867)	(5,732)	(11,522)	(2,973)	(5,706)	(11,086)	(2,885)	(5,653)
<b>Operating profit</b>	<b>10,502</b>	<b>12,276</b>	<b>41,328</b>	<b>10,448</b>	<b>12,247</b>	<b>41,767</b>	<b>9,705</b>	<b>26,721</b>
Share of result in associate	-	335	(784)	-	335	(784)	(695)	(695)
<b>Profit before taxation</b>	<b>10,502</b>	<b>12,611</b>	<b>40,544</b>	<b>10,448</b>	<b>12,582</b>	<b>40,983</b>	<b>9,010</b>	<b>26,026</b>
Taxation	(310)	(780)	(2,565)	(310)	(780)	(2,565)	(1,281)	(1,523)
<b>Profit after taxation</b>	<b>10,192</b>	<b>11,831</b>	<b>37,979</b>	<b>10,139</b>	<b>11,802</b>	<b>38,418</b>	<b>7,729</b>	<b>24,503</b>
<b>Analysed as follows:</b>								
Transfer to statutory reserve	-	-	1,104	-	-	1,104	-	-
Transfer to retained earnings	10,192	11,831	36,875	10,139	11,802	37,314	7,729	24,503
<b>Profit attributable to equity holder of the bank</b>	<b>10,192</b>	<b>11,831</b>	<b>37,979</b>	<b>10,139</b>	<b>11,802</b>	<b>38,418</b>	<b>7,729</b>	<b>24,503</b>

### Consolidated statements of other comprehensive income

For the period ended US\$'000	Group			Bank			Group and Bank	Group and Bank
	Quarter 30 September 2016	Six months 30 September 2016	Year 31 March 2016	Quarter 30 September 2016	Six months 30 September 2016	Year 31 March 2016	Quarter 30 September 2015	Quarter 30 September 2015
<b>Profit after taxation</b>	<b>10,192</b>	<b>11,831</b>	<b>37,979</b>	<b>10,139</b>	<b>11,802</b>	<b>38,418</b>	<b>7,729</b>	<b>24,503</b>
<b>Other comprehensive income:</b>								
<b>Items that may be reclassified to the income statement</b>								
- Fair value movements on available-for-sale assets taken directly to other comprehensive income	1,410	2,173	(2,230)	1,410	2,173	(2,230)	(423)	(423)
- Foreign currency adjustments on translating associated undertakings	-	46	(411)	-	46	(411)	-	-
<b>Total other comprehensive income / (loss)</b>	<b>1,410</b>	<b>2,219</b>	<b>(2,641)</b>	<b>1,410</b>	<b>2,219</b>	<b>(2,641)</b>	<b>(423)</b>	<b>(423)</b>
<b>Total comprehensive income attributable to equity holder of the bank</b>	<b>11,602</b>	<b>14,050</b>	<b>35,338</b>	<b>11,548</b>	<b>14,021</b>	<b>35,777</b>	<b>7,306</b>	<b>24,080</b>



