2016

ANNUAL REPORT

Investec Bank (Mauritius) Limited annual financial statements

Out of the Ordinary®

Investec

Corporate information

SECRETARY AND REGISTERED OFFICE

Prithiviraj Jeewooth FCCA
Office 660, 6th Floor Dias Pier Building
Le Caudan Waterfront
Port Louis
Mauritius
Contact details
Telephone (230) 207 4000
Facsimile (230) 207 4002/3
e-mail: infomru@investec.co.mu
Internet address: www.investec.com

DIRECTORATE

David M Lawrence (65)
BA(Econ) (Hons), MCom
Chairman

Peter RS Thomas (71)
CA(SA)

Craig C McKenzie (55)
BSc, MSc (Agric Economics), CFA
Chief executive officer (CEO)

Pierre de Chasteigner du Mée (63)
ACEA, FBIM, FMAAT

Angelique A Desvaux de Marigny (40)
LLB, Barrister-at-Law
Maitrise en Droit Privé (Université de Paris I Panthéon-Sorbonne)

BOARD COMMITTEES

Board sub-committee

David M Lawrence (chairman)
Pierre de Chasteigner du Mée
Craig C McKenzie

Audit committee

Peter RS Thomas (chairman)
Angelique A Desvaux de Marigny
Pierre de Chasteigner du Mée

In attendance

Craig C McKenzie (CEO)
Lara Ann Vaudin (COO)
Nicolas F Hardy (head of treasury)
David Desvaux de Marigny (head of finance)
Mark Muller (head of legal and compliance)
Group head of market risk
Group head of internal audit
Group compliance officer
External auditors

Nominations and remuneration committee

David M Lawrence (chairman)
Peter RS Thomas
Pierre de Chasteigner du Mée

In attendance

Craig C McKenzie (CEO)
Lara Ann Vaudin (COO)
Group head of HR

Conduct review committee

Pierre de Chasteigner du Mée (chairman)[1]
David M Lawrence
Peter RS Thomas

In attendance

Craig C McKenzie (CEO)

Corporate governance committee

Angelique A Desvaux de Marigny (chairperson)[2]
David M Lawrence
Peter RS Thomas

Investment committee

Craig C McKenzie (chairman)
David M Lawrence
Pierre de Chasteigner du Mée

Risk management committee

Pierre de Chasteigner du Mée (chairman)[3]
Craig C McKenzie
David M Lawrence

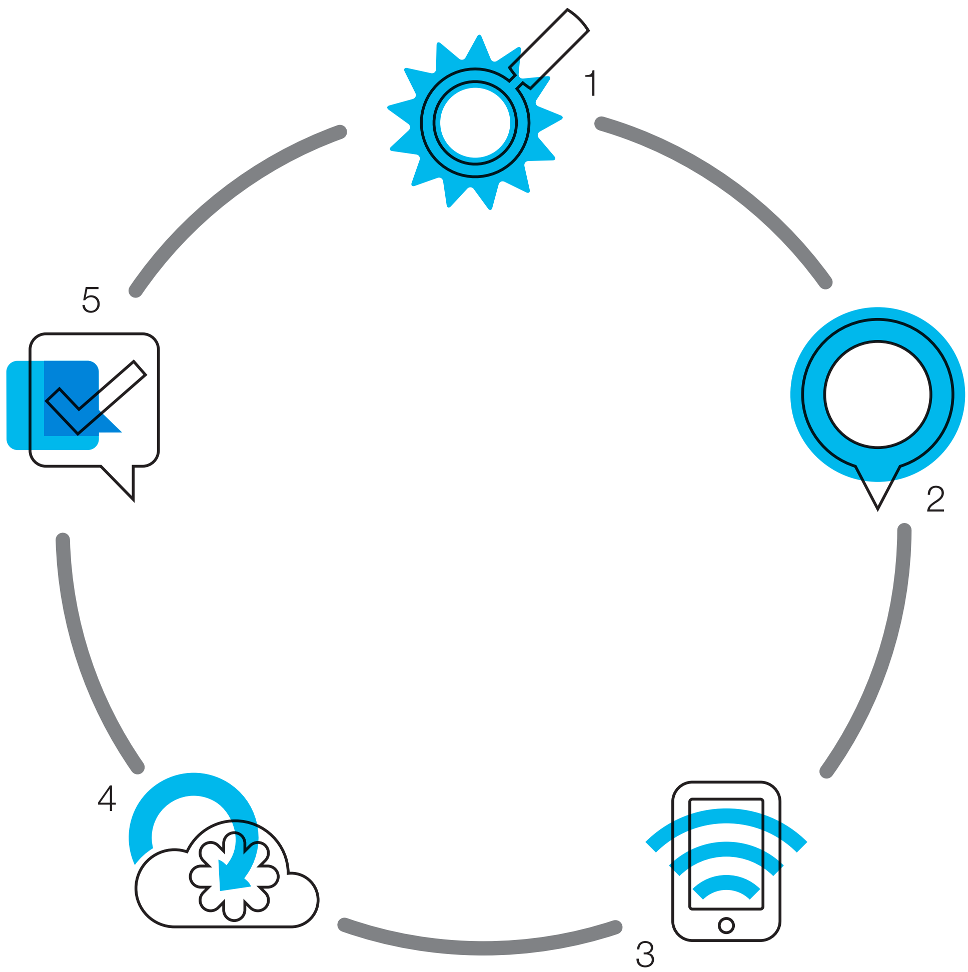
In attendance

Peter RS Thomas
Angelique A Desvaux de Marigny
Lara Ann Vaudin (COO)
Nicolas F Hardy (head of treasury)
David Desvaux de Marigny (head of finance)
Mark Muller (head of legal and compliance)

1 *Effective 28 October 2015.*
2 *Effective 4 May 2016.*
3 *Effective 4 May 2016.*

The 2016 integrated annual report covers the period 1 April 2015 to 31 March 2016 and provides an overview of the Investec group.

This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.



CROSS REFERENCE TOOLS

1. Audited information
Denotes information in the risk and remuneration reports that forms part of the group's audited annual financial statements

2. Page references
Refers readers to information elsewhere in this report

3. Website
Indicates that additional information is available on our website: www.investec.com

4. Sustainability
Refers readers to further information in our sustainability report available on our website: www.investec.com

5. Reporting standard
Denotes our consideration of a reporting standard

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2 Management discussion and analysis

3 Annual consolidated financial statements

One

Investec Bank
(Mauritius) Limited
in perspective

Investec Bank (Mauritius) Limited was established as a wholly owned subsidiary of Investec Bank Limited in 1997

WHO we are

Initially the bank focused on structured finance transactions and then broadened its focus to cover a wider range of products, including property finance into most geographical regions where the Investec group has a footprint. Since being established, the bank has become recognised as one of the leading international banks in Mauritius.

The bank and its subsidiary (together referred to in this report as the bank) employ a team of 81 staff and have an efficient and profitable business operating in compliance with regulatory standards and banking practices both in Mauritius and in South Africa.

The bank embraces the Investec group's strategic goals and objectives, which are based on the aspiration to be recognised as a distinctive specialist banking group and asset manager. This distinction is embodied in an entrepreneurial culture which is balanced by a strong risk management discipline, client-centric approach and the ability to be nimble, flexible and innovative. An essential pillar of the bank's operating philosophy is that it does not seek to be all things to all people. The bank's core philosophy has been to build a well-defined, value-added business, focused on serving the needs of select market niches where it can compete effectively.

The bank's specialised services in cross-border transactions are complemented by dedicated personal service, competitive rates and distinctive products. Mauritius offers a convenient time zone with no exchange control or withholding taxes for non-residents.

WHAT we do

The bank remains highly focused on the trends and dynamics within its jurisdiction and industry. Strong interaction takes place between the bank and its clients in developing new specialist products and services.

The bank offers the following services:

SPECIALISED FINANCE AND LENDING

The bank provides aircraft finance, medium-to-long term structured finance, customised debt and equity products, commodity-based finance, and cash-backed and general lending services in major foreign currencies.

The bank offers residential and commercial property finance and is actively involved in financing commercial property developments as well as integrated resort schemes (IRS), real estate schemes (RES) and villa acquisitions in Mauritius.

Complementing its specialised finance and lending expertise, the bank offers advisory services covering structured finance, project finance and debt origination.

TREASURY AND DEPOSIT PRODUCTS

A range of treasury and deposit products, in the major foreign currencies include call and fixed-term deposit accounts, high-yield access accounts (seven-day notice), base plus accounts (fixed deposit for a minimum of one year), dual currency deposits and zero coupon deposits as well as foreign exchange and hedging.

The bank offers a secure online transactional banking facility that allows deposit account holders to open accounts, transact online and view account balances, transaction history and monthly statements. This offering was extended to provide an online solution for users, during the course of 2016, to execute foreign currency dealings for amounts of up to US$ 250 000 or its equivalent in Pounds Sterling, Euros and Rands.

The bank has extended its debit card offering by providing Euro and Pounds Sterling debit cards.

A wide network of correspondent banks and a SWIFT capability ensures a rapid and efficient service for the transfer of funds.

WEALTH AND INVESTMENT

The bank also launched its Private Wealth and Investment business via its subsidiary, Investec Wealth and Investment (Mauritius) Limited during the course of 2016 after receiving the required regulatory approvals.

WE STRIVE to be a distinctive specialist bank and asset manager, driven by commitment to our core philosophies and values

WHO we are

The Investec group (comprising Investec plc and Investec Limited) is an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base.

Founded as a leasing company in Johannesburg in 1974.

The Investec group acquired a banking licence in 1980 and was listed on the JSE Limited South Africa in 1986.

In 2002, the Investec group implemented a dual listed companies structure (DLC) listed in London and Johannesburg.

A year later, the group concluded a significant empowerment transaction in which empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited.

Since inception, the Investec group has expanded through a combination of substantial organic growth and a series of strategic acquisitions.

Today, it has an efficient integrated international business platform offering all its core activities in the UK and the Southern African region.

OUR PHILOSOPHIES

- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance.

WE value

DISTINCTIVE PERFORMANCE

- Outstanding talent – empowered, enabled and inspired
- Meritocracy
- Passion, energy, stamina and tenacity
- Entrepreneurial spirit

CLIENT FOCUS

- Distinctive offering
- Leverage resources
- Break china for the client

CAST-IRON INTEGRITY

- Moral strength
- Risk consciousness
- Highest ethical standards

DEDICATED PARTNERSHIP

- Respect for others
- Embrace diversity
- Open and honest dialogue
- Unselfish contribution to colleagues, clients and society

WHAT we do

Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity, namely: Asset Management, Wealth & Investment and Specialist Banking.

Overview of Investec's and Investec Bank (Mauritius) Limited's organisational structure

Operating structure

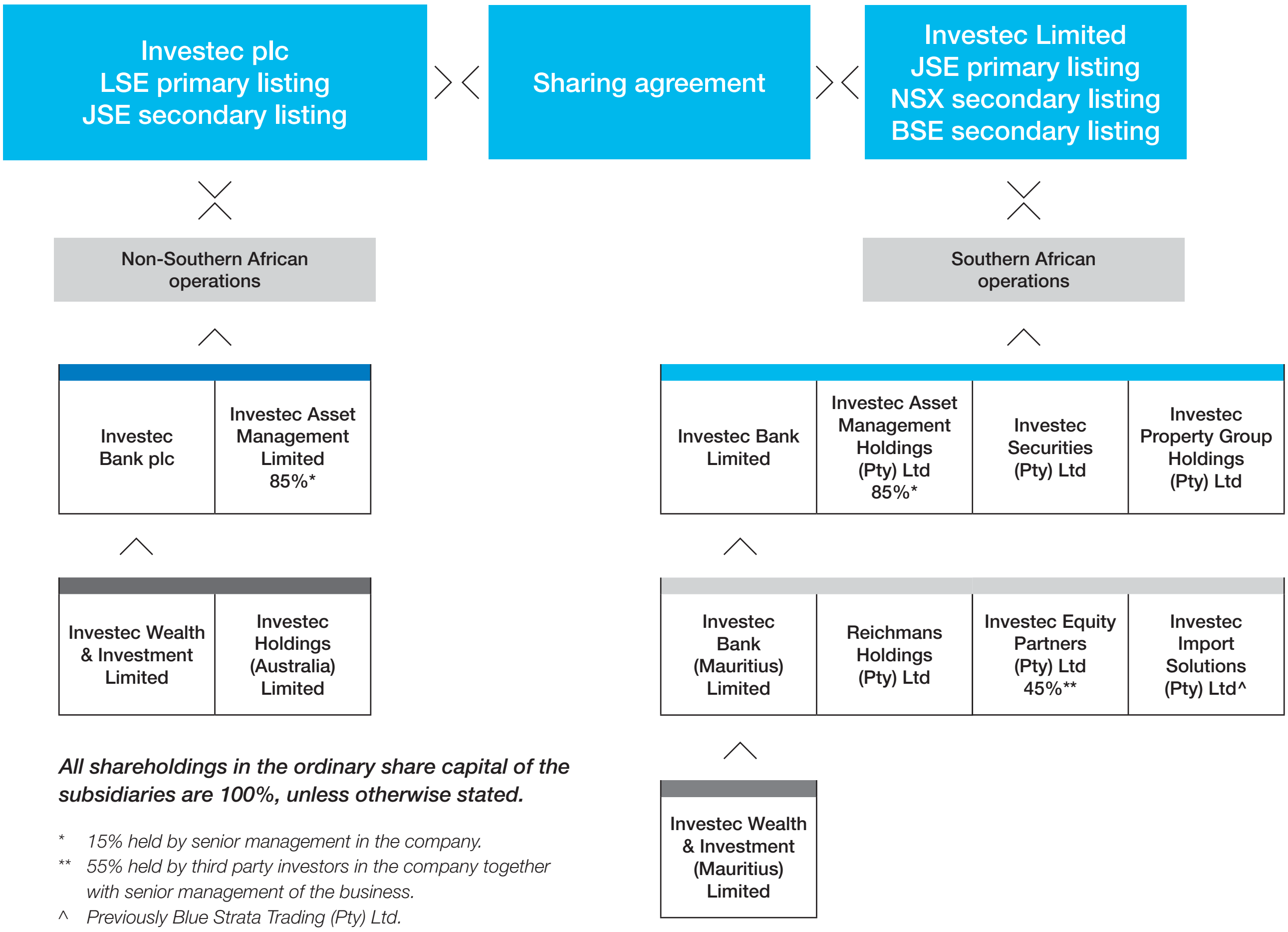
Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986

During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange.

A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.

In terms of the DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius, and Investec plc is the controlling company of our non-Southern African businesses. Investec Limited is listed on the JSE Limited South Africa and Investec plc is listed on the London Stock Exchange. Investec Bank (Mauritius) Limited (referred to in this report as the bank) is a subsidiary of Investec Bank Limited.

OUR DLC STRUCTURE AND MAIN OPERATING SUBSIDIARIES AS AT 31 MARCH 2016



All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

- * *15% held by senior management in the company.*
- ** *55% held by third party investors in the company together with senior management of the business.*
- ^ *Previously Blue Strata Trading (Pty) Ltd.*

Salient features of the DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross-guarantees between the companies.

Two

Management discussion
and analysis

Overview

The group net profit after tax decreased by 30% to US$38.1 million for the year under review. This was primarily due to a sharply lower contribution from investments and a contraction in net interest margin. The balance sheet remains strong with a high level of liquidity and capital levels are well above regulatory requirement.

All figures disclosed relate to the group unless otherwise stated.

INCOME STATEMENT ANALYSIS

The overview that follows highlights the variances in the major line items on the face of the income statement for the year under review.

Total operating income before impairment

For the year to 31 March US$'000	2016	% of total income	% change 2016 vs 2015	2015	% of total income	% change 2015 vs 2014	2014	% of total income
Net interest income	49 315	95.0%	(12.6%)	56 428	85.3%	14.3%	49 383	82.2%
Net fee and commission income	6 093	11.8%	(21.8%)	7 795	11.8%	43.1%	5 447	9.1%
Investment income	2 058	4.0%	(83.5%)	12 473	18.9%	14.5%	10 898	18.1%
Trading loss	(5 619)	(10.8%)	(46.8%)	(10 556)	(16.0%)	87.1%	(5 641)	(9.4%)
Total operating income before impairment	**51 847**	**100.0%**	**(21.6%)**	**66 140**	**100.0%**	10.1%	60 087	100.0%

Net interest income

Net interest income decreased by 12.6% as the loan portfolio decreased while the customer deposit base increased resulting in a contraction in interest margins.

Net fee and commission income

Net fee and commission income decreased by 21.8% largely as a result of a decrease in loan activity and foreign exchange dealings.

Investment income

Investment income decreased by 83.5% due to a decrease in the value of listed and unlisted investments.

Trading income

Trading loss decreased by 46.8% as lower interest was paid during the current year and the fair value of derivatives reflected a gain as compared to a loss in the previous year.

IMPAIRMENT ON LOANS AND ADVANCES

Impairment reversal amounted to US$1.0 million as a result of the recovery of bad debts previously written off.

OPERATING COSTS

Total operating expenses increased by 1.0% during the year under review. The appreciation of the US Dollar against the Mauritian Rupee and the South African Rand has mitigated the increase in nominal terms.

The various components of total costs are analysed below:

For the year to 31 March US$'000	2016	% of total expenses	% change 2016 vs 2015	2015	% of total expenses	% change 2015 vs 2014	2014	% of total expenses
Staff costs	5 576	48.4%	(4.0%)	5 810	50.9%	22.7%	4 735	45.8%
Premises expenses	541	4.7%	(3.2%)	559	4.9%	9.2%	512	5.0%
Equipment expenses	2 865	24.9%	12.3%	2 550	22.3%	(12.5%)	2 913	28.2%
Business expenses	2 165	18.8%	7.9%	2 007	17.6%	1.1%	1 986	19.2%
Marketing expenses	254	2.2%	(29.5%)	361	3.2%	511.9%	59	0.6%
Depreciation	121	1.0%	(3.0%)	125	1.1%	(2.3%)	128	1.2%
Total operating costs	**11 522**	**100.0%**	**1.0%**	**11 412**	**100.0%**	10.4%	10 333	100.0%

BALANCE SHEET ANALYSIS

For the year to 31 March US$'000	2016	% change 2016 vs 2015	2015	% change 2015 vs 2014	2014
Loans and advances to customers	891 098	(3.8%)	925 913	4.0%	890 702
Total assets	1 843 780	16.0%	1 589 896	(4.7%)	1 667 476
Deposits by customers	1 077 907	38.7%	777 206	(6.6%)	832 204
Total equity	359 883	(6.4%)	384 545	9.7%	350 406

For the year under review:

- Loans and advances decreased by 3.8% as a result of a decrease in loan activity and early repayments
- Total assets grew by 16.0% mainly due to an increase in cash as a result of an increase in deposits from customers
- Deposits by customers increased by 38.7% stemming mainly from significant inflows from corporate clients
- Total equity decreased by 6.4% as a result of the payment of a US$60.0 million dividend.

REVIEW BY FINANCIAL PRIORITY AREAS

The bank focuses on a number of financial priority areas as indicated below.

Key ratios

For the year to 31 March %	2016	2015	2014
Net interest margin*	2.90	3.6	3.3
Cost to income	22.2	17.2	17.2
Return on average equity	10.2	14.8	14.0
Return on average assets	2.2	3.5	3.1
Cash to customer deposits	63.7	49.2	56.1
Capital adequacy ratio	27.5	31.0	28.8
Tier 1 ratio	26.6	30.0	27.7

* *Figures based on average interest-earning assets.*

- Net interest margin contracted to 2.9% from 3.6% mainly due to a combination of a slightly reduced loan portfolio and markedly higher cash holdings.
- The cost to income ratio, which is the ratio of non-interest expense to net interest and other income, increased to 22.2% from 17.2% as a result of a decrease in operating income before impairment.
- Return on average equity decreased to 10.2% from 14.8% mainly due to a decrease in profit after tax.
- Return on average assets decreased to 2.2% from 3.5% mainly due to a decrease in profit after tax.
- The cash to customer deposit ratio increased to 63.7% from 49.2% largely as a result of the increase in cash holding.
- The capital adequacy ratio decreased to 27.5% from 31.0% mainly due to a decrease in the capital base following the payment of a US$60.0 million dividend. Capital adequacy is still in excess of the minimum regulatory requirement of 10% and the bank's long-term target ratio of 14% – 17%. Tier 1 capital represents 96.3% of the bank's capital base.

Risk management

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the annual report (pages 12 to 50) with further disclosures provided within the financial statements section (pages 61 to 137).

All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

PHILOSOPHY AND APPROACH

The bank recognises that an effective risk management function is fundamental to its business. Taking international best practice into account, the bank's comprehensive risk management process involves identifying, quantifying, managing and mitigating the risks associated with its business.

RISK MANAGEMENT'S OBJECTIVES

The bank's risk management's objectives are to:

- Be the custodian of adherence to our risk management culture
- Ensure the business operates within the board-stated risk appetite
- Support the long-term sustainability of the bank by providing an established independent framework for identifying, evaluating, monitoring and mitigating risk
- Set, approve and monitor adherence to risk parameters and limits across the group and ensure they are implemented and adhered to consistently
- Aggregate and monitor its exposure across risk classes
- Coordinate risk management activities across the organisation
- Give the board reasonable assurance that the risks the bank is exposed to are identified and appropriately managed and controlled
- Run appropriate risk committees, as mandated by the board.

EXECUTIVE SUMMARY OF THE YEAR IN REVIEW FROM A RISK PERSPECTIVE

The bank has continued to maintain a sound balance sheet with low leverage and a diversified business model. This has been supported by the following key operating fundamentals:

- Intimate involvement by senior management ensuring stringent management of risk, liquidity and capital and conduct
- A strong risk and capital management culture embedded into its day-to-day activities and values. The bank seeks to achieve an appropriate balance between risk and reward in its business taking cognisance of all stakeholders' interests
- Credit and counterparty exposures are restricted to a select target market; the bank's risk appetite continues to favour lower risk income-based lending with credit risk taken over a short-to-medium term. Exposure is taken against defined target clients displaying a profile of good character, sound financial strength and integrity, a core competency and sound track record in the activity funded. No credit loss was recorded for the year under review on core loans and advances
- Exposure to rated and unrated structured credit investments representing less than 1% of total assets
- A low leverage ratio of approximately 5.1 times
- A high level of readily available, high-quality liquid assets. The bank continues to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- Healthy capital ratios; the bank has always held capital in excess of regulatory requirements and it intends to perpetuate this philosophy. The bank continued to strengthen its capital base and increased its assets during the period
- A high level of recurring income which continues to support sustainability of operating profit.

The bank's overall risk management philosophies, practices and frameworks have remained largely unchanged, and have held the bank in good stead. Maintaining credit quality, strictly managing risk and liquidity and continuing to grow the capital base remain core strategic imperatives.

An overview of key risks

In the ordinary course of business the bank faces a number of risks that could affect its business operations

These risks are summarised in the table below along with the relevant page numbers.

The sections that follow provide information on a number of these risk areas.

Pages	Risk
14 – 36	**Credit and counterparty risk** exposes the bank to losses caused by financial or other problems experienced by its clients.
43 – 45	**Operational risk** may disrupt its business or result in regulatory action.
45	**Legal and regulatory risks** are substantial in its businesses.
40 – 42	**Liquidity risk** may impair the bank's ability to fund its operations.
45	**Reputational, strategic** and **business risk**.
38 – 39	The bank's net interest earnings and net asset value may be adversely affected by **interest rate risk**.
43 – 45	The bank may be **vulnerable to the failure of its systems** and breaches of its security systems.
43	The bank is exposed to **non-traded currency risk** where fluctuation in exchange rates against the US Dollar could have an impact on its financial results.
43 – 45	Market, business and general economic conditions and fluctuations could adversely affect its businesses in a number of ways.
45 – 50	**The bank may have insufficient capital** in the future and may be unable to secure additional financing when it is required.
43 – 45	**Employee misconduct** could cause harm that is difficult to detect.
5 – 8	The **financial services industry** in which the bank operates is intensely competitive.
	The bank may be unable to **recruit, retain and motivate key personnel.**
	See Investec's 2016 integrated annual report on our website.
	Additional risks and uncertainties not presently known to the bank or that are currently deemed immaterial may in the future also negatively impact the bank's business operations.

CREDIT AND COUNTERPARTY RISK MANAGEMENT

Credit and counterparty risk description

Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client's or counterparty's) failure to meet the terms of any agreement. Credit and counterparty risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements whether reflected on- or off-balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions, through loans and advances to clients and counterparties, create the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements where the bank has placed funds with other financial institutions
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received
- Trading transactions giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected. The bank's definition of settlement debtor is a short-term receivable (i.e. less than five days) which is excluded from credit and counterparty risk due to market-guaranteed settlement mechanisms
  - Replacement risk is the financial cost of having to enter into a replacement contract with an alternative market counterparty, following default by the original counterparty.

Credit and counterparty risk can be impacted by country risk where cross-border transactions are undertaken. This can include geopolitical risks, transfer and convertibility risks and the impact on the borrower's credit profile due to local economic and political conditions.

In terms of the bank's country risk policy, the bank's credit committee with the approval of the group's credit committee will set either a general country limit or a deal-specific country limit specifically for the bank, for those countries where the bank has or will have an exposure.

General and deal-specific country limits are classified as follows:

- General country limits are set for countries with an A to AAA country rating, determined by an eligible credit assessment institution (ECAI) in which the bank has or will have an exposure
- Deal-specific country limits are set by the credit committee for those countries which do not have an A to AAA country rating and where the bank wishes to or has an exposure in that country.

Notwithstanding the country rating granted to a country by any one of the ECAIs allowing the country to be assigned a deal-specific country limit, the relevant credit committee has the mandate to assign a general country limit for that country.

For country and sovereign risk provisioning purposes, the bank's credit committee shall choose the country which better reflects the risk on each exposure between the country from which the cash flow shall emanate in order to service the debt, the country of incorporation or residency and the country where the bank will look to perfect its security in the first instance.

At 31 March 2016, the bank has provided an amount of US$3.6 million in respect of country risk which is included in tier 2 capital as part of 'general banking reserves and portfolio provisions'.

CREDIT AND COUNTERPARTY RISK GOVERNANCE STRUCTURE

The bank's credit committee manages, measures and mitigates credit and counterparty risk. This committee operates under board-approved delegated limits, policies and procedures. There is a high level of executive involvement and non-executive review and oversight in the credit decision-making forums. It is policy that the credit committee has a majority of voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent

In addition to the credit committee, the following processes assist in managing, measuring and monitoring credit and counterparty risk:

- Arrears management and regular arrears reporting ensures that individual positions and any potential trends are dealt with in a timely manner
- The bank's operations committee and management committee review the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- The bank's investment committee reviews and manages exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements
- The bank's credit review committee reviews all credit exposures on an annual basis.

CREDIT AND COUNTERPARTY RISK APPETITE

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to avoid or minimise over exposure and concentration risk.

The bank's assessment of its clients and counterparties includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients. Our primary assessment method is therefore the ability of the client to meet these payment obligations. Furthermore, the bank has very little appetite for unsecured debt and ensures that good quality collateral is provided in support of obligations.

Refer to pages 34 and 35 for further information.

Target clients include high net worth and/or high-income individuals, professionally qualified individuals, established corporates, small and medium enterprises, financial institutions and sovereigns. Corporates must have scale and relevance in their market, an experienced management team and able board members, and strong earnings and cash flow.

The bank typically originates loans with the intent of holding these assets to maturity, and thereby developing a 'hands-on' and long-standing relationship with our clients.

Pricing is motivated on a transaction by transaction basis, with consideration given to the manner of origination of the asset, capital usage and liquidity. Pricing recommendations are discussed and agreed at the credit committee to ensure that reward is appropriate to the risk and that pricing is not compromised in the pursuit of volume or relationship. As a consequence of market behaviour, pricing for similar risk may differ from time to time.

CONCENTRATION RISK

Concentration risk is when large exposures exist to a single client or counterparty, group of connected counterparties, or to a particular geography, asset class or industry. An example of this would be where a number of counterparties are affected by similar economic, legal, regulatory or other factors that could mean their ability to meet contractual obligations are correlated.

Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and a transaction level by the bank's risk management, Group Risk Management and Group Lending Operations.

RISK CONCENTRATION POLICY

The bank has adopted and complies with the Bank of Mauritius Guideline on Credit Concentration Limits. The bank ensures that it does not grant credit to a single customer and its related parties which exceed the regulatory limit stipulated in the guideline, i.e. the bank which is a subsidiary of a foreign bank must have no credit exposure, in currencies other than the Mauritian Rupee, to any single customer which exceeds 50% of the bank's capital base or credit exposure to any group of closely related customers which exceeds 75% of the bank's capital base.

At 31 March 2016, there were no customers or group of related customers to whom the bank granted facilities aggregating more than 15% of its capital base (2015: nil and 2014: US$184 million). The regulatory limit is set at 1 200%.

RISK APPETITE

The board has set various limits which regulate the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. Exposures are monitored on an ongoing basis and reported to the group risk and capital committee (GRCC) and board risk and capital committee (BRCC) on a regular basis.

MANAGEMENT AND MEASUREMENT OF CREDIT AND COUNTER PARTY RISK

Fundamental principles employed in the management of credit and counterparty risk are:

- A clear definition of the bank's target market
- A quantitative and qualitative assessment of the creditworthiness of the bank's counterparties
- Analysis of risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Decisions are made with reference to risk appetite limits
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making with non-executive review and oversight.

Regular reporting of credit and counterparty risk exposures is made to management, the executives and the board. The board regularly reviews and approves the appetite for credit and counterparty risk.

Despite strict adherence to the above principles, increased default risk may arise from unforeseen circumstances particularly in times of extreme market volatility and weak economic conditions.

The bank completes scenario tests on its loan portfolio with regard to the capital held. These tests stress the existing portfolio to allow the bank to identify underlying risks and manage them accordingly. These stress tests include (but are not limited to) residential and commercial property prices, foreign exchange rates, default rates, impairments and capital usage. The credit risk stress tests also play an integral part in the bank's capital planning process.

A large proportion of the bank's portfolio is not rated by external rating agencies. The bank mainly places reliance upon internal considerations of counterparties and borrowers and uses ratings prepared externally where available for support.

Within the credit approval process, all available internal and external ratings are included in the assessment of the client quality.

S&P, Moody's and Global Credit Ratings have been approved as ECAIs for the purposes of determining external credit ratings with the following elections:

- In relation to sovereigns and securitisations, Moody's and S&P have been selected by Investec as eligible ECAIs
- In relation to banks, corporates and debt securities, Moody's and S&P are recognised as eligible ECAIs
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings will be referred to and the higher of those two ratings should be applied.

The bank follows the group's approach which applies the standardised approach for capital requirements in the assessment of its credit and counterparty exposures.

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 are at least as favourable to the bank as the market terms and conditions.

The conduct review committee (CRC) – 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 and approve all related party transactions. After each meeting the matters approved and reviewed by the CRC are reported to the board of directors.

The bank reports on the proceedings of the CRC during the year to the Bank of Mauritius on a yearly basis.