## Consolidated statements of changes in equity

As at	Other reserves					Retained income	Total equity
	Ordinary share capital	Foreign currency reserve	Available-for-sale reserve	Regulatory general risk reserve	Statutory reserve		
<b>US\$'000</b>							
<b>Group</b>							
<b>At 1 April 2016</b>	56,478	(411)	(2,313)	6,233	56,478	243,418	359,883
<b>Movement in reserves 1 April 2016 - 30 September 2016</b>							
Profit after taxation	-	-	-	-	-	11,831	11,831
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	2,173	-	-	-	2,173
Foreign currency adjustments on translating associated undertakings	-	46	-	-	-	-	46
Other comprehensive loss	-	-	-	(12)	-	-	(12)
<b>Total comprehensive income</b>	-	46	2,173	(12)	-	11,831	14,038
Transfer to regulatory general risk reserve	-	-	-	(12)	-	12	-
<b>At 30 September 2016</b>	<b>56,478</b>	<b>(365)</b>	<b>(140)</b>	<b>6,209</b>	<b>56,478</b>	<b>255,261</b>	<b>373,921</b>
<b>At 1 April 2015</b>	56,478	-	(83)	6,109	55,374	266,667	384,545
<b>Movement in reserves 1 April 2015 - 31 March 2016</b>							
Profit after taxation	-	-	-	-	-	37,979	37,979
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	(2,230)	-	-	-	(2,230)
Foreign currency adjustments on translating associated undertakings	-	(411)	-	-	-	-	(411)
<b>Total comprehensive income</b>	-	(411)	(2,230)	-	-	37,979	35,338
Dividends paid to equity holder of the bank	-	-	-	-	-	(60,000)	(60,000)
Transfer to statutory reserve	-	-	-	-	1,104	(1,104)	-
Transfer to regulatory general risk reserve	-	-	-	124	-	(124)	-
<b>At 31 March 2016</b>	<b>56,478</b>	<b>(411)</b>	<b>(2,313)</b>	<b>6,233</b>	<b>56,478</b>	<b>243,418</b>	<b>359,883</b>
<b>Bank</b>							
<b>At 1 April 2016</b>	56,478	(411)	(2,313)	6,233	56,478	243,857	360,322
<b>Movement in reserves 1 April 2016 - 30 September 2016</b>							
Profit after taxation	-	-	-	-	-	11,802	11,802
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	2,173	-	-	-	2,173
Foreign currency adjustments on translating associated undertakings	-	46	-	-	-	-	46
Other comprehensive loss	-	-	-	(12)	-	-	(12)
<b>Total comprehensive income</b>	-	46	2,173	(12)	-	11,802	14,009
Transfer to regulatory general risk reserve	-	-	-	(12)	-	12	-
<b>At 30 September 2016</b>	<b>56,478</b>	<b>(365)</b>	<b>(140)</b>	<b>6,209</b>	<b>56,478</b>	<b>255,671</b>	<b>374,331</b>
<b>At 1 April 2015</b>	56,478	-	(83)	6,109	55,374	266,667	384,545
<b>Movement in reserves 1 April 2016 - 31 March 2016</b>							
Profit after taxation	-	-	-	-	-	38,418	38,418
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	(2,230)	-	-	-	(2,230)
Foreign currency adjustments on translating associated undertakings	-	(411)	-	-	-	-	(411)
<b>Total comprehensive (loss) / income</b>	-	(411)	(2,230)	-	-	38,418	35,777
Dividends paid to equity holder of the bank	-	-	-	-	-	(60,000)	(60,000)
Transfer to statutory reserve	-	-	-	-	1,104	(1,104)	-
Transfer to regulatory general risk reserve	-	-	-	124	-	(124)	-
<b>At 31 March 2016</b>	<b>56,478</b>	<b>(411)</b>	<b>(2,313)</b>	<b>6,233</b>	<b>56,478</b>	<b>243,857</b>	<b>360,322</b>
<b>Group and Bank</b>							
<b>At 1 April 2015</b>	56,478	-	(83)	6,109	55,374	266,667	384,545
<b>Movement in reserves 1 April 2015 - 30 September 2015</b>							
Profit after taxation	-	-	-	-	-	24,503	24,503
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	(385)	(329)	-	-	-	(714)
<b>Total comprehensive (loss) / income</b>	-	(385)	(329)	-	-	24,503	23,789
Transfer to regulatory general risk reserve	-	-	-	(80)	-	80	-
<b>Balance at 30 September 2015</b>	<b>56,478</b>	<b>(385)</b>	<b>(412)</b>	<b>6,029</b>	<b>55,374</b>	<b>291,250</b>	<b>408,334</b>



## Consolidated cash flow statements

For the period ended US\$'000	Group		Bank		Group and Bank
	Six months ended 30 September 2016	Year 31 March 2016	Six months ended 30 September 2016	Year 31 March 2016	Six months ended 30 September 2015
Profit before taxation adjusted for non-cash items	20,653	47,770	20,624	48,209	19,060
Dividend received	-	91	-	91	-
Taxation paid	(746)	(3,618)	(746)	(3,618)	-
(Decrease) / increase in operating assets	(29,841)	44,664	(29,761)	44,242	146,950
Increase / (decrease) in operating liabilities	147,130	277,524	147,077	277,524	79,325
<b>Net cash inflows from operating activities</b>	<b>137,196</b>	<b>366,431</b>	<b>137,196</b>	<b>366,448</b>	<b>245,335</b>
Purchase of investment securities	-	(22,555)	-	(22,555)	(16,301)
Proceeds from disposal of investment securities	-	9,959	-	9,959	3,188
Cash flow on acquisition of equipment	(58)	(50)	(58)	(50)	(23)
Cash flow on disposal of equipment	-	2	-	2	-
Cash flow on disposal of subsidiary	-	360	-	360	-
Cash flow on acquisition of subsidiary	-	-	-	(17)	-
<b>Net cash outflows from investing activities</b>	<b>(58)</b>	<b>(12,284)</b>	<b>(58)</b>	<b>(12,301)</b>	<b>(13,136)</b>
Dividends paid to ordinary shareholders	-	(60,000)	-	(60,000)	-
<b>Net cash outflows from financing activities</b>	<b>-</b>	<b>(60,000)</b>	<b>-</b>	<b>(60,000)</b>	<b>-</b>
<b>Effects of exchange rates on cash and cash equivalents</b>	<b>(7,682)</b>	<b>3,121</b>	<b>(7,682)</b>	<b>3,121</b>	<b>2,884</b>
<b>Net increase in cash and cash equivalents</b>	<b>129,456</b>	<b>297,268</b>	<b>129,456</b>	<b>297,268</b>	<b>235,083</b>
Cash and cash equivalents at beginning of the period/year	687,049	389,781	687,049	389,781	264,147
<b>Cash and cash equivalents at end of the period/year</b>	<b>816,505</b>	<b>687,049</b>	<b>816,505</b>	<b>687,049</b>	<b>499,230</b>
<b>Cash and cash equivalents is defined as including:</b>					
Cash in hand	6	5	6	5	2
Cash and balances at central bank (unrestricted balance)	5,624	4,884	5,624	4,884	7,167
Due from banks	810,875	682,160	810,875	682,160	546,449
<b>Cash and cash equivalents at end of the period/year</b>	<b>816,505</b>	<b>687,049</b>	<b>816,505</b>	<b>687,049</b>	<b>553,618</b>