Transactions with related parties are carried out on terms and conditions that are at least as favourable to the bank as the market terms and conditions

For the year to 31 March	2016	2015	2014
On- and off-balance sheet credit exposure (US$'million)	**85.6**	85.5	104.6
On- and off-balance sheet credit exposure to all customers (%)	**4.6**	5.4	6.3
Proportion of credit exposure that has become non performing (%)	**–**	–	–
Amount of credit exposure to six related parties with the highest exposure (US$'million)	**85.5**	85.0	103.7
Amount of credit exposure to six related parties with the highest exposure to tier 1 capital (%)	**24.1**	22.5	30.0

All the related party transactions were within the regulatory limits as recommended in the abovementioned guideline.

ASSET QUALITY ANALYSIS – CREDIT RISK CLASSIFICATION AND PROVISIONING POLICY

It is a policy requirement that the bank makes provision for specific impairments and calculates the appropriate level of portfolio impairments. This is in accordance with established Investec group policies and the Bank of Mauritius guidelines. In the financial statements, credit losses and impairments are reported in accordance with International Financial Reporting Standards (IFRS).

Specific impairments

The bank determines the impairment appropriate for each loan or advance on an individual basis. Items considered when determining impairments include the sustainability of the counterparty's business plan, its ability to improve performance once financial difficulty has arisen, projected receipts and the expected dividends payout should bankruptcy occur, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Portfolio impairments

The portfolio impairment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring a specific impairment, and expected receipts and recoveries once impaired. The impairment is then reviewed by management to ensure alignment with the bank's overall policy. Portfolio impairments are conducted in accordance with the Bank of Mauritius Guidelines on Credit Impairment Measurement and Income Recognition.

The information provided below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 26).

The impairment definitions and guidelines are consistent with IFRS. IFRS differs from the requirements laid out in the 'International Convergence of Capital Measurement and Capital Standards' Basel II framework.

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogeneous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/credit agreed payment due date. Management however is not concerned and there is confidence in the counterparty's ability to repay the past due obligations
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil its credit obligation to the bank (i.e. credit committee is concerned) for any of the following reasons: • Covenant breaches • There is a slowdown in the counterparty's business activity • An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty • Any restructured credit exposures until credit committee decides otherwise • Any specific country problems. Ultimate loss is not expected, but may occur if adverse conditions persist. Reporting categories: • Credit exposures overdue 1 – 90 days • Credit exposures overdue 61 – 90 days.

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Assets in default (non-performing assets)	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business • Likely dividend or amount recoverable on liquidation or bankruptcy or business rescue • Nature and extent of claims by other creditors • Amount and timing of expected cash flows • Realisable value of security held (or other credit mitigants) • Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts.	Sub-standard	The counterparty is placed in 'sub-standard' when the credit exposure reflects an underlying well-defined weakness that may lead to probable loss if not corrected: • The risk that such credit exposure may become an impaired asset is probable • The bank is relying, to a large extent, on available collateral or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in sub-standard (or a lower quality category).
		Doubtful	The counterparty is placed in doubtful when the credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.
		Loss	A counterparty is placed in the loss category when: • The credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted or • Assets in this category are expected to be written off in the short term since the likelihood of future economic benefits resulting from such assets are remote.

CREDIT RISK MITIGATION

Credit risk mitigation techniques can be defined as all methods by which Investec seeks to decrease the credit risk associated with an exposure. Investec considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Credit risk mitigants can include any collateral item over which the bank has pledge or security, netting and margining agreements, covenants or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent to that transaction.

As Investec has a limited appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. Collateral is assessed with reference to the sustainability of value and the likelihood of realisation. Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued.

An analysis of collateral is provided on pages 34 and 35.

Where a transaction is supported by a mortgage or charge over property, the primary credit risk is still taken on the borrower. For property backed lending such as residential mortgages, the following characteristics of the property are considered: the type of property, its location, and the ease with which the property could be re-let and/or resold. Where the property is secured by lease agreements, the credit committee prefers not to lend for a term beyond the maximum period of the lease.

Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds.

Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

Other common forms of collateral in the retail asset class are cash and share portfolios. In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business.

Lending against investment portfolios is typically geared at very conservative loan-to-value ratios after considering the quality, diversification, risk profile and liquidity of the portfolio.

Our corporate, government and institutional clients provide a range of collateral including cash, corporate assets, debtors (accounts receivable), trading stock, debt securities (bonds), listed and unlisted shares and guarantees.

The majority of credit mitigation techniques linked to trading activity is in the form of netting (primarily International Swap Dealers Association, Global Master Securities Lending Agreement and International Securities Master Agreement) and margining agreements (primarily through Credit Support Agreements).

Set-off has been applied between assets subject to credit risk and related liabilities in the financial statements where:

- A legally enforceable right to set-off exists
- There is the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty
- Debit and credit balances are denominated in the same currency and have identical maturities
- Exposures subject to set-off are risk managed on a net basis
- Market practice considerations.

For this reason, there will be instances where credit and counterparty exposures are displayed on a net basis in these annual financial statements but reported on a gross basis to regulators.

Investec places minimal reliance on credit derivatives in its credit risk mitigation techniques.

CREDIT AND COUNTERPARTY RISK YEAR IN REVIEW

The global economic environment has been challenging for the year under review. The US economy has improved but at a lower than anticipated pace which resulted in the Fed rate being increased by 0.25% only once versus the market anticipation of four increases.

Europe has remained fragile and the possibility of a Brexit has resulted in lower investment towards the UK.

China indicators have deteriorated and the country demand for commodities have decreased as the country is shifting its economy from a consumption to a production orientated model.

The bank's loan portfolio decreased during the year but has not suffered any credit loss.

Loans and advances are generally well secured and are monitored frequently, and counterparties remain within credit approved loan to value or cover ratios and are performing on current debt obligations. Default core loans and advances to customers amounted to US$0.9 million at 31 March 2016 which represented 0.1% of gross core loans.

The bank has continued to write assets at low loan to value and remains well secured across its loan portfolio.

Credit quality on gross core loans remained at a satisfactory level for the year under review with no specific impairments at 31 March 2016. No loan was written off while bad debt recovered during the year stood at US$1.0 million.

Gross core loans and advances decreased by 3.8% to US$891.1 million during the year under review.

Credit and counterparty risk information

Pages 14 to 36 describe where and how credit and counterparty risk exists in the bank's operations.

The tables that follow provide an analysis of the bank's credit and counterparty exposures.

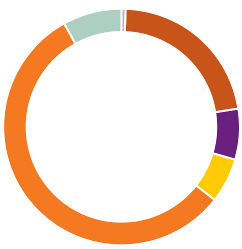
AN ANALYSIS OF GROSS CREDIT AND COUNTERPARTY EXPOSURES

Credit and counterparty exposures increased by 3.2% to US$1.588 billion.

US$'000	31 March 2016	31 March 2015	31 March 2014	2016 vs 2015 % change	Average* 2016 vs 2015	2015 vs 2014 % change	Average* 2015 vs 2014
On-balance sheet exposures							
Cash and balances at central banks	9 943	9 335	16 705	6.5%	9 639	(44.1%)	13 020
Loans and advances to banks	347 420	256 603	284 161	35.4%	302 011	(9.7%)	270 382
Sovereign debt securities	–	1 642	–	(100.0%)	821	100.0%	821
Bank debt securities	112 357	111 576	123 978	0.7%	111 966	(10.0%)	117 777
Other debt securities	95 699	82 897	103 005	15.4%	89 298	(19.5%)	92 951
Derivative financial instruments	23	79	710	(70.4%)	51	(88.8%)	394
Reverse repurchase agreements and cash collateral on securities borrowed	–	13 987	–	(100.0%)	6 994	100.0%	6 994
Loans and advances to customers	897 788	932 566	899 069	(3.7%)	915 177	3.7%	915 818
Other assets	–	–	14	–	–	(100.0%)	7
Total on-balance sheet credit and counterparty exposures	**1 463 230**	**1 408 685**	**1 427 642**	**3.9%**	**1 435 957**	**(1.3%)**	**1 418 164**
Guarantees^	17 138	16 447	21 919	4.2%	16 793	(25.0%)	19 183
Committed facilities	108 057	114 315	65 923	(5.5%)	111 186	73.4%	90 119
Off-balance sheet exposures	**125 195**	**130 762**	**87 842**	**(4.3%)**	**127 979**	**48.9%**	**109 302**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**1 588 425**	**1 539 447**	**1 515 484**	**3.2%**	**1 563 936**	**1.6%**	**1 527 466**

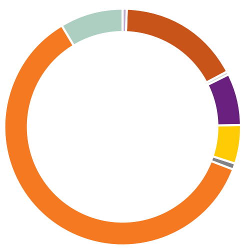
* *Where the average is based on a straight-line average.*
^ *Excludes guarantees provided to clients which are backed/secured by cash deposit with the bank.*

AN ANALYSIS OF GROSS CREDIT AND COUNTERPARTY EXPOSURES



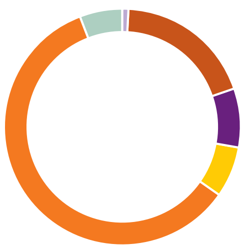
31 March 2016
U$1 588 million

0.6%	Cash and balances at central banks
21.9%	Loans and advances to banks
0.0%	Sovereign debt securities
7.1%	Bank debt securities
6.0%	Other debt securities
0.0%	Derivative financial instruments
0.0%	Reverse repurchase agreements
56.5%	Loans and advances to customers
0.0%	Other assets
7.9%	Off-balance sheet exposures



31 March 2015
U$1 539 million

0.6%	Cash and balances at central banks
16.7%	Loans and advances to banks
0.1%	Sovereign debt securities
7.2%	Bank debt securities
5.4%	Other debt securities
0.0%	Derivative financial instruments
0.9%	Reverse repurchase agreements
60.6%	Loans and advances to customers
0.0%	Other assets
8.5%	Off-balance sheet exposures

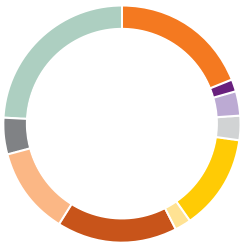


31 March 2014
U$1 515 million

1.1%	Cash and balances at central banks
18.8%	Loans and advances to banks
0.0%	Sovereign debt securities
8.2%	Bank debt securities
6.8%	Other debt securities
0.0%	Derivative financial instruments
0.0%	Reverse repurchase agreements
59.3%	Loans and advances to customers
0.0%	Other assets
5.8%	Off-balance sheet exposures

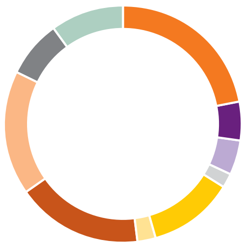
Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any client and counterparty at 31 March 2016 was US$61.5 million (2015: US$100.9 million and 2014: US$86.0 million).

AN ANALYSIS OF GROSS CREDIT AND COUNTERPARTY EXPOSURE BY GEOGRAPHY



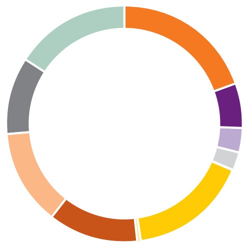
31 March 2016
US$1 588 million

18.9%	Mauritius
1.7%	South Africa
3.3%	Africa (excl RSA)
3.5%	Asia
12.9%	European Union
2.4%	Europe (non EU)
16.4%	North America
11.9%	Other
5.0%	Australia
24.0%	United Kingdom



31 March 2015
US$1 539 million

22.1%	Mauritius
5.3%	South Africa
4.6%	Africa (excl RSA)
2.0%	Asia
11.8%	European Union
2.5%	Europe (non EU)
17.0%	North America
17.1%	Other
7.8%	Australia
9.8%	United Kingdom



31 March 2014
US$1 515 million

19.5%	Mauritius
6.1%	South Africa
3.5%	Africa (excl RSA)
2.4%	Asia
16.4%	European Union
0.4%	Europe (non EU)
12.3%	North America
13.1%	Other
10.5%	Australia
15.8%	United Kingdom

A further analysis of our on-balance sheet credit and counterparty exposures

The tables below indicate in which class of asset (on the face of the balance sheet) the bank's on-balance sheet credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

At 31 March US$'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
2016				
Cash and balances at central banks	9 943	4		9 947
Loans and advances to banks	347 420	334 740	1	682 160
Bank debt securities	112 357	–		112 357
Other debt securities	95 699	–		95 699
Derivative financial instruments	23	25 266		25 289
Loans and advances to customers	897 788	(6 690)	2	891 098
Other assets	–	2 476		2 476
Investment portfolio	–	17 045	3	17 045
Investment in associate	–	3 720		3 720
Deferred taxation asset	–	116		116
Property and equipment	–	337		337
Amount due from group companies	–	3 536	1	3 536
Total on-balance sheet exposures	**1 463 230**	**380 550**		**1 843 780**

1. *Relates to intergroup balances.*
2. *Largely relates to impairments.*
3. *Largely relates to exposures that are classified as equity in the banking book.*

A further analysis of our on-balance sheet credit and counterparty exposures *(continued)*

At 31 March US$'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
2015				
Cash and balances at central banks	9 335	2		9 337
Loans and advances to banks	256 603	125 634	1	382 237
Sovereign debt securities	1 642	–		1 642
Bank debt securities	111 576	–		111 576
Other debt securities	82 897	–		82 897
Derivative financial instruments	79	29 031		29 110
Reverse repurchase agreements and cash collateral on securities borrowed	13 987	–		13 987
Loans and advances to customers	932 566	(6 653)	2	925 913
Other assets	–	3 284		3 284
Investment portfolio	–	20 586	3	20 586
Investment in associate	–	4 915		4 915
Deferred taxation asset	–	310		310
Property and equipment	–	409		409
Amount due from group companies	–	3 693	1	3 693
Total on-balance sheet exposures	**1 408 685**	**181 211**		**1 589 896**
2014				
Cash and balances at central banks	16 705	5		16 710
Loans and advances to banks	284 161	182 430	1	466 591
Bank debt securities	123 978	–		123 978
Other debt securities	103 005	–		103 005
Derivative financial instruments	710	34 453		35 163
Loans and advances to customers	899 069	(8 367)	2	890 702
Other assets	14	5 122		5 136
Investment portfolio	–	16 768	3	16 768
Investment in associate	–	4 915		4 915
Deferred taxation assets	–	293		293
Property and equipment	–	338		338
Intergroup	–	3 877	1	3 877
Total on-balance sheet exposures	**1 427 642**	**239 834**		**1 667 476**

1. *Relates to intergroup balances.*
2. *Largely relates to impairments.*
3. *Largely relates to exposures that are classified as equity in the banking book.*

SUMMARY OF ANALYSIS OF GROSS CREDIT AND COUNTERPARTY EXPOSURE BY INDUSTRY

As at 31 March US$'000	Gross core loans and advances 2016	Gross core loans and advances 2015	Gross core loans and advances 2014	Other credit and counterparty exposures 2016	Other credit and counterparty exposures 2015	Other credit and counterparty exposures 2014	Total 2016	Total 2015	Total 2014
Professional	–	–	34 257	–	–	929	–	–	35 186
Agriculture	1 995	1 993	–	–	–	–	1 995	1 993	–
Construction	296 388	319 830	331 915	23 521	48 272	25 662	319 909	368 102	357 577
Personal	30 981	29 413	114	5 095	2 805	230	36 076	32 218	344
Global business licence holders	174 256	184 408	137 138	48 823	50 228	56 058	223 079	234 636	193 196
Finance and business services	124 136	95 455	65 384	570 177	486 445	528 573	694 313	581 900	593 957
Traders	–	–	19 817	30 000	–	–	30 000	–	19 817
Manufacturing	19 197	32 235	60 891	–	–	3 405	19 197	32 235	64 296
Transport	124 717	148 882	76 903	–	10	–	124 717	148 892	76 903
Tourism	20 043	23 280	28 564	–	–	–	20 043	23 280	28 564
Infrastructure	57 345	53 331	88 730	1 271	3 371	–	58 616	56 702	88 730
Information, communication and technology	8 351	23 685	33 242	11 750	15 750	–	20 101	39 435	33 242
Media, entertainment and recreational	194	707	1 775	–	–	1 558	194	707	3 333
Other industries	40 185	19 347	20 339	–	–	–	40 185	19 347	20 339
Total	**897 788**	**932 566**	**899 069**	**690 637**	**606 881**	**616 415**	**1 588 425**	**1 539 447**	**1 515 484**

DETAILED ANALYSIS OF GROSS CREDIT AND COUNTERPARTY EXPOSURES BY INDUSTRY

At 31 March US$'000	Professional	Agriculture	Construction	Personal	Global business licence holders	Finance and business services
2016						
On-balance sheet exposures	**–**	**1 995**	**296 388**	**30 981**	**174 256**	**689 578**
Other debt securities	–	–	–	–	–	95 699
Bank debt securities	–	–	–	–	–	112 357
Bank placements	–	–	–	–	–	357 363
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	23
Other credit exposures	–	–	–	–	–	–
Gross core loans and advances to customers	–	1 995	296 388	30 981	174 256	124 136
Off-balance sheet exposures	**–**	**–**	**23 521**	**5 095**	**48 823**	**4 735**
Guarantees	–	–	10 138	3 400	3 600	–
Committed facilities	–	–	13 383	1 695	45 223	4 735
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**–**	**1 995**	**319 909**	**36 076**	**223 079**	**694 313**
2015						
On-balance sheet exposures	**–**	**1 993**	**319 830**	**29 413**	**184 408**	**571 574**
Other debt securities	–	–	–	–	–	82 897
Bank debt securities	–	–	–	–	–	111 576
Sovereign debt securities						1 642
Bank placements	–	–	–	–	–	265 938
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–	13 987
Derivative financial instruments	–	–	–	–	–	79
Other credit exposures	–	–	–	–	–	–
Gross core loans and advances to customers	–	1 993	319 830	29 413	184 408	95 455
Off-balance sheet exposures	**–**	**–**	**48 272**	**2 805**	**50 228**	**10 326**
Guarantees	–	–	12 250	661	3 536	–
Committed facilities	–	–	36 022	2 144	46 692	10 326
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**–**	**1 993**	**368 102**	**32 218**	**234 636**	**581 900**
2014						
On-balance sheet exposures	**34 257**	**–**	**331 915**	**114**	**137 138**	**593 957**
Other debt securities	–	–	–	–	–	103 005
Bank debt securities	–	–	–	–	–	123 978
Bank placements	–	–	–	–	–	300 866
Derivative financial instruments	–	–	–	–	–	710
Other credit exposures	–	–	–	–	–	14
Gross core loans and advances to customers	34 257	–	331 915	114	137 138	65 384
Off-balance sheet exposures	**929**	**–**	**25 662**	**230**	**56 058**	**–**
Guarantees	890	–	20 850	–	179	–
Committed facilities	39	–	4 812	230	55 879	–
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**35 186**	**–**	**357 577**	**344**	**193 196**	**593 957**

Traders	Manufac-turing	Transport	Tourism	Infra-structure	Information, communi-cation and technology	Media, entertain-ment and recreational	Other entities	Total
–	**19 197**	**124 717**	**20 043**	**57 345**	**8 351**	**194**	**40 185**	**1 463 230**
–	–	–	–	–	–	–	–	95 699
–	–	–	–	–	–	–	–	112 357
–	–	–	–	–	–	–	–	357 363
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	23
–	–	–	–	–	–	–	–	–
–	19 197	124 717	20 043	57 345	8 351	194	40 185	897 788
30 000	**–**	**–**	**–**	**1 271**	**11 750**	**–**	**–**	**125 195**
–	–	–	–	–	–	–	–	17 138
30 000	–	–	–	1 271	11 750	–	–	108 057
30 000	**19 197**	**124 717**	**20 043**	**58 616**	**20 101**	**194**	**40 185**	**1 588 425**
–	**32 235**	**148 882**	**23 280**	**53 331**	**23 685**	**707**	**19 347**	**1 408 685**
–	–	–	–	–	–	–	–	82 897
–	–	–	–	–	–	–	–	111 576
–	–	–	–	–	–	–	–	1 642
–	–	–	–	–	–	–	–	265 938
–	–	–	–	–	–	–	–	13 987
–	–	–	–	–	–	–	–	79
–	–	–	–	–	–	–	–	–
–	32 235	148 882	23 280	53 331	23 685	707	19 347	932 566
–	**–**	**10**	**–**	**3 371**	**15 750**	**–**	**–**	**130 762**
–	–	–	–	–	–	–	–	16 447
–	–	10	–	3 371	15 750	–	–	114 315
–	**32 235**	**148 892**	**23 280**	**56 702**	**39 435**	**707**	**19 347**	**1 539 447**
19 817	**60 891**	**76 903**	**28 564**	**88 730**	**33 242**	**1 775**	**20 339**	**1 427 641**
–	–	–	–	–	–	–	–	103 005
–	–	–	–	–	–	–	–	123 978
–	–	–	–	–	–	–	–	300 866
–	–	–	–	–	–	–	–	710
–	–	–	–	–	–	–	–	14
19 817	60 891	76 903	28 564	88 730	33 242	1 775	20 339	899 069
–	**3 405**	**–**	**–**	**–**	**–**	**1 558**	**–**	**87 842**
–	–	–	–	–	–	–	–	21 919
–	3 405	–	–	–	–	1 558	–	65 923
19 817	**64 296**	**76 903**	**28 564**	**88 730**	**33 242**	**3 333**	**20 339**	**1 515 484**

ASSET QUALITY AND IMPAIRMENTS

An analysis of core loans and advances, asset quality and impairments

The tables that follow provide information with respect to the asset quality of the bank's core loans and advances to customers.

An overview of development during the financial year is provided on page 19.

At 31 March US$'000	2016	2015	2014
Gross core loans and advances to customers	**897 788**	**932 566**	**899 069**
Total impairments	**(6 690)**	**(6 653)**	**(8 367)**
Portfolio impairments	(6 690)	(6 653)	(8 289)
Specific impairments	–	–	(78)
Net core loans and advances to customers	**891 098**	**925 913**	**890 702**
Average gross core loans and advances to customers	**915 177**	**915 818**	**839 507**
Current loans and advances to customers	863 626	928 327	873 448
Past due loans and advances to customers (1 – 60 days)	11 095	2 661	20 986
Special mention loans and advances to customers	22 142	1 142	2 658
Default loans and advances to customers	925	436	1 977
Gross core loans and advances to customers	**897 788**	**932 566**	**899 069**
Current loans and advances to customers	884 970	929 469	873 448
Gross core loans and advances to customers that are past due but not impaired	12 818	3 097	25 543
Gross core loans and advances to customers that are impaired	–	–	78
Gross Core loans and advances to customers	**897 788**	**932 566**	**899 069**
Total income statement charge for impairments on loans and advances	**1 003**	**2 359**	**(3 654)**
Gross default loans and advances to customers	925	436	1 977
Specific impairments	–	–	(78)
Portfolio impairments	(6 690)	(6 653)	(8 289)
Defaults net of impairments	**(5 765)**	**(6 217)**	**(6 390)**
Collateral and other credit enhancements	1 793	1 136	3 964
Net default loans and advances to customers (limited to zero)	**–**	**–**	**–**
Ratios:			
Total impairments as a % of gross core loans and advances to customers	0.75%	0.71%	0.93%
Total impairments as a % of gross default loans	> 100%	> 100%	> 100%
Gross defaults as a % of gross core loans and advances to customers	0.10%	0.05%	0.22%
Defaults (net of impairments) as a % of net core loans and advances to customers	(0.65%)	(0.67%)	(0.72%)
Net defaults as a % of gross core loans and advances to customers	–	–	–
Credit loss ratio (i.e. income statement charge on core loans as a % of average gross core loans and advances)	(0.11%)	(0.26%)	0.44%

An age analysis of past due and default core loans and advances to customers

At 31 March US$'000	2016	2015	2014
Watchlist loans neither past due nor impaired	21 344	1 142	–
1 – 60 days	11 893	2 661	20 986
61 – 90 days	–	–	3 575
91 – 180 days	–	–	982
181 – 365 days	925	436	78
> 365 days	–	–	–
Past due and default core loans and advances to customers (actual capital exposure)	**34 162**	**4 239**	**25 621**
1 – 60 days	189	82	1 351
61 – 90 days	–	–	146
91 – 180 days	–	–	71
181 – 365 days	275	94	41
> 365 days	–	–	–
Past due and default loans and advances to customers (actual amount in arrears)	**464**	**176**	**1 609**

A further age analysis of non-current loans and advances to customers

At 31 March US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
2016							
Watchlist loans							
Total capital exposure	21 344	798	–	–	–	–	22 142
Amount in arrears	–	21	–	–	–	–	21
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	11 095	–	–	925	–	12 020
Amount in arrears	–	168	–	–	275	–	443
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	–	–	–	–	–	–
Amount in arrears	–	–	–	–	–	–	–
2015							
Watchlist loans							
Total capital exposure	1 142	–	–	–	–	–	1 142
Amount in arrears	–	–	–	–	–	–	–
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	2 661	–	–	436	–	3 097
Amount in arrears	–	82	–	–	94	–	176
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	–	–	–	–	–	–
Amount in arrears	–	–	–	–	–	–	–
2014							
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	20 986	3 575	982	–	–	25 543
Amount in arrears	–	1 351	146	71	–	–	1 568
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	–	–	–	78	–	78
Amount in arrears	–	–	–	–	41	–	41

Of the total aggregate amount of gross past due but not impaired loans and advances to customers, the fair value of collateral that the bank held against the loans at 31 March 2016 was US$19.9 million (2015: US$10.8 million and 2014: US$66.3 million).

A further age analysis based of gross non-current core loans and advances to customers as at 31 March 2016 (based on total capital exposure)

US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**11 095**	**–**	**–**	**–**	**–**	**11 095**
Special mention	**21 344**	**798**	**–**	**–**	**–**	**–**	**22 142**
Special mention (1 – 90 days and management concerned)	–	798	–	–	–	–	798
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–
Special mention – current	21 344	–	–	–	–	–	21 344
Default	**–**	**–**	**–**	**–**	**925**	**–**	**925**
Sub-standard	–	–	–	–	925	–	925
Doubtful	–	–	–	–	–	–	–
Loss	–	–	–	–	–	–	–
Total	**21 344**	**11 893**	**–**	**–**	**925**	**–**	**34 162**

A further age analysis based of gross non-current core loans and advances to customers as at 31 March 2016 (based on actual amount in arrears)

US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**168**	**–**	**–**	**–**	**–**	**168**
Special mention	**–**	**21**	**–**	**–**	**–**	**–**	**21**
Special mention (1 – 90 days and management concerned)	–	21	–	–	–	–	21
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–
Special mention – current	–	–	–	–	–	–	–
Default	**–**	**–**	**–**	**–**	**275**	**–**	**275**
Sub-standard	–	–	–	–	275	–	275
Doubtful	–	–	–	–	–	–	–
Loss	–	–	–	–	–	–	–
Total	**–**	**189**	**–**	**–**	**275**	**–**	**464**

A further age analysis based of gross non-current core loans and advances to customers as at 31 March 2015 (based on total capital exposure)

US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	2 661	–	–	–	–	2 661
Special mention	1 142	–	–	–	–	–	1 142
Special mention (1 – 90 days)	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–
Special mention – current	1 142	–	–	–	–	–	1 142
Default	–	–	–	–	436	–	436
Sub-standard	–	–	–	–	436	–	436
Doubtful	–	–	–	–	–	–	–
Total	1 142	2 661	–	–	436	–	4 239

A further age analysis based of gross non-current core loans and advances to customers as at 31 March 2015 (based on actual amount in arrears)

US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	82	–	–	–	–	82
Special mention	–	–	–	–	–	–	–
Special mention (1 – 90 days)	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–
Special mention – current	–	–	–	–	–	–	–
Default	–	–	–	–	94	–	94
Sub-standard	–	–	–	–	94	–	94
Doubtful	–	–	–	–	–	–	–
Total	–	82	–	–	94	–	176

A further age analysis based of gross non-current core loans and advances to customers as at 31 March 2014 (based on total capital exposure)

US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	20 986	–	–	–	–	20 986
Special mention	–	–	2 658	–	–	–	2 658
Special mention (1 – 90 days)	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–	2 658	–	–	–	2 658
Special mention – current	–	–	–	–	–	–	–
Default	–	–	917	982	78	–	1 977
Sub-standard	–	–	917	982	–	–	1 899
Doubtful	–	–	–	–	78	–	78
Loss	–	–	–	–	–	–	–
Total	–	20 986	3 575	982	78	–	25 621

A further age analysis based of gross non-current core loans and advances to customers as at 31 March 2014 (based on actual amount in arrears)

US$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	1 351	–	–	–	–	1 351
Special mention	–	–	115	–	–	–	115
Special mention (1 – 90 days)	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–	115	–	–	–	115
Special mention – current	–	–	–	–	–	–	–
Default	–	–	31	71	41	–	143
Sub-standard	–	–	31	71	–	–	102
Doubtful	–	–	–	–	41	–	41
Loss	–	–	–	–	–	–	–
Total	–	1 351	146	71	41	–	1 609

MANAGEMENT DISCUSSION AND ANALYSIS

An analysis of core loans and advances to customers

At 31 March US$'000	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
2016								
Current core loans and advances	863 626	–	–	863 626	–	(6 435)	857 191	–
Past due (1 – 60 days)	–	11 095	–	11 095	–	(83)	11 012	168
Special mention	21 344	798	–	22 142	–	(165)	21 977	21
Special mention (1 – 90 days)	–	798	–	798	–	(6)	792	21
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–	–
Special mention – current	21 344	–	–	21 344	–	(159)	21 185	–
Default	–	925	–	925	–	(7)	918	275
Sub-standard	–	925	–	925	–	(7)	918	275
Doubtful	–	–	–	–	–	–	–	
Loss	–	–	–	–	–	–	–	–
Total	884 970	12 818	–	897 788	–	(6 690)	891 098	464
2015								
Current core loans and advance	928 327	–	–	928 327	–	(6 623)	921 704	–
Past due (1 – 60 days)	–	2 661	–	2 661	–	(19)	2 642	82
Special mention	1 142	–	–	1 142	–	(8)	1 134	–
Special mention (1 – 90 days)	–	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–	–
Special mention – current	1 142	–	–	1 142	–	(8)	1 134	–
Default	–	436	–	436	–	(3)	433	94
Sub-standard	–	436	–	436	–	(3)	433	94
Doubtful	–	–	–	–	–	–	–	–
Loss	–	–	–	–	–	–	–	–
Total	929 469	3 097	–	932 566	–	(6 653)	925 913	176
2014								
Current core loans and advances	873 448	–	–	873 448	–	(8 115)	865 333	–
Past due (1 – 60 days)	–	20 986	–	20 986	–	(135)	20 851	1 351
Special mention	–	2 658	–	2 658	–	(23)	2 635	115
Special mention (1 – 90 days)	–	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	2 658	–	2 658	–	(23)	2 635	115
Special mention – current	–	–	–	–	–	–	–	–
Default	–	1 899	78	1 977	(78)	(16)	1 883	143
Sub-standard	–	1 899	–	1 899	–	(16)	1 883	102
Doubtful	–	–	78	78	(78)	–	–	41
Loss	–	–	–	–	–	–	–	–
Total	873 448	25 543	78	899 069	(78)	(8 289)	890 702	1 609

An analysis of core loans and advances to customers and impairments by counterparty type