## Notes to the unaudited financial accounts for the six months ended 30 September 2016

### 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 September 2016 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 2016.

#### (c) Functional currency of the group and the bank

The group's and the bank's functional currency is USD.





Notes to the unaudited financial accounts for the six months ended 30 September 2016

3. Related party transactions

As at US\$'000	Group		Bank		Group and Bank
	30 September 2016	31 March 2016	30 September 2016	31 March 2016	30 September 2015
Net fair value of derivatives held with group companies	5,683	3,230	5,683	3,230	3,932
Interest income	3,466	6,699	3,470	6,701	3,848
Interest expense	(3,272)	(6,669)	(3,272)	(6,671)	(3,346)
Loans and advances	52,003	55,965	52,003	55,965	55,240
Deposits	(8,726)	(8,605)	(8,726)	(8,605)	(5,020)
Net amount due to group companies	(2,709)	(6,148)	(2,367)	(5,726)	(23,777)
Amount due from holding bank	244,146	230,698	244,146	230,698	268,868
Debt securities in issue	252,457	253,547	252,457	253,547	251,981

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 2016 were secured. For the period ended 30 June 2016, the bank has not made any impairment relating to amounts owed by related parties (31 March 2016: Nil and 30 June 2015: Nil).



### Credit and counterparty risk information

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

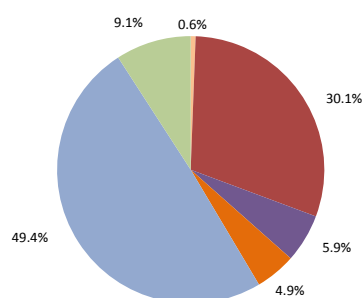
#### Group and Bank

US\$'000	30 September 2016	31 March 2016	30 September 2015	30 September 2016 vs 31 March 2016 % change	Average*
<b>On-balance sheet exposures</b>	<b>1,711,472</b>	<b>1,463,230</b>	<b>1,430,506</b>	<b>19.6</b>	<b>1,587,352</b>
Cash and balances with central bank	11,142	9,943	7,448	12.1	10,542
Loans and advances to banks	566,729	347,420	277,581	63.1	457,074
Investment securities - bank debt securities	110,380	112,357	111,125	(1.8)	111,369
Investment securities - other debt securities	92,666	95,699	97,936	(3.2)	94,183
Investment securities - sovereign debt securities	-	-	-	-	-
Derivative financial instruments	-	23	1	(100.0)	12
Loans and advances to customers	930,555	897,788	936,415	3.6	914,172
<b>Off-balance sheet exposures</b>	<b>172,050</b>	<b>125,195</b>	<b>134,021</b>	<b>28.4</b>	<b>148,623</b>
Guarantees^	9,561	17,138	14,960	(44.2)	13,350
Contingent liabilities, committed facilities and other	162,488	108,057	119,061	50.4	135,273
<b>Total gross credit and counterparty exposures pre collateral or other credit enhancements</b>	<b>1,883,522</b>	<b>1,588,425</b>	<b>1,564,526</b>	<b>18.6</b>	<b>1,735,975</b>

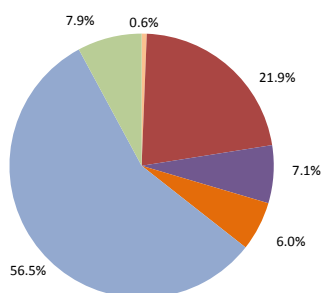
\*Where the average is based on a straight line average for period 1 April 2016 to 30 September 2016.

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

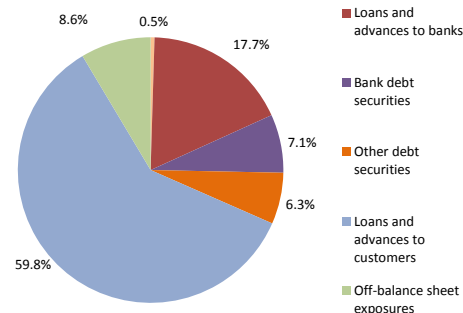
#### 30 September 2016



#### 31 March 2016



#### 30 September 2015





## Asset quality and impairments

### Group and Bank

US\$'000	30 September 2016	31 March 2016	30 September 2015
<b>Gross core loans and advances to customers</b>	<b>930,555</b>	<b>897,788</b>	<b>936,415</b>
<b>Total impairments</b>	<b>(6,770)</b>	<b>(6,690)</b>	<b>(7,028)</b>
Specific impairments	-	-	-
Portfolio impairments	(6,770)	(6,690)	(7,028)
<b>Net core loans and advances to customers</b>	<b>923,785</b>	<b>891,098</b>	<b>929,387</b>
<b>Average gross core loans and advances to customers</b>	<b>914,172</b>	<b>915,177</b>	<b>934,490</b>
Current loans and advances to customers	863,850	863,626	894,833
Past due loans and advances to customers (1-60 days)	4,225	11,095	13,902
Special mention loans and advances to customers *	36,835	22,142	26,819
Default loans and advances to customers	25,645	925	861
<b>Gross core loans and advances to customers</b>	<b>930,555</b>	<b>897,788</b>	<b>936,415</b>
Current loans and advances to customers	894,665	884,970	920,318
Gross core loans and advances to customers that are past due but not impaired	33,164	12,818	16,097
Gross core loans and advances to customers that are impaired **	2,726	-	-
<b>Gross core loans and advances to customers</b>	<b>930,555</b>	<b>897,788</b>	<b>936,415</b>
<b>Total income statement (loss) / reversal for impairments on core loans and advances</b>	<b>(2,786)</b>	<b>1,003</b>	<b>(375)</b>
Gross default loans and advances to customers	25,645	925	861
Specific impairments	-	-	-
Portfolio impairments	(6,770)	(6,690)	(7,028)
<b>Defaults net of impairments</b>	<b>18,875</b>	<b>(5,765)</b>	<b>(6,166)</b>
Collateral and other credit enhancements	39,803	1,793	1,833
<b>Net default loans and advances to customers (limited to zero)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ratios:</b>			
Total impairments as a % of gross core loans and advances to customers	0.73%	0.75%	0.75%
Total impairments as a % of gross default loans	26.40%	>100%	>100%
Gross defaults as a % of gross core loans and advances to customers	2.76%	0.10%	0.09%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.04%	(0.65%)	(0.66%)
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)	0.61%	(0.11%)	0.08%

\* The amount includes exposures that are current (US\$'000 30,815) and past due (US\$'000 6,020).

\*\* Impaired asset, under the Prudential Norms as per the Guideline on Credit Impairment Measurement and Income Recognition, means an asset where, in the case of a loan, instalments of principal and/or interest are due and remain unpaid for 90 days or more.