At 31 March US$'000	Current core loans and advances	Past due (1 – 60 days)	Special mention (1 – 90 days)
2016			
Professional	–	–	–
Agriculture	1 995	–	–
Construction	295 347	1 041	–
Personal	29 020	1 036	–
Global business licence holders	171 187	3 069	–
Financial and business services	123 811	325	–
Traders	–	–	–
Manufacturing	19 197	–	–
Transport	98 303	5 070	–
Tourism	18 691	554	798
Infrastructure	57 345	–	–
Information, communication and technology	8 351	–	–
Media, entertainment and recreational	194	–	–
Other entities	40 185	–	–
Total gross core loans and advances to customers	**863 626**	**11 095**	**798**
2015			
Professional	–	–	–
Agriculture	1 993	–	–
Construction	319 585	245	–
Personal	27 566	1 412	–
Global business licence holders	183 777	631	–
Financial and business services	95 081	373	–
Traders	–	–	–
Manufacturing	32 235	–	–
Transport	148 882	–	–
Tourism	22 138	–	–
Infrastructure	53 331	–	–
Information, communication and technology	23 685	–	–
Media, entertainment and recreational	707	–	–
Other entities	19 347	–	–
Total gross core loans and advances to customers	**928 327**	**2 661**	**–**
2014			
Professional	31 810	1 319	943
Agriculture	–	–	–
Construction	328 742	1 038	343
Personal	114	–	–
Global business licence holders	126 542	10 596	–
Financial and business services	64 944	–	440
Traders	19 817	–	–
Manufacturing	60 891	–	–
Transport	68 870	8 033	–
Tourism	27 632	–	932
Infrastructure	88 730	–	–
Information, communication and technology	33 242	–	–
Media, entertainment and recreational	1 775	–	–
Other entities	20 339	–	–
Total gross core loans and advances to customers	**873 448**	**20 986**	**2 658**

Special mention – watchlist	Sub-standard	Doubtful	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
–	–	–	–	–	–	–
–	–	–	1 995	(15)	–	(15)
–		–	296 388	(2 210)	–	(2 210)
–	925	–	30 981	(231)	–	(231)
–	–	–	174 256	(1 299)	–	(1 299)
–	–	–	124 136	(925)	–	(925)
–	–	–	–	–	–	–
–	–	–	19 197	(143)	–	(143)
21 344	–	–	124 717	(929)	–	(929)
–	–	–	20 043	(149)	–	(149)
–	–	–	57 345	(427)	–	(427)
–	–	–	8 351	(62)	–	(62)
–	–	–	194	(1)	–	(1)
–	–	–	40 185	(299)	–	(299)
21 344	**925**	**–**	**897 788**	**(6 690)**	**–**	**(6 690)**
–	–	–	–	–	–	–
–	–	–	1 993	(14)	–	(14)
–	–	–	319 830	(2 282)	–	(2 282)
–	436	–	29 414	(210)	–	(210)
–	–	–	184 408	(1 316)	–	(1 316)
–	–	–	95 454	(681)	–	(681)
–	–	–	–	–	–	–
–	–	–	32 235	(230)	–	(230)
–	–	–	148 882	(1 062)	–	(1 062)
1 142	–	–	23 280	(166)	–	(166)
–	–	–	53 331	(380)	–	(380)
–	–	–	23 685	(169)	–	(169)
–	–	–	707	(5)	–	(5)
–	–	–	19 347	(138)	–	(138)
1 142	**436**	**–**	**932 566**	**(6 653)**	**–**	**(6 653)**
–	107	78	34 257	(316)	(78)	(394)
–	–	–	–	–	–	–
–	1 792	–	331 915	(3 060)	–	(3 060)
–	–	–	114	(1)	–	(1)
–	–	–	137 138	(1 264)	–	(1 264)
–	–	–	65 384	(603)	–	(603)
–	–	–	19 817	(184)	–	(184)
–	–	–	60 891	(561)	–	(561)
–	–	–	76 903	(709)	–	(709)
–	–	–	28 564	(263)	–	(263)
–	–	–	88 730	(818)	–	(818)
–	–	–	33 242	(306)	–	(306)
–	–	–	1 775	(16)	–	(16)
–	–	–	20 339	(188)	–	(188)
–	**1 899**	**78**	**899 069**	**(8 289)**	**(78)**	**(8 367)**

COLLATERAL

A summary of total collateral is provided in the table below.

	Collateral held against		
At 31 March US$'000	**Gross core loans and advances**	**Other credit and counterparty exposures***	**Total**
2016			
Eligible financial collateral	**9 858**	**1 500**	**11 358**
Listed shares	–	–	–
Cash**	9 858	1 500	11 358
Property charge	**954 780**	**14 539**	**969 319**
Residential mortgages	117 321	7 422	124 743
Residential development	–	–	–
Commercial property developments	820 402	7 117	827 519
Commercial property investments	17 057	–	17 057
Other collateral	**837 889**	**15 877**	**853 766**
Unlisted shares	264 301	–	264 301
Charges other than property	239 836	–	239 836
Debtors, stock and other corporate assets	244 911	–	244 911
Guarantees	65 165	2 413	67 578
Other	23 676	13 464	37 140
Total collateral	**1 802 527**	**31 916**	**1 834 443**
2015			
Eligible financial collateral	**12 178**	**1 822**	**14 000**
Listed shares	–	–	–
Cash**	12 178	1 822	14 000
Property charge	**726 764**	**23 747**	**750 511**
Residential mortgages	111 954	15 992	127 946
Commercial property developments	598 329	7 755	606 084
Commercial property investments	16 481	–	16 481
Other collateral	**823 164**	**40 769**	**863 933**
Unlisted shares	279 681	–	279 681
Charges other than property	305 629	–	305 629
Debtors, stock and other corporate assets	177 912	–	177 912
Guarantees	29 896	1 236	31 132
Other	30 046	39 533	69 579
Total collateral	**1 562 106**	**66 338**	**1 628 444**

* *A large percentage of these exposures (e.g. bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.*

** *The bank has received cash collateral amounting to US$9.8 million (2015: US$12.2 million and 2014: US$26.2 million) with regard to loans and advances of US$106.4 million (2015: US$129.4 million and 2014: US$51.7 million). The bank has the right to invoke the cash collateral only in an event of default from the borrower and as a result was not offset against the loans and advances balance. The cash collateral is included in 'Due to customers'. The effect of offsetting the above financial instruments would have resulted in net balances for loans and advances of US$95.8 million (2014: US$117.2 million and 2014: US$25.5 million).*

COLLATERAL *(continued)*

At 31 March US$'000	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
2014			
Eligible financial collateral	**26 209**	**151**	**26 360**
Listed shares	–	–	–
Cash**	26 209	151	26 360
Property charge	**751 250**	**7 464**	**758 714**
Residential mortgages	118 361	–	118 361
Commercial property developments	600 578	7 464	608 042
Commercial property investments	32 311	–	32 311
Other collateral	**2 760 748**	**52 972**	**2 813 720**
Unlisted shares	2 187 864	–	2 187 864
Charges other than property	225 009	–	225 009
Guarantees	79 921	–	79 921
Other	267 954	52 972	320 926
Total collateral	**3 538 207**	**60 587**	**3 598 794**

* *A large percentage of these exposures (e.g. bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.*

** *The bank has received cash collateral amounting to US$9.8 million (2015: US$12.2 million and 2014: US$26.2 million) with regard to loans and advances of US$106.4 million (2015: US$129.4 million and 2014: US$51.7 million). The bank has the right to invoke the cash collateral only in an event of default from the borrower and as a result was not offset against the loans and advances balance. The cash collateral is included in 'Due to customers'. The effect of offsetting the above financial instruments would have resulted in net balances for loans and advances of US$95.8 million (2014: US$117.2 million and 2014: US$25.5 million).*

EQUITY AND INVESTMENT RISK IN THE BANKING BOOK

The bank is exposed to equity and investment risk which may arise from the various investments it has made in listed and unlisted companies.

The credit committee reviews all new investment proposals and makes its recommendations known to the investment committee, being a board sub-committee. The investment committee reviews all new investment proposals and makes its determinations known to the group investment committee which will sanction the investments. The investment committee is empowered to sell securities as and when deemed appropriate.

The bank's investment committee manages the investment portfolio. The committee reviews the performance of the investment portfolio at least once a month and reports its findings to the board every quarter.

The table below provides an analysis of gains/(losses) recorded with respect to these investments.

Unrealised revaluation gains are included in tier 1 capital.

EQUITY AND INVESTMENT RISK IN THE BANKING BOOK *(continued)*

For the year to 31 March US$'000	Gains/(losses) Unrealised	Realised	Total
2016			
Unlisted investments	(3 541)	–	(3 541)
Listed equities	(1)	–	(1)
Equity derivatives	(1 711)	–	(1 711)
Total	**(5 253)**	**–**	**(5 253)**
2015			
Unlisted investments	4 006	–	4 006
Listed equities	(32)	–	(32)
Equity derivatives	502	19 993	20 495
Total	**4 476**	**19 993**	**24 469**
2014			
Unlisted investments	3 619	(662)	2 957
Listed equities	39	–	39
Equity derivatives	4 329	–	4 329
Total	**7 987**	**(662)**	**7 325**

SUMMARY OF INVESTMENTS HELD AND STRESS TESTING ANALYSIS

The table below provides an analysis of income and revaluations recorded with respect to these investments.

At 31 March US$'000	On balance sheet value of investments 2016	Valuation change stress test* 2016	On balance sheet value of investments 2015	Valuation change stress test* 2015	On balance sheet value of investments 2014	Valuation change stress test* 2014
Unlisted investments	17 012	2 552	20 553	3 083	21 469	3 220
Listed equities	33	8	33	8	213	53
Equity derivatives	15 449	5 407	17 160	6 006	32 482	11 369
Total	**32 494**	**7 967**	**37 746**	**9 097**	**54 164**	**14 642**

* *In order to assess the bank's earnings sensitivity to a movement in the valuation of these investments, the following stress testing parameters are applied:*

Stress test values applied

Unlisted	15%
Listed	25%
Equity derivatives	35%

STRESS TESTING SUMMARY

The severe stress scenario, at 31 March 2016, indicates that the bank could have a US$8.0 million reversal in revenue which assumes a year in which there is a severe stress scenario simultaneously across all asset classes. This would not cause the bank to report a loss, but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which the bank operates being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is high.

CAPITAL REQUIREMENTS

In terms of Basel III capital requirements, unlisted and listed equities within the banking book are represented under the category of 'equity risk', and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk.

Balance sheet risk management

BALANCE SHEET RISK DESCRIPTION

Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios comprising market liquidity, funding, concentration, non-trading interest rate and foreign exchange, encumbrance and leverage risks on balance sheet.

BALANCE SHEET RISK MITIGATION

The Central Treasury function centrally directs the raising of wholesale liabilities, establishes and maintains access to stable funds with appropriate tenor and pricing characteristics, and manages liquid securities and collateral, providing for a controlled and flexible response to volatile market conditions. The Central Treasury function is the sole interface with the wholesale market for both cash and derivative transactions, and actively manages the liquidity mismatch and non-trading interest rate risk arising from the bank's asset and liability portfolios.

The treasurer is required to exercise tight control over funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the board-approved risk appetite policy.

Balance sheet risk management combines traditional gap analysis and quantitative models, including stress tests. This is designed to measure the range of possible future liquidity needs and potential distribution of net interest income and economic value under various scenarios covering a spectrum of events in which the bank could find itself and prepare accordingly. The modelling process is supported by ongoing technical and economic analyses. The result is formally reported to management and the board on a regular basis. The entire process is underpinned by a system of extensive internal and external controls.

The bank complies with the Basel Committee on Banking Supervision's Principles for Sound Liquidity Risk Management and Supervision.

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
- **Embedded option risk**: the bank is not materially exposed to embedded option risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while pre-payment optionality is restricted to variable rate contracts and has no impact on interest rate risk
- **Endowment risk**: refers to the interest rate exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

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.

MANAGEMENT AND MEASUREMENT OF NON-TRADING INTEREST RATE RISK

Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities and arises from the provision of retail and wholesale (non-trading) banking products and services. We are exposed to repricing risk due to timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and derivative positions. Additionally, we are exposed to yield curve and basis risk due to the difference in repricing characteristics of two floating-rate indices. We are not materially exposed to optionality risk as contract breakage penalties on fixed-rate advances specifically cover this risk.

Non-trading interest rate risk is measured and managed both from a net interest margin perspective over a specified time horizon, and the sensitivity of economic value of equity to hypothetical changes to market factors on the current values of financial assets and liabilities.

Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The aim is to protect and enhance net interest income and economic value in accordance with the board-approved risk appetite. The standard tools that are used to measure the sensitivity of earnings to changes in interest rates are the repricing gap which provides a basic representation of the balance sheet structure and allows for the detection of interest rate risk by concentration of repricing; net interest income sensitivity which measures the change in accruals expected over the specified horizon in response to a shift in the yield curve; and economic value sensitivity and stress-testing to macroeconomic movement or changes which measure the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities.

Technical interest rate analysis and economic review of fundamental developments are used to estimate a set of forward-looking interest rate scenarios incorporating movements in the yield curve level and shape by geography, taking global trends into account.

The bank complies with the Basel Committee on Banking Supervision's Principles for Sound Liquidity Risk Management and Supervision

This combination of measures provides senior management (and ALCO) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value. This is consistent with the standardised interest rate measurement recommended by the Basel III framework for assessing banking book (non-trading) interest rate risk.

Management monitors closely net interest margins by entering into a number of interest rate swaps to protect it against changes in interest rates.

INTEREST RATE SENSITIVITY GAP

The tables below show our non-trading interest rate mismatch. These exposures affect 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 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
Assets	**1 134**	**24**	**13**	**251**	**20**	**53**	**1 495**
Deposits – non-banks	(1 013)	(10)	(32)	(23)	–	–	(1 078)
Securities sold under repurchase agreement	(108)	–	–	–	–	–	(108)
Other liabilities	–	–	–	–	–	(28)	(28)
Liabilities	**(1 121)**	**(10)**	**(32)**	**(23)**	**–**	**(28)**	**(1 214)**
Intercompany loans	227	–	–	(151)	–	–	76
Shareholders' funds	–	–	–	–	–	(360)	(360)
Balance sheet	**240**	**14**	**(19)**	**77**	**20**	**(335)**	**(3)**
Off-balance sheet	127	(3)	(20)	(78)	(21)	(2)	3
Repricing gap	**367**	**11**	**(39)**	**(1)**	**(1)**	**(338)**	**–**
Cumulative repricing gap	367	378	339	338	337	–	–

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	13	1	1	165	3	56	239
Advances	786	15	23	55	46	–	925
Other assets	–	–	–	–	–	4	4
Assets	**1 079**	**16**	**24**	**220**	**49**	**60**	**1 448**
Deposits – non-banks	(716)	(23)	(5)	(33)	–	–	(777)
Securities sold under repurchase agreement	(110)	–	–	–	–	–	(110)
Investment/trading liabilities	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	(14)	(14)
Liabilities	**(826)**	**(23)**	**(5)**	**(33)**	**–**	**(14)**	**(901)**
Intercompany loans	(25)	(1)	–	(147)	–	–	(173)
Shareholders' funds	–	–	–	–	–	(385)	(385)
Balance sheet	**228**	**(8)**	**19**	**40**	**49**	**(339)**	**(11)**
Off-balance sheet	144	(3)	1	(120)	(11)	–	11
Repricing gap	**372**	**(11)**	**20**	**(80)**	**38**	**(339)**	**–**
Cumulative repricing gap	372	361	381	301	339	–	–

At 31 March 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	301	–	–	–	–	–	301
Investment/trading assets	21	1	1	80	101	77	281
Advances	678	18	73	39	83	–	891
Other assets	–	–	–	–	–	6	6
Assets	**1 000**	**19**	**74**	**119**	**184**	**83**	**1 479**
Deposits – non-banks	(702)	(33)	(88)	(9)	–	–	(832)
Securities sold under repurchase agreement	(121)	–	–	–	–	–	(121)
Other liabilities	(26)	–	–	–	–	(8)	(34)
Liabilities	**(849)**	**(33)**	**(88)**	**(9)**	**–**	**(8)**	**(987)**
Intercompany loans	26	–	–	(63)	(96)	–	(133)
Shareholders' funds	–	–	–	–	–	(349)	(349)
Balance sheet	**177**	**(14)**	**(14)**	**47**	**88**	**(274)**	**10**
Off-balance sheet	92	14	19	(113)	(22)	–	(10)
Repricing gap	**269**	**–**	**5**	**(66)**	**66**	**(274)**	**–**
Cumulative repricing gap	269	269	274	208	274	–	–

The positive interest rate mismatch shown is largely attributable to the allocation of shareholders' funds to non-rate.