## Capital structure

As at US\$'000	Group		Bank		Group and Bank
	30 September 2016	31 March 2016	30 September 2016	31 March 2016	30 September 2015
<b>Common equity tier 1 capital: instruments and reserves</b>					
Ordinary shares (paid-up) capital	56,478	56,478	56,478	56,478	56,478
Retained earnings	238,710	243,418	240,320	243,857	263,730
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surpluses on land and building assets)	55,973	53,755	55,973	53,755	54,577
<b>Common equity tier 1 capital before regulatory adjustments</b>	<b>351,161</b>	<b>353,651</b>	<b>352,772</b>	<b>354,090</b>	<b>374,786</b>
<b>Common equity tier 1 capital: regulatory adjustments</b>					
Deferred tax assets	116	116	116	116	(310)
<b>Total regulatory adjustments to common equity tier 1 capital</b>	<b>116</b>	<b>116</b>	<b>116</b>	<b>116</b>	<b>(310)</b>
<b>Common equity tier 1 capital (CET1)</b>	<b>351,045</b>	<b>353,535</b>	<b>352,656</b>	<b>353,974</b>	<b>374,476</b>
<b>Additional tier 1 capital before regulatory adjustments</b>	-	-	-	-	-
<b>Total regulatory adjustments to additional tier 1 capital</b>	-	-	-	-	-
<b>Additional tier 1 capital (AT1)</b>	-	-	-	-	-
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>351,045</b>	<b>353,535</b>	<b>352,656</b>	<b>353,974</b>	<b>374,476</b>
<b>Tier 2 capital: instruments and provisions</b>					
Provisions or loan-loss reserves (subject to a maximum of 1.25 percentage points of credit risk-weighted risk assets calculated under the standardised approach)	12,979	12,923	12,979	12,923	13,056
<b>Tier 2 capital before regulatory adjustments</b>	<b>12,979</b>	<b>12,923</b>	<b>12,979</b>	<b>12,923</b>	<b>13,056</b>
<b>Total regulatory adjustments to Tier 2 capital</b>	-	-	-	-	-
<b>Tier 2 capital (T2)</b>	<b>12,979</b>	<b>12,923</b>	<b>12,979</b>	<b>12,923</b>	<b>13,056</b>
<b>Total capital (capital base) (TC = T1 + T2)</b>	<b>364,024</b>	<b>366,458</b>	<b>365,635</b>	<b>366,897</b>	<b>387,532</b>
<b>Risk-weighted assets</b>					
Risk-weighted on-balance sheet assets	1,235,286	1,141,392	1,235,645	1,141,873	1,145,218
Non-market related off-balance sheet risk-weighted assets	74,660	81,653	74,660	81,653	87,249
Market related off-balance sheet risk-weighted assets	8,696	9,224	8,696	9,224	7,212
Operational risk	95,580	95,580	95,580	95,580	90,767
Aggregate net open foreign exchange position	4,691	2,534	4,691	2,534	5,395
<b>Total risk-weighted assets</b>	<b>1,418,913</b>	<b>1,330,383</b>	<b>1,419,271</b>	<b>1,330,864</b>	<b>1,335,839</b>
<b>Capital adequacy ratio (%)</b>	<b>25.7%</b>	<b>27.5%</b>	<b>25.8%</b>	<b>27.6%</b>	<b>29.0%</b>
<b>Tier 1 ratio</b>	<b>24.7%</b>	<b>26.6%</b>	<b>24.8%</b>	<b>26.6%</b>	<b>28.0%</b>

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

As at 30 September 2016 US\$'000	Group		Bank	
	Balance sheet amount	Amounts included for regulatory purposes	Balance sheet amount	Amounts included for regulatory purposes
Paid in capital and qualifying capital instruments	56,478	56,478	56,478	56,478
Retained earnings	255,261	239,881	255,671	240,320
Other reserves	62,182	55,973	62,182	55,973
<b>Qualifying common equity tier 1 capital before regulatory adjustments</b>	<b>373,921</b>	<b>352,333</b>	<b>374,331</b>	<b>352,772</b>
Deferred tax assets	-	(116)	-	(116)
<b>Tier 1 capital</b>	<b>373,921</b>	<b>352,217</b>	<b>374,331</b>	<b>352,656</b>
Tier 2 capital after regulatory adjustments and general allowance for credit impairments (T2)	-	12,979	-	12,979
<b>Total qualifying capital</b>	<b>373,921</b>	<b>365,196</b>	<b>374,331</b>	<b>365,635</b>



Risk-weighted assets

US\$'000	Exposures amount	Risk-weights %	Group		Bank		Group and Bank
			30 September 2016	31 March 2016	30 September 2016	31 March 2016	30 September 2015
<b>Risk-weighted on-balance sheet assets</b>			<b>Risk-weighted assets</b>	<b>Risk-weighted assets</b>	<b>Risk-weighted assets</b>	<b>Risk-weighted assets</b>	<b>Risk-weighted assets</b>
Cash items	13	0%	-	-	-	-	-
Claims on sovereigns	9,404	100%	9,404	37,346	9,404	37,346	39,301
Claims on central banks and international institutions	11,142	0%-50%	3,086	3,748	3,086	3,748	2,381
Claims on multilateral development banks (MDBs)	-	50%	-	-	-	-	-
Claims on banks	877,758	20%-50%	209,064	229,454	209,064	229,454	187,231
Claims on corporates	785,515	20%-150%	776,272	566,923	776,631	567,404	566,395
Claims included in the regulatory retail portfolio	110	75%	82	84	82	84	88
Claims secured by residential property	42,931	35%-125%	30,274	34,905	30,274	34,905	33,944
Claims secured by commercial real estate	178,477	100%-125%	181,529	244,441	181,529	244,441	284,959
Past due claims	248	100%-150%	248	920	248	920	564
Other assets	25,301	100%-250%	25,327	23,571	25,327	23,571	30,355
<b>Total on-balance sheet credit risk-weighted exposures</b>	<b>1,930,898</b>		<b>1,235,286</b>	<b>1,141,392</b>	<b>1,235,645</b>	<b>1,141,873</b>	<b>1,145,218</b>