ECONOMIC VALUE SENSITIVITY

As discussed above, our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the value of the interest rate sensitive portfolios should such a hypothetical scenario arise. The sensitivity effect does not have a significant direct impact on our equity.

At 31 March 'million	Sensitivity to the following interest rates (expressed in original currencies)					
	ZAR	GBP	USD	EUR	AUD	All (USD)
2016						
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)
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)
2014						
200bp down	0.83	4.18	4.09	0.27	0.43	11.89
200bp up	(0.72)	(3.57)	(3.51)	(0.24)	(0.42)	(10.26)

LIQUIDITY RISK

Liquidity risk description

Liquidity risk is the risk that, despite being solvent, we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

Liquidity risk is further broken down into:

- **Funding liquidity:** which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements in the normal course of business, without adversely affecting its financial position or its reputation
- **Market liquidity:** which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Sources of liquidity risk include:

- Unforeseen withdrawals of deposits
- Restricted access to new funding with appropriate maturity and interest rate characteristics
- Inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss
- Unpredicted customer non-payment of loan obligations
- Sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

Management and measurement of liquidity risk

Maturity transformation performed by banks is a crucial part of financial intermediation that contributes to efficient resource allocation and credit creation.

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. Inadequate liquidity can bring untimely demise of any financial institution. As such, the bank considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in our day-to-day practices.

The bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the bank maintains a statutory deposit with the Bank of Mauritius equal to 9.0% of Mauritian Rupee customer deposits and 6.0% Segment A foreign currency deposits. The liquidity position is assessed and managed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and specifically to the bank.

Liquidity risk is calculated by the contractual maturity cash flow mismatch between assets and liabilities.

The bank's liquidity management processes are based on the following elements:

- Preparation of cash flow projections (assets and liabilities) and funding requirements corresponding to the forecasted cash flow mismatch, which are translated into short-term and long-term funding strategies
- Maintaining an appropriate mix of term funding
- Management of concentration risk, being undue reliance on any single counterparty or counterparty group, sector, market, product, instrument, currency and tenor
- Daily monitoring and reporting of cash flow measurement and projections for the key periods for liquidity management, against the risk limits set
- Performing assumption-based scenario analysis to assess potential cash flows at risk
- Maintenance of liquidity contingency plans and the identification of alternative sources of funds in the market. This is to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse business and economic scenarios, while minimising detrimental long-term implications for the business.

LIQUIDITY MISMATCH

The tables that follow show the bank's liquidity mismatch.

With respect to the contractual liquidity mismatch:

- No assumptions are made and we record all assets 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, reinvestment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

CONTRACTUAL LIQUIDITY

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
Securitised assets	–	–	–	–	–	–	–	–
Advances	7	3	21	139	165	405	151	891
Other assets	–	–	–	–	–	–	3	3
Assets	**243**	**73**	**72**	**154**	**165**	**588**	**200**	**1 495**
Deposits – non-banks	(904)	(28)	(82)	(9)	(32)	(23)	–	(1 078)
Securities sold under repurchase agreement	(3)	–	–	–	–	(105)	–	(108)
Other liabilities	(23)	–	–	(5)	–	–	–	(28)
Liabilities	**(930)**	**(28)**	**(82)**	**(14)**	**(32)**	**(128)**	**–**	**(1 214)**
Intercompany loans	176	120	33	–	–	–	(253)	76
Shareholders' funds	–	–	–	–	–	–	(360)	(360)
Balance sheet	**(511)**	**165**	**23**	**140**	**133**	**460**	**(413)**	**(3)**
Off-balance sheet	–	1	–	–	6	(2)	(2)	3
Contractual liquidity gap	**(511)**	**166**	**23**	**140**	**139**	**458**	**(415)**	**–**
Cumulative liquidity gap	(511)	(345)	(322)	(182)	(43)	415	–	–

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	–	–	2	2	2	189	44	239
Advances	6	85	87	59	100	486	102	925
Other assets	–	–	–	–	–	–	4	4
Assets	**176**	**117**	**167**	**61**	**102**	**675**	**150**	**1 448**
Deposits – non-banks	(630)	(48)	(38)	(23)	(5)	(33)	–	(777)
Securities sold under repurchase agreement	–	–	–	–	–	(110)	–	(110)
Other liabilities	(10)	–	(3)	–	(1)	–	–	(14)
Liabilities	**(640)**	**(48)**	**(41)**	**(23)**	**(6)**	**(143)**	**–**	**(901)**
Intercompany loans	6	112	(1)	(36)	(6)	–	(248)	(173)
Shareholders' funds	–	–	–	–	–	–	(385)	(385)
Balance sheet	**(458)**	**181**	**125**	**2**	**90**	**532**	**(483)**	**(11)**
Off-balance sheet	–	6	–	–	–	5	–	11
Contractual liquidity gap	**(458)**	**187**	**125**	**2**	**90**	**537**	**(483)**	**–**
Cumulative liquidity gap	(458)	(271)	(146)	(144)	(54)	483	–	–

CONTRACTUAL LIQUIDITY *(continued)*

At 31 March 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	173	48	80	–	–	–	–	301
Investment/trading assets	–	–	–	17	1	102	161	281
Advances	5	14	85	27	127	518	115	891
Other assets	–	–	–	–	–	–	6	6
Assets	**178**	**62**	**165**	**44**	**128**	**620**	**282**	**1 479**
Deposits – non-banks	(614)	(62)	(27)	(35)	(85)	(9)	–	(832)
Securities sold under repurchase agreement	–	–	–	–	–	(18)	(103)	(121)
Other liabilities	(28)	–	(5)	–	–	(1)	–	(34)
Liabilities	**(642)**	**(62)**	**(32)**	**(35)**	**(85)**	**(28)**	**(103)**	**(987)**
Intercompany loans	6	128	40	–	(6)	(35)	(266)	(133)
Shareholders' funds	–	–	–	–	–	–	(349)	(349)
Balance sheet	**(458)**	**128**	**173**	**9**	**37**	**557**	**(436)**	**10**
Off-balance sheet	–	(6)	–	–	1	(4)	(1)	(10)
Contractual liquidity gap	**(458)**	**122**	**173**	**9**	**38**	**553**	**(437)**	**–**
Cumulative liquidity gap	(458)	(336)	(163)	(154)	(116)	437	–	–

Behavioural liquidity (as discussed on page 40)

At 31 March 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
2016								
Behavioural liquidity gap	**264**	**254**	**114**	**27**	**246**	**64**	**(969)**	**–**
Cumulative	264	518	632	659	905	969	–	
2015								
Behavioural liquidity gap	**75**	**235**	**163**	**25**	**100**	**472**	**(1 070)**	**–**
Cumulative	75	310	473	498	598	1 070	–	
2014								
Behavioural liquidity gap	**35**	**160**	**149**	**94**	**127**	**287**	**(852)**	**–**
Cumulative	35	195	344	438	565	852	–	

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 denominated in the functional currency.

The bank computes its net open foreign exchange 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.

At 31 March US$'000	EUR	GBP	MUR	Other currencies Long	Other currencies Short	Aggregate net open foreign exchange position
Open position						
2016						
Long/(short) position	619	1 181	(258)	734	(234)	2 534
2015						
Long/(short) position	60	(449)	(135)	989	(276)	1 049
2014						
Long/(short) position	(1 360)	1 059	(819)	7 577	–	8 636

Operational risk management

OPERATIONAL RISK DEFINITION

Operational risk is the risk of loss arising from inadequate or failed internal processes, people or systems, or external events. Operational risk has both financial and non-financial impacts.

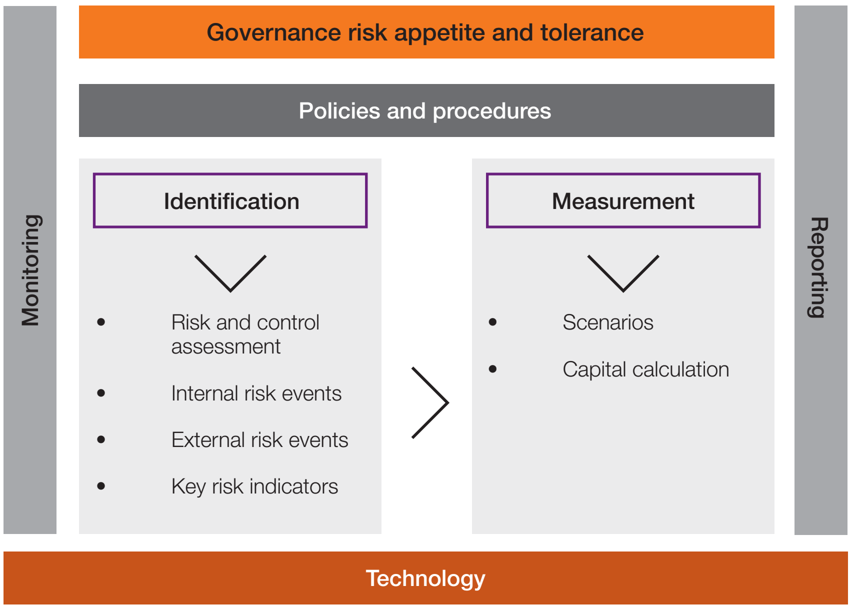
We recognise that there is significant operational risk inherent in the operations of a bank. Our objective is therefore to manage and mitigate risk exposures and events by adopting sound operational risk management practices.

OPERATIONAL RISK MANAGEMENT FRAMEWORK

The bank continues to operate under the standardised approach (TSA) to operational risk for regulatory capital purposes. The framework is embedded at all levels of the organisation and is continually reviewed to ensure appropriate and effective management of operational risk.

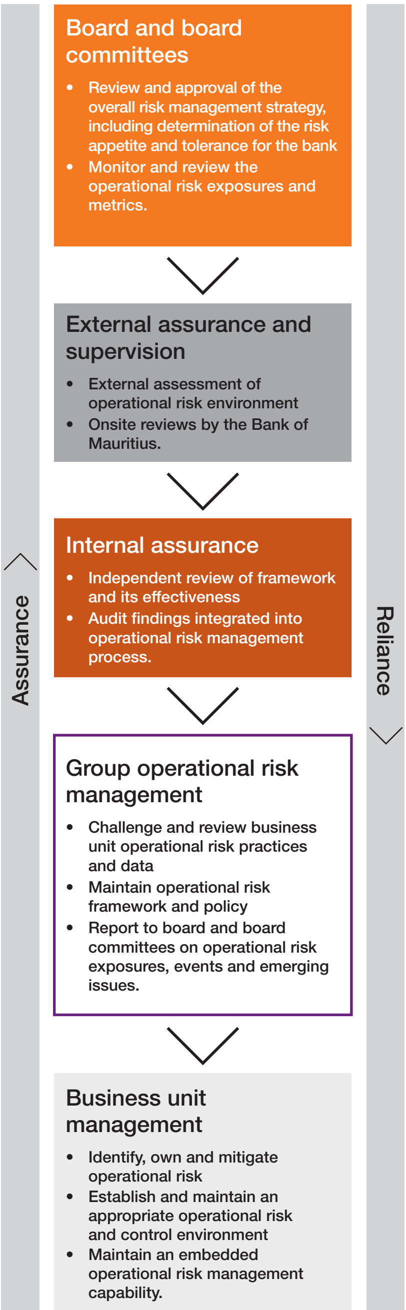
The process of advancing practices and understanding regulatory requirements is supported by regular interaction with the regulator and with industry counterparts at formal industry forums.

The diagram below depicts how the components of operational risk are integrated.



GOVERNANCE

The governance structure adopted to manage operational risk, within the bank, is enforced in terms of a level of defence model and supports the principle of combined assurance in the following manner:



The board has established and mandated an independent operational risk management function to manage operational risk within the bank. Policies and procedures, which the bank has adopted and implemented, are developed at a group level to ensure that operational risk is managed in an appropriate and consistent manner. The bank's embedded risk manager (ERM) manages operational risk through review, challenge and escalation of issues.

The bank's management implements and embeds policies and procedures to manage operational risk and ensures alignment with the group's risk appetite.

OPERATIONAL RISK PRACTICES

The following practices are key to the management of operational risk as described below:

Practice	Activity
Risk and control assessment	• Qualitative assessments that identify key operational risks and controls • Identifies ineffective controls and improves decision-making through an understanding of the operational risk profile.
Internal risk events	• Incidents resulting from failed systems, processes, people or external events • A causal analysis is performed • Enables business to identify trends in risk events and address control weaknesses.
External risk events	• Access to data from an external data consortium • Events are analysed to inform potential control failures within the bank • The output of this analysis is used as input into the operational risk assessment process.
Key risk indicators	• Metrics are used to monitor risk exposures against identified thresholds • Assists in predictive capability.
Scenarios and capital calculation	• Extreme yet plausible scenarios are evaluated for financial and non-financial impacts • Used to measure exposure arising from key risks, which is considered in determining internal operational risk capital requirements.
Reporting and monitoring	• A reporting process is in place to ensure that risk exposures are identified and that key risks are appropriately escalated and managed • Monitoring compliance with operational risk policies and practices ensure the framework is embedded in day-to-day business activities.
Technology	• An operational risk system is in place to support operational risk practices and processes.

OPERATIONAL RISK APPETITE AND TOLERANCE

The operational risk tolerance policy defines the amount of operational risk exposure, or potential adverse impact from a risk event, that the bank is willing to accept or retain. The objective of the policy is to encourage action and mitigation of risk exposures and provides management with the guidance to respond appropriately. Additionally, the policy defines capturing and reporting thresholds for risk events and guidance to respond to key risk indicators appropriately.

KEY OPERATIONAL RISK CONSIDERATIONS

The following risks, which may result in a reduction of earnings and/or loss of value should they materialise, are a key focus of the group and the bank.

Financial crime

Financial crime is the risk of loss due to, but not limited to, fraud, terrorist financing, forgery, theft and corruption. It also includes the execution of trades which have not been appropriately authorised. It is identified, assessed, monitored and measured to ensure that the risk of loss is understood, managed and mitigated.

Financial crime is mitigated as follows:

- Ensuring that appropriate action is taken in respect of fraudulent activities
- Identifying criminal acts against the group and the bank and investigating and recovering losses
- Engaging with external specialists and industry forums
- Ensuring that effective identity security procedures are in place.

Senior management is responsible for implementing appropriate financial crime risk mitigation and control practices. Group Forensic Risk Management provides and maintains the framework, policies, practices and monitoring to promote sound risk management practices and provide investigative support.

Regulatory and compliance risk

Regulatory and compliance risk relates to the failure to comply with applicable laws, regulation or codes.

It has become increasingly significant due to the extent and complexity of laws and regulations with which the bank needs to comply. Group Compliance and Group Legal, in collaboration with the bank's head of legal and head of compliance, assist in the management of this risk through the identification and adherence to legal and regulatory requirements to which the bank is or will become subject.

Information security risk

Information security continues to remain a key area of focus. The bank ensures that information security risk is appropriately mitigated within a rapidly changing technology and threat landscape. The ERM, together with the bank's embedded information security officer, focuses on ensuring the confidentiality, integrity and availability of information.

Process management risk

This risk of loss arises due to failed process management. Losses in this area are continually mitigated through careful consideration of control effectiveness.

Insurance

The bank maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the bank's chief operating officer in consultation with the group insurance manager. Regular interaction between the bank, group operational risk management and group insurance risk management ensures that there is an exchange of information in order to enhance the mitigation of operational risks.

Reputational risk

Reputational risk is damage to our reputation, name or brand. Reputational risk arises as a result of other risks manifesting and not being mitigated.

The bank has various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles.

The board of directors and management are aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The bank's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not give rise to the rights and remedies anticipated when entering the transaction.

The legal team seeks to ensure that any agreement which the bank enters into provides the bank with appropriate rights and remedies. The bank has two qualified lawyers in permanent employment and also engages external legal counsel.

Capital management and allocation

PHILOSOPHY AND APPROACH

Over recent years, capital adequacy standards for banks globally have been raised as part of attempts to increase stability and resilience of the global banking sector. The bank has always held capital in excess of regulatory requirements and it intends to perpetuate this philosophy to ensure that it continues to remain well capitalised. Accordingly, the bank targets a minimum capital adequacy ratio of 14%.

The bank reports information on its capital position to the Investec Limited capital committee which in turn reports to the Investec group DLC capital committee.

The bank's internal capital framework approved by the board is based on processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet.

The objectives of the internal capital framework are to quantify the minimum capital required to:

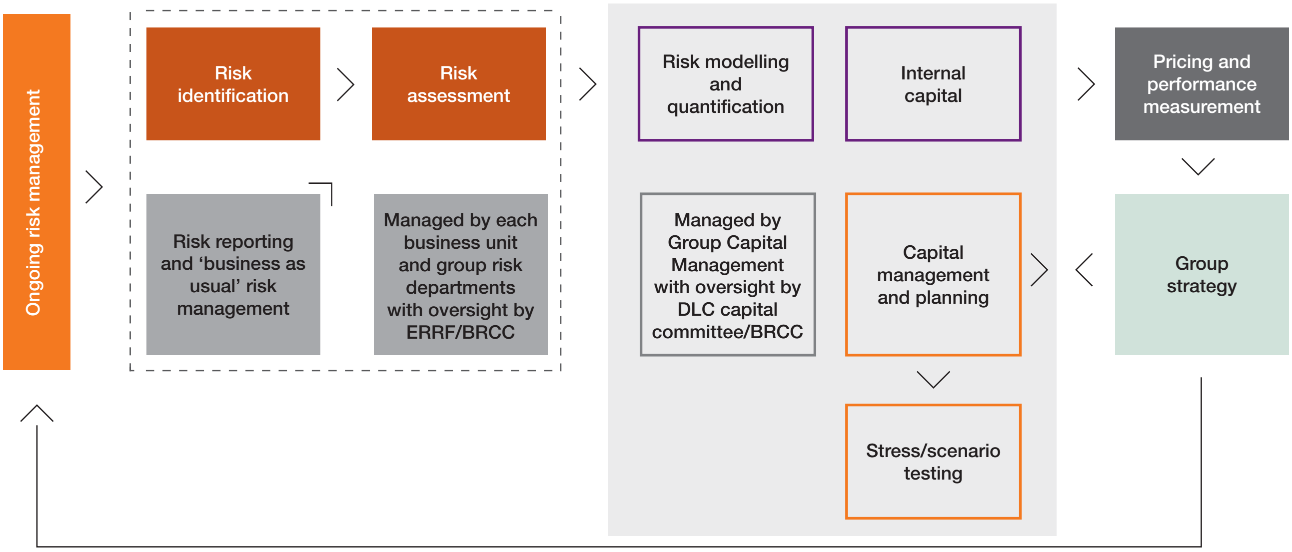
- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the bank
- Support a target level of financial strength aligned with long-term external rating of at least A
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the bank is able to retain its going concern basis under relatively severe operating conditions
- Maintain sufficient capital to meet regulatory requirements across each regulated entity
- Support our growth strategy

PHILOSOPHY AND APPROACH *(continued)*

- Allow the exploration of acquisition opportunities where such opportunities are consistent with our strategy and risk appetite
- Facilitate pricing that is commensurate with the risk being taken
- Allocate capital according to the best available expected marginal risk-based return, and track performance on this basis
- Reward performance taking into account the relative levels of risk adopted

In order to achieve the above objectives, we adhere to the following approach to the integration of risk and capital management.

The (simplified) integration of risk and capital management



RISK ASSESSMENT AND IDENTIFICATION

We review the business annually to map our universe of key risks, which are ultimately reviewed and agreed by the bank's board and the Investec group board risk and capital committee (BRCC) following an extensive process of engagement with the bank's senior management. Assessment of the materiality of risks is directly linked to the bank's stated risk appetite and risk management policies covering all key risks.

RISK REPORTING

As part of standard business practice, key identified risks are monitored by the bank together with Group Risk Management and by Internal Audit to ensure that risks are managed to an acceptable level of risk. Detailed performance and control metrics of these risks are reported to each executive risk review forum (ERRF) and BRCC meeting including, where appropriate, the results of scenario testing. Key risk types that are considered, fall within the following:

- Credit and counterparty risk
- Traded market risk
- Equity risk in the banking book
- Balance sheet liquidity and non-trading interest rate risk
- Legal risk (considered within operational risk for capital purposes)
- Operational, conduct and reputational risk.

Each of these risk categories may consist of a number of specific risks, each of which are analysed in detail and managed through the ERRF and BRCC.

RISK MODELLING AND QUANTIFICATION (INTERNAL CAPITAL)

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite. Internal capital requirements are supported by the board-approved risk assessment process described above.

Quantification of all risks is based on analysis of internal data, management expertise and judgement and external benchmarking.

The following risks are included within the internal capital framework and quantified for capital allocation purposes:

- Credit and counterparty risk, including:
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Equity and property risk held in the banking book
- Balance sheet risk, including:
  - Liquidity
  - Non-trading interest rate risk
- Strategic and reputational risks
- Business risk.

Operational risk is considered as an umbrella term and covers a range of independent risks including, but not limited to, risks relating to fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant assessment of the underlying business environment

CAPITAL MANAGEMENT, PLANNING AND SCENARIO TESTING

A capital plan is prepared and maintained under the guidance of the relevant group committees to facilitate discussion of the impact of business strategy and market conditions on our capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the board (via the BRCC) with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Capital planning is performed on the basis of both regulatory and internal capital,with regulatory capital being the key driver of decision-making. The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the DLC capital committee after consultation with relevant internal and external experts and research. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite.

The output of capital planning allows senior management to make decisions to ensure that the bank continues to hold sufficient capital to meet its targets against regulatory and internal capital targets. On certain occasions, especially under stressed scenarios, management may plan to undertake a number of actions. Assessment of the relative merits of undertaking various actions is then considered using an internal view of relative returns across portfolios which are themselves based on internal assessments of risk and capital.

Our capital plans are designed to allow senior management and the board to review:

- Changes to capital demand caused by implementation of agreed strategic objectives, including the creation or acquisition of new businesses, or as a result of the manifestation of one or more of the risks to which we are potentially susceptible
- The impact on profitability of current and future strategies
- Required changes to the capital structure
- The impact of alternate market or operating conditions on any of the above.

At a minimum level, the capital plan assesses the impact on our capital adequacy over expected case, upturn and downturn scenarios. On the basis of the results of this analysis the DLC capital committee, and the BRCC, are presented with the potential variability in capital adequacy and are responsible, in consultation with the board, for consideration of the appropriate response.

PRICING AND PERFORMANCE MEASUREMENT

The use of internal capital means that all transactions are considered in the context of the impact on the allocation of our capital resources, and hence on the basis of their contribution to return on risk-adjusted internal capital. This is to ensure that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation.

Using expectations of risk-based returns as the basis for pricing and deal acceptance ensures that risk management retains a key role in ensuring that the portfolio is appropriately managed for that risk.

In addition to pricing, returns on internal capital are monitored and relative performance is assessed on this basis. Assessment of performance in this way is a fundamental consideration used in setting strategy and risk appetite as well as rewarding performance.

The process is designed to ensure that risk and capital management form the basis for key decisions at both a group and a transactional level. Responsibility for oversight for each of these processes ultimately falls to the BRCC.

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite

Basel III

The bank has adopted and complies with the Bank of Mauritius Guideline on Scope of Application of Basel III and Eligible Capital.

The guideline sets out the rules, text and timelines to implement some of the elements related to the strengthening of the capital framework. It formulates the characteristics that an instrument must have in order to qualify as regulatory capital, and the various adjustments that have to be made in determining the regulatory capital of a bank. In addition, it outlines the operation of the capital conservation buffer which is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. It also lays down the transitional arrangements for implementing certain elements of the Basel III capital framework, as well as the limits and minima of the different components of capital as per the table below.

	1 July 2014	1 January 2015	1 January 2016	1 January 2017	1 January 2018	1 January 2019	1 January 2020
Minimum common equity tier 1 CAR	5.5%	6.0%	6.5%	6.5%	6.5%	6.5%	6.5%
Capital Conservation Buffer				0.625%	1.25%	1.875%	2.5%
Minimum CAT 1 CAR plus Capital Conservation Buffer	5.5%	6.0%	6.5%	7.125%	7.75%	8.375%	9.0%
Phase-in of deductions from CAT 1*		50%	50%	60%	80%	100%	100%
Minimum tier 1 CAR	6.50%	7.50%	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum total CAR	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Minimum total CAR plus Capital Conservation Buffer	10.0%	10.0%	10.0%	10.625%	11.25%	11.875%	12.5%
Capital instruments that no longer qualify as tier 1 capital or tier 2 capital	Phased out over 10-year horizon beginning 1 July 2014						

* *Applicable to significant investments in the capital of banking, financial and insurance entities that are outside the scope of consolidation.*

CAPITAL DISCLOSURES IN TERMS OF BASEL III

The tables that follow provide information as required by the Guideline on Scope of Application of Basel III and Eligible Capital.

CAPITAL STRUCTURE

Summary information on the terms and conditions of the main features of all capital instruments is provided in the financial statements.

Capital structure

US$'000	Group 31 March 2016	Bank 31 March 2016	Group and Bank 31 March 2015	Group and Bank 31 March 2014
Common equity tier 1 capital: instruments and reserves				
Ordinary shares (paid-up) capital	56 478	56 478	56 478	56 478
Retained earnings	243 418	243 857	266 667	241 637
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surpluses on land and building assets)	53 755	53 755	55 291	45 604
Common equity tier 1 capital before regulatory adjustments	**353 651**	**354 090**	**378 436**	**343 719**
Common equity tier 1 capital: regulatory adjustments				
Deferred tax assets	116	116	310	293
Total regulatory adjustments to common equity tier 1 capital	**116**	**116**	**310**	**293**
Common equity tier 1 capital (CET1)	**353 535**	**353 974**	**378 126**	**345 426**
Additional Tier 1 capital before regulatory adjustments	**–**	**–**	**–**	**–**
Total regulatory adjustments to Additional Tier 1 capital	**–**	**–**	**–**	**–**
Additional Tier 1 capital (AT1)	**–**	**–**	**–**	**–**
Tier 1 capital (T1 = CET1 + AT1)	**353 535**	**353 974**	**378 126**	**345 426**
Tier 2 capital: instruments and provisions				
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)	12 923	12 923	12 762	12 976
Tier 2 capital before regulatory adjustments	**12 923**	**12 923**	**12 762**	**12 976**
Total regulatory adjustments to Tier 2 capital	**–**	**–**	**–**	**–**
Tier 2 capital (T2)	**12 923**	**12 923**	**12 762**	**12 976**
Total Capital (capital base) (TC = T1 + T2)	**366 458**	**366 897**	**390 888**	**358 402**
Risk-weighted on balance sheet assets	1 141 392	1 141 873	1 071 147	1 066 500
Non-market-related off balance sheet risk-weighted assets	81 653	81 653	84 328	80 385
Market-related off balance sheet risk-weighted assets	9 224	9 224	12 286	11 481
Operational risk	95 580	95 580	90 767	79 233
Aggregate net open foreign exchange position	2 534	2 534	1 049	8 636
Total risk-weighted assets	**1 330 383**	**1 330 864**	**1 259 577**	**1 246 235**
Capital ratios (as a percentage of risk-weighted assets)				
CET1 capital ratio	**26.6%**	**26.6%**	**30.1%**	**27.7%**
Tier 1 capital ratio	**26.6%**	**26.6%**	**30.1%**	**27.7%**
Total capital ratio	**27.5%**	**27.6%**	**31.1%**	**28.8%**

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

US$'000	Group Balance sheet amount	Group Amounts included for regulatory purposes	Bank Balance sheet amount	Bank Amounts included for regulatory purposes
Paid in capital and qualifying capital instruments	56 478	56 478	56 478	56 478
Retained earnings	243 418	243 418	243 857	243 857
Other reserves	59 987	53 755	59 987	53 755
Qualifying common equity tier 1 capital before regulatory adjustments	**359 883**	**353 651**	**360 322**	**354 090**
Deferred tax assets	–	(116)	–	(116)
Common equity tier 1 capital (CET1)	**359 883**	**353 535**	**360 322**	**353 974**
Additional Tier 1 capital: instruments	–	–	–	–
Tier 1 capital (T1 = CET1 + AT1)	**359 883**	**353 535**	**360 322**	**353 974**
Tier 2 capital after regulatory adjustments and general allowance for Credit Impairments (T2)	–	12 923	–	12 923
Total qualifying capital (capital base) (TC = T1 + T2)	**359 883**	**366 458**	**360 322**	**366 897**

Risk-weighted on balance sheet assets

31 March US$'000	2016 Exposure amount	2016 Risk-weights %	2016 Risk-weighted asset	2015 Risk-weighted asset	2014 Risk-weighted asset
Cash items	5	–	–	–	–
Claims on sovereigns	56 629	50% – 100%	37 346	33 732	44 582
Claims on central banks and international institutions	9 942	0% – 50%	3 748	2 300	4 386
Claims on multilateral development banks (MDBs)	–	50%	–	10 359	4 946
Claims on banks	814 056	20% – 50%	229 454	173 967	187 676
Claims on corporates	578 306	20% – 100%	567 404	478 421	432 926
Claims included in the regulatory retail portfolio	112	75%	84	99	99
Claims secured by residential property	44 266	35% – 125%	34 905	24 160	28 128
Claims secured by commercial real estate	241 145	100% – 125%	244 441	315 497	326 702
Past due claims	920	50% – 150%	920	436	924
Other assets	23 545	100%	23 571	32 176	36 130
Total on balance sheet credit risk-weighted exposures	**1 768 926**		**1 141 873**	**1 071 147**	**1 066 500**

RWA non-market-related off balance sheet assets

31 March US$'000 Non-market-related off balance sheet credit exposures	2016 Notional principal amount	2016 Credit conversion factor %	2016 Credit equivalent amount	2016 Risk-weighted asset	2015 Risk-weighted asset	2014 Risk-weighted asset
Direct credit substitutes	9 888	100	9 888	8 201	6 836	2 888
Sales and repurchase agreements and asset sales with recourse	–	100	–	–	–	25 000
Transaction-related contingent items	8 861	50	4 431	3 561	5 477	9 677
Total other commitments	266 458	20-50	69 481	69 891	72 015	42 820
Total non-market-related off balance sheet risk-weighted credit exposures	**285 207**		**83 800**	**81 653**	**84 328**	**80 385**

RWA market-related off-balance sheet assets

31 March US$'000 Market-related off balance sheet risk-weighted asset	2016 Notional principal amount	2016 Potential future exposure	2016 Current exposure	2016 Credit equivalent amount	2016 Risk-weighted asset	2015 Risk-weighted asset	2014 Risk-weighted asset
Interest rate contracts	83 505	621	244	865	432	474	2 172
Foreign exchange and gold contracts	391 755	5 624	9 597	15 221	6 867	9 674	2 387
Credit derivative contracts	–	–	–	–	–	2 138	–
Other market-related contracts	–	–	15 449	15 449	1 925	–	6 922
Total market-related off balance sheet risk-weighted credit exposures	**475 260**				**9 224**	**12 286**	**11 481**

Corporate governance report

CHAIRMAN'S INTRODUCTION

I am pleased to present the 2016 annual corporate governance report which sets out Investec Bank (Mauritius) Limited's approach to corporate governance and, more specifically, how I as chairman ensure that I discharge my duties of leading the board and ensuring the board's effectiveness in carrying out its role.