### Risk-weighted assets

#### Group and Bank

US\$'000	30 September 2016				31 March 2016	30 September 2015
	Notional amount	Credit conversion factor %	Credit equivalent amount	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets
<b>Non-market related off-balance sheet risk-weighted assets</b>						
Direct credit substitutes	6,560	100%	6,658	6,483	8,201	5,966
Transaction-related contingent items	1,586	50%	1,586	1,234	3,561	4,594
Total other commitments	66,331	20%-50%	66,334	66,943	69,891	76,690
<b>Total non-market-related off-balance sheet risk-weighted credit exposures</b>	<b>74,478</b>		<b>74,579</b>	<b>74,660</b>	<b>81,653</b>	<b>87,249</b>

#### Group and Bank

US\$'000	30 September 2016				31 March 2016	30 September 2015	
	Notional principal amount	Potential future exposure	Current exposure	Credit equivalent amount	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets
<b>Market related off-balance sheet risk-weighted assets</b>							
Interest rate contracts	76,461	345	328	673	336	432	389
Foreign exchange and gold contracts	274,501	4,452	10,458	14,910	6,786	6,867	4,855
Other market-related contracts	-	-	12,633	12,633	1,574	1,925	1,967
<b>Total market-related off-balance sheet risk-weighted credit exposures</b>	<b>350,962</b>	<b>4,797</b>	<b>23,419</b>	<b>28,216</b>	<b>8,696</b>	<b>9,224</b>	<b>7,212</b>



## 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 September 2016 US\$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> five years	Total
Cash and short-term funds - banks	266	260	52	-	-	-	-	578
Investment/trading assets	-	0	1	2	53	153	29	238
Advances	12	8	60	71	112	469	192	924
Other assets	-	-	-	-	-	-	3	3
<b>Assets</b>	<b>278</b>	<b>269</b>	<b>111</b>	<b>73</b>	<b>165</b>	<b>622</b>	<b>224</b>	<b>1,742</b>
Deposits - non-banks	(965)	(72)	(53)	(72)	(64)	(23)	-	(1,249)
Securities sold under repurchase agreement	(2)	-	-	-	-	(104)	-	(106)
Other liabilities	(5)	-	-	(4)	-	-	-	(9)
<b>Liabilities</b>	<b>(972)</b>	<b>(72)</b>	<b>(53)</b>	<b>(76)</b>	<b>(64)</b>	<b>(127)</b>	<b>-</b>	<b>(1,365)</b>
Intercompany loans	61	115	65	-	-	(167)	(85)	(11)
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(374)</b>	<b>(374)</b>
<b>Balance sheet</b>	<b>(633)</b>	<b>312</b>	<b>123</b>	<b>(3)</b>	<b>101</b>	<b>328</b>	<b>(234)</b>	<b>(8)</b>
Off-balance sheet	-	(1)	6	-	-	3	(1)	7
<b>Contractual liquidity gap</b>	<b>(633)</b>	<b>311</b>	<b>129</b>	<b>(3)</b>	<b>101</b>	<b>331</b>	<b>(236)</b>	<b>(0)</b>
Cumulative liquidity gap	(633)	(322)	(193)	(196)	(95)	236	(0)	

At 31 March 2016 US\$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> five years	Total
Cash and short-term funds - banks	236	70	51	-	-	-	-	357
Investment/trading assets	-	-	-	15	-	183	46	244
Advances	7	3	21	139	165	405	151	891
Other assets	-	-	-	-	-	-	3	3
<b>Assets</b>	<b>243</b>	<b>73</b>	<b>72</b>	<b>154</b>	<b>165</b>	<b>588</b>	<b>200</b>	<b>1,495</b>
Deposits - non-banks	(904)	(28)	(82)	(9)	(32)	(23)	-	(1,078)
Securities sold under repurchase agreement	(3)	-	-	-	-	(105)	-	(108)
Other liabilities	(23)	-	-	(5)	-	-	-	(28)
<b>Liabilities</b>	<b>(930)</b>	<b>(28)</b>	<b>(82)</b>	<b>(14)</b>	<b>(32)</b>	<b>(128)</b>	<b>-</b>	<b>(1,214)</b>
Intercompany loans	176	120	33	-	-	-	(253)	76
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(360)</b>	<b>(360)</b>
<b>Balance sheet</b>	<b>(511)</b>	<b>165</b>	<b>23</b>	<b>140</b>	<b>133</b>	<b>460</b>	<b>(413)</b>	<b>(3)</b>
Off-balance sheet	-	1	-	-	6	(2)	(2)	3
<b>Contractual liquidity gap</b>	<b>(511)</b>	<b>166</b>	<b>23</b>	<b>140</b>	<b>139</b>	<b>458</b>	<b>(415)</b>	<b>-</b>
Cumulative liquidity gap	(511)	(345)	(322)	(182)	(43)	415	-	

At 30 September 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	136	50	99	-	-	-	-	285
Investment/trading assets	-	-	-	2	3	190	56	251
Advances	18	32	43	70	143	486	137	929
Other assets	-	-	-	-	-	-	4	4
<b>Assets</b>	<b>154</b>	<b>82</b>	<b>142</b>	<b>72</b>	<b>146</b>	<b>676</b>	<b>197</b>	<b>1,469</b>
Deposits - non-banks	(746)	(81)	(4)	(19)	(54)	(30)	-	(934)
Securities sold under repurchase agreement	(5)	-	-	-	-	(104)	-	(109)
Other liabilities	(11)	-	-	(4)	-	-	-	(15)
<b>Liabilities</b>	<b>(762)</b>	<b>(81)</b>	<b>(4)</b>	<b>(23)</b>	<b>(54)</b>	<b>(134)</b>	<b>-</b>	<b>(1,058)</b>
Intercompany loans	101	146	(2)	-	-	(1)	(251)	(7)
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(408)</b>	<b>(408)</b>
<b>Balance sheet</b>	<b>(507)</b>	<b>147</b>	<b>136</b>	<b>49</b>	<b>92</b>	<b>541</b>	<b>(462)</b>	<b>(4)</b>
Off-balance sheet	-	1	-	-	3	-	-	4
<b>Contractual liquidity gap</b>	<b>(507)</b>	<b>148</b>	<b>136</b>	<b>49</b>	<b>95</b>	<b>541</b>	<b>(462)</b>	<b>-</b>
Cumulative liquidity gap	(507)	(359)	(223)	(174)	(79)	462	-	



### Behavioural liquidity

At 30 September 2016 US\$ million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> five years	Total
<b>Behavioural liquidity gap</b>	<b>211</b>	<b>383</b>	<b>172</b>	<b>19</b>	<b>234</b>	<b>(122)</b>	<b>(898)</b>	<b>-</b>
Cumulative	211	594	766	785	1,019	898	-	-

At 31 March 2016 US\$ million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> five years	Total
<b>Behavioural liquidity gap</b>	<b>264</b>	<b>254</b>	<b>114</b>	<b>27</b>	<b>246</b>	<b>64</b>	<b>(969)</b>	<b>-</b>
Cumulative	264	518	632	659	905	969	-	-

At 30 September 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
<b>Behavioural liquidity gap</b>	<b>112</b>	<b>212</b>	<b>162</b>	<b>79</b>	<b>183</b>	<b>189</b>	<b>(937)</b>	<b>-</b>
Cumulative	112	324	486	565	748	937	-	-

### Repricing - all currencies

#### Non-trading interest rate risk description

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, is the impact on net interest earnings and sensitivity to economic value, as a result of unexpected adverse movements in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers.

Sources of interest rate risk include:

- **Repricing risk:** arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive portfolios
- **Yield curve risk:** repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- **Basis risk:** arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- **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 September 2016 US\$ million	Not > three months	> three months but < six months	> six months but < one year	> one year but < five years	> five years	Non rate	Total non-trading
Cash and short-term funds - banks	578	-	-	-	-	-	578
Investment/trading assets	7	1	52	136	-	42	238
Advances	813	46	2	70	-	(7)	923
Other assets	-	-	-	-	-	3	3
<b>Assets</b>	<b>1,398</b>	<b>47</b>	<b>54</b>	<b>206</b>	<b>-</b>	<b>38</b>	<b>1,742</b>
Deposits - non-banks	(1,089)	(72)	(64)	(23)	-	-	(1,247)
Repurchase agreements with banks	(106)	-	-	-	-	-	(106)
Other liabilities	-	-	-	-	-	(9)	(9)
<b>Liabilities</b>	<b>(1,195)</b>	<b>(72)</b>	<b>(64)</b>	<b>(23)</b>	<b>-</b>	<b>(9)</b>	<b>(1,362)</b>
Intercompany loans	139	-	(44)	(106)	-	-	(11)
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(374)</b>	<b>(374)</b>
<b>Balance sheet</b>	<b>342</b>	<b>(25)</b>	<b>(54)</b>	<b>77</b>	<b>-</b>	<b>(345)</b>	<b>(5)</b>
Off balance sheet	64	39	(10)	(84)	-	(2)	7
<b>Repricing gap</b>	<b>406</b>	<b>14</b>	<b>(64)</b>	<b>(7)</b>	<b>-</b>	<b>(347)</b>	<b>-</b>
Cumulative repricing gap	406	420	356	349	349	-	-

At 31 March 2016 US\$ million	Not > three months	> three months but < six months	> six months but < one year	> one year but < five years	> five years	Non rate	Total non-trading
Cash and short-term funds - banks	352	-	-	-	-	5	357
Investment/trading assets	8	-	-	172	19	45	244
Advances	774	24	13	79	1	-	891
Other assets	-	-	-	-	-	3	3
<b>Assets</b>	<b>1,134</b>	<b>24</b>	<b>13</b>	<b>251</b>	<b>20</b>	<b>53</b>	<b>1,495</b>
Deposits - non-banks	(1,013)	(10)	(32)	(23)	-	-	(1,078)
Securities sold under repurchase agreement	(108)	-	-	-	-	-	(108)
Other liabilities	-	-	-	-	-	(28)	(28)
<b>Liabilities</b>	<b>(1,121)</b>	<b>(10)</b>	<b>(32)</b>	<b>(23)</b>	<b>-</b>	<b>(28)</b>	<b>(1,214)</b>
Intercompany loans	227	-	-	(151)	-	-	76
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(360)</b>	<b>(360)</b>
<b>Balance sheet</b>	<b>240</b>	<b>14</b>	<b>(19)</b>	<b>77</b>	<b>20</b>	<b>(335)</b>	<b>(3)</b>
Off-balance sheet	127	(3)	(20)	(78)	(21)	(2)	3
<b>Repricing gap</b>	<b>367</b>	<b>11</b>	<b>(39)</b>	<b>(1)</b>	<b>(1)</b>	<b>(337)</b>	<b>-</b>
Cumulative repricing gap	367	378	339	338	337	-	-





At 30 September 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	285	-	-	-	-	-	285
Investment/trading assets	9	1	1	170	20	50	251
Advances	758	92	2	77	-	-	929
Other assets	-	-	-	-	-	4	4
<b>Assets</b>	<b>1,052</b>	<b>93</b>	<b>3</b>	<b>247</b>	<b>20</b>	<b>54</b>	<b>1,469</b>
Deposits - non-banks	(830)	(19)	(55)	(30)	-	-	(934)
Repurchase agreements with banks	(109)	-	-	-	-	-	(109)
Other liabilities	-	-	-	-	-	(15)	(15)
<b>Liabilities</b>	<b>(939)</b>	<b>(19)</b>	<b>(55)</b>	<b>(30)</b>	<b>-</b>	<b>(15)</b>	<b>(1,058)</b>
Intercompany loans	142	-	-	(149)	-	-	(7)
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(408)</b>	<b>(408)</b>
<b>Balance sheet</b>	<b>255</b>	<b>74</b>	<b>(52)</b>	<b>68</b>	<b>20</b>	<b>(369)</b>	<b>(4)</b>
Off balance sheet	115	(3)	13	(101)	(20)	-	4
<b>Repricing gap</b>	<b>370</b>	<b>71</b>	<b>(39)</b>	<b>(33)</b>	<b>-</b>	<b>(369)</b>	<b>-</b>
Cumulative repricing gap	370	441	402	369	369	-	-

### 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. The numbers represent the change in our net asset value should such a hypothetical scenario arise. The sensitivity effect does not have a significant direct impact on our equity.

As at 'million	Sensitivity to the following interest rates (expressed in original currencies)					All (USD)
	ZAR	GBP	USD	EUR	AUD	
<b>30 September 2016</b>						
200bp down	(0.42)	1.60	1.07	(0.15)	0.51	3.34
200bp up	0.48	(1.46)	(1.03)	0.14	0.63	(2.25)
<b>31 March 2016</b>						
200bp down	(0.84)	1.48	2.48	0.65	0.03	5.31
200bp up	0.94	(1.36)	(2.35)	(0.60)	(0.04)	(4.95)
<b>30 September 2015</b>						
200bp down	(0.40)	3.14	3.11	0.37	-	8.25
200bp up	0.42	(2.78)	(2.87)	(0.35)	(0.01)	(7.45)

### Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency other than the functional currency. Foreign currency risk does not arise from financial instruments that are non-monetary or from financial instruments 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
<b>30 September 2016</b>						
Long/(short) position	201	1,114	360	(399)	(3,349)	4,691
<b>31 March 2016</b>						
Long/(short) position	619	1,181	(258)	734	(234)	2,534
<b>30 September 2015</b>						
(Short)/long position	3,058	1,062	21	(104)	1,216	5,395