REGULATORY CONTEXT

The board, management and employees of the bank are committed to complying with our disclosure and transparency rules, requirements of the regulators of the bank and requirements of the Code of Corporate Governance for Mauritius (the Code), whereby all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practice.

OUR CULTURE AND VALUES

Underpinning these legislative, regulatory and best practice requirements are Investec's values and philosophies which provide the framework against which we measure behaviour and practices in order to maintain the highest level of good governance. Our values require that directors and employees act with integrity, displaying consistent and uncompromising moral strength and conduct in order to promote and maintain trust.

Sound corporate governance is therefore implicit in our values, culture, processes, functions and organisational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures and a written statement of values serves as our code of ethics.

The Investec group operates under a dual listed companies (DLC) structure, and considers the corporate governance principles and regulations of both the UK and South Africa before adopting an appropriate rule for the group.

All international business units operate in accordance with the above determined corporate governance requirements, in addition to those of their jurisdiction, but with clear adherence at all times to group values and culture.

CONCLUSION

We acknowledge that the environment in which we operate provides challenges from a governance and regulatory perspective; however, we are confident that our culture and values will continue, as ever, to provide the bank and the Investec group with a strong foundation that will enable the board and the Investec group to meet these challenges going forward.

David M Lawrence
Chairman, board of directors

17 June 2016

STATEMENT OF COMPLIANCE UNDER SECTION 75(3) OF THE FINANCIAL REPORTING ACT 2004

The Code of Corporate Governance

As per the Financial Reporting Act 2004, public interest entities are required to comply with the Code of Corporate Governance for Mauritius (the Code) and provide justification for not adopting any of the provisions of the Code in their financial statements or reports.

In case of conflict between the Code and the Bank of Mauritius guideline, the Bank of Mauritius guideline takes precedence. The board reviews the implications of corporate governance best practices and accordingly it has taken all the required actions to comply with the requirements of the Guideline on Corporate Governance issued by Bank of Mauritius.

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation during the year under review, the bank has complied with all of its obligations and requirements under the Code except for the disclosure on directors' emoluments as explained below.

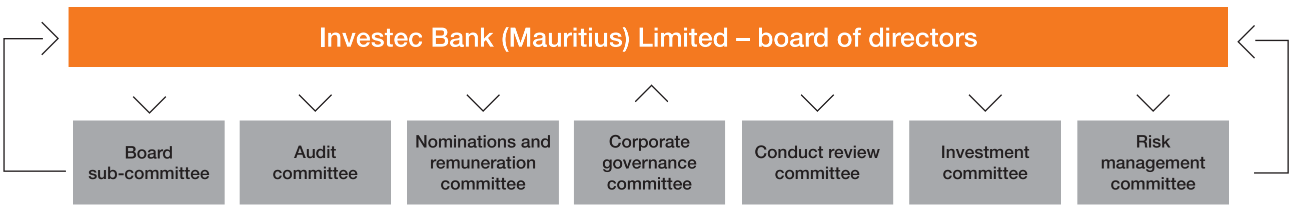
We, the directors of Investec Bank (Mauritius) Limited, confirm that Investec Bank (Mauritius) Limited has not complied with section 2.8 – Remuneration of directors – of the Code. Investec Bank (Mauritius) Limited is a wholly owned subsidiary of Investec Bank Limited. Investec Bank Limited has consented to the disclosure of the directors' emoluments on an aggregated basis in line with the resolution referred to under the section 'other statutory disclosures' of the 2016 annual report.

David M Lawrence
Chairman, board of directors

Pierre de Chasteigner du Mée
Chairman, corporate governance committee

17 June 2016

GOVERNANCE FRAMEWORK



Board committees

In accordance with the Code of Corporate Governance for Mauritius issued by the National Committee on Corporate Governance established under the Financial Reporting Act 2004 (the Code), the board of directors of the bank established seven sub-committees of the board as well as various management committees and forums to assist it in discharging its duties and responsibilities. The seven sub-committees of the board are as follows:

BOARD SUB-COMMITTEE

This committee comprises three members, including the chief executive officer. The committee meets as and when required to take decisions as per its specific mandate conferred by the board.

AUDIT COMMITTEE

This committee examines and reviews the findings of all internal and external audits conducted at the bank by the bank's duly appointed external auditors and the group internal auditors respectively. The bank's internal audit function is outsourced to Group Internal Audit. The committee examines and reviews all audit findings in order to ensure that there are adequate internal controls to safeguard its assets and integrity. The committee comprises three members; two of them are independent external directors. In addition to the chief executive officer, the global head of market risk, the chief operating officer, the head of finance, the head of treasury, the head of legal and the head of compliance, the group head of internal audit, the group compliance officer and the external auditors are invitees. Four audit committee meetings were held during the year under review.

NOMINATIONS AND REMUNERATION COMMITTEE

This committee comprises three members, with the chief executive officer, chief operating officer and the head of group HR being invitees. The committee reviews the salaries and bonuses of senior employees and senior management based on key performance indicators. The committee is also responsible for identifying and nominating candidates for the approval of the board to fill board vacancies, as and when required. The committee met twice during the year under review.

CORPORATE GOVERNANCE COMMITTEE

This committee comprises three members with the chairman being an independent external director. The two other members are also directors on the parent company's board. The role of the corporate governance committee is to ensure that the reporting requirement with regards to corporate governance, whether in this annual report or on an ongoing basis, is in accordance with the principles of the applicable regulatory requirements and applicable code of corporate governance.

CONDUCT REVIEW COMMITTEE

This committee comprises three members: the chairman of the board, one independent external director and one director who is also a director on the parent company's board. The committee monitors and reviews all related party transactions and ensures that market-based terms and conditions are applied to all related party transactions. The committee met seven times during the year under review and noted no breaches of the Guideline on Related Party transactions issued by the Bank of Mauritius.

INVESTMENT COMMITTEE

This committee comprises the chief executive officer, the chairman of the board and one independent external director. The committee is responsible for the review and management of the bank's investment portfolio and the review of new investment proposals. The investment committee meets on an ad hoc basis as circumstances dictate in order to conduct its affairs with respect to purchase or sell decisions.

RISK MANAGEMENT COMMITTEE

This committee comprises three members including the chief executive officer.

The objectives of the committee are to:

- Review the principal risks, including but not limited to credit, market, liquidity, operational, legal, compliance and reputational risks and the actions taken to mitigate the risks
- Formulate and make recommendations to the board in respect of risk management issues
- Receive periodic information on risk exposures and risk management activities from senior officers
- Ensure that the chief executive officer facilitates training programmes for directors and senior management to enable them to have a robust understanding of the nature of the business, the nature of the risks, the consequences of risks being inadequately managed and the techniques for managing the risks effectively
- Review and approve discussions and disclosure of risks.

The risk management committee met four times during the year under review.

The day-to-day running of the bank's business is delegated to management. Issues are debated widely and decisions are taken in a transparent manner by various management committees and forums.

Financial reporting and going concern

The directors are required to confirm that they are satisfied that the bank has adequate resources to continue in business for the foreseeable future. The assumptions underlying the going concern statement are discussed at the time of the approval of the annual financial statements by the board and these include:

- Budgeting and forecasts
- Profitability
- Capital
- Liquidity.

In addition, the directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the bank's financial statements, accounting policies and the information contained in the annual report.

In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the significant risks that the bank faces in preparing the financial and other information contained in this annual report. This process was in place for the year under review and up to the date of approval of the annual report and financial statements. The process is implemented by management and independently monitored for effectiveness by the audit, risk and other sub-committees of the board.

The significant risks that the bank faces include risks flowing from the instability in the global financial market and recent economic environment that could affect the bank's businesses, earnings and financial condition.

The bank's financial statements are prepared on a going concern basis, taking into consideration:

- The group's strategy and prevailing market conditions and business environment
- Nature and complexity of the business
- Risks the bank assumes, and its management and mitigation
- Key business and control processes in operation
- Credit rating and access to capital
- Needs of all its stakeholders
- Operational soundness
- Accounting policies adopted
- Corporate governance practices
- Desire to provide relevant and clear disclosures
- Operation of board committee support structures.

The board is of the opinion – based on its knowledge of the bank, key processes in operation and specific enquiries – that there are adequate resources to support the bank as a going concern for the foreseeable future.

Further information on the liquidity and capital position is provided on pages 40 to 42 and pages 45 to 50.

Furthermore, the board is of the opinion that the bank's risk management processes and systems of internal control are effective.

Management and succession planning

Business unit heads are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function.

Matters of succession are considered regularly. Decision-making is spread to encourage and develop an experienced pool of talent.

Internal control

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Investec group's board risk and capital committee and the audit committee assist the board in this regard. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

Internal control is designed to mitigate, not eliminate, significant risks faced by the bank. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and assurance and control functions such as Risk Management, Internal Audit and Compliance. These ongoing processes were in place throughout the year under review and until the date of approval of the annual report and accounts.

Group Internal Audit reports any control recommendations to senior management and the audit committee. Appropriate processes ensure that timely corrective action is taken on matters raised by Group Internal Audit.

Internal financial controls

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the audit committee and are independently assessed by Group Internal Audit and the bank's head of compliance.

Processes are in place to monitor internal control effectiveness; identify and report material breakdowns; and ensure that timely and appropriate corrective action is taken.

Board of directors

The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity. The board operates within the group's governance framework and is accountable for the performance and affairs of the bank. It provides leadership for the bank within a framework of prudent and effective controls which allows risks to be assessed and managed.

The board:

- Approves the bank's strategy
- Ensures that the bank complies with the applicable laws and considers adherence to non-binding rules and standards
- Is responsible for the governance of risk, including that of information technology (IT)

The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity

- Acts as focal point for, and custodian of, corporate governance
- Provides effective leadership on an ethical foundation
- Ensures the bank is and is seen to be a responsible corporate citizen.

The board meets its objectives by reviewing and guiding corporate strategy, setting the bank's values and standards, promoting high standards of corporate governance, approving key policies and objectives, ensuring that obligations to its shareholders and other stakeholders are understood and met, understanding the key risks the bank faces, determining the bank's risk tolerance and approving and reviewing the processes in operation to mitigate risk from materialising, including the approval of the terms of reference of key supporting board committees.

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain of its duties and functions to various board committees, bank forums or the chief executive officer, without abdicating its own responsibilities:

- The board has formally defined and documented, by way of terms of reference, the authority it has delegated to the various board committees and bank forums
- In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board.

Furthermore, directly or through its sub-committees, the board:

- Assesses the quantitative and qualitative aspects of the bank's performance through a comprehensive system of financial and non-financial monitoring involving an annual budget process, detailed monthly reporting, regular review of forecasts and regular management strategic and operational updates
- Approves annual budgets, capital plans, projections and business plans
- Monitors compliance with relevant laws, regulations and codes of business practice
- Ensures there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders, and monitors communication with all stakeholders and disclosures made to ensure transparent and effective communication
- Identifies and monitors key risk areas and key performance indicators
- Reviews processes and procedures to ensure the effectiveness of its internal systems of control
- Ensures the bank adopts sustainable business practices, including social and environmental activities
- Assisted by the audit committee, ensures appropriate IT governance processes are in place for the implementation of which management is responsible, and ensuring that the process is aligned to the performance and sustainability objectives of the board
- Monitors and evaluates significant IT investments and expenditure
- Ensures information assets are managed effectively
- Ensures that appropriate risk governance, including IT, is in place including continual risk monitoring by management, determines the levels of risk tolerance and that risk assessments are performed on a continual basis
- Ensures the integrity of the bank's annual report, which includes sustainability reporting
- Ensures the induction of, and ongoing training and development of, directors
- Evaluates the performance of senior management and considers succession planning.

In accordance with the Code of Corporate Governance for Mauritius and the Bank of Mauritius' Guidelines on Corporate Governance, there is a clear division of responsibility between the chairman and the chief executive officer to ensure balance of power and authority. The board is led by the chairman while the chief executive officer leads the executive management team responsible for the day-to-day running of the business and affairs of the bank.

The majority of the board members are non-executive directors. The board comprises five members: the bank's chief executive officer, two independent external directors and two directors who are also directors on the parent company's board. Three of the directors are residents of Mauritius. A brief profile of each director is included on the following pages.

Directorate

Name	Age at date of this report	Qualifications	Current other directorships	Committee membership	Brief biography
David M Lawrence (chairman)	65	BA(Econ) (Hons) MCom	Investec Bank Limited, various Investec companies and various listed and unlisted companies	1, 3, 4, 5, 6, 7	David is currently the deputy chairman of Investec Bank Limited and chairman of the board of directors of the bank. Former chairman and managing director of Citibank (South Africa), and former managing director of FirstCorp Bank Limited.
Peter RS Thomas	71	CA(SA)	Investec plc, Investec Limited, Investec Bank Limited, various Investec companies, JCI Limited and various unlisted companies	2, 3, 4, 5	Peter was the former managing director of The Unisec Group Limited. Currently chairman of the audit committee of the bank.
Pierre de Chasteigner du Mée	63	ACEA, FBIM, FMAAT	Investec Wealth & Investment (Mauritius) Limited P.O.L.I.C.Y. Limited, and various unlisted companies	1, 2, 3, 4, 6, 7	Pierre is the director and secretary of Associated Brokers Ltd. He is a stockbroker, on the Stock Exchange of Mauritius. He is a member of the National Pensions Board, National Pension/National Savings Fund's investment committee. He is also the chairperson of the investment committee and the vice-president of P.O.L.I.C.Y. Limited. He also has occupied various functions as group financial controller and sugar estate general manager within the Constance Group, and as executive director of Constance Hotels Services Limited.
Angelique A Desvaux de Marigny	40	LLB, barrister-at-law Maîtrise en Droit Privé (Université Paris 1 Panthéon-Sorbonne)	None	2, 5	Angelique is a barrister-at-law, who was admitted to the Mauritian Bar in 2001. She initially practised as a litigation counsel for the first years of her career before joining the CIEL group as head of legal affairs. In 2009, she returned to private practice and has since undertaken advisory work and litigation before the domestic courts in various fields. In 2014, she was actively involved in setting up De Speville-Desvaux, a multi-disciplinary set of chambers where she is currently practising.

Directorate *(continued)*

Name	Age at date of this report	Qualifications	Current other directorships	Committee membership	Brief biography
Craig C McKenzie	55	BSc, MSc, CFA	Investec Wealth & Investment (Mauritius) Limited Various unlisted companies	1, 6, 7	Chief executive officer with 27 years of banking experience.

1. *Board sub-committee.*
2. *Audit committee.*
3. *Nominations and remuneration committee.*
4. *Conduct review committee.*
5. *Corporate governance committee.*
6. *Investment committee.*
7. *Risk management committee.*

Details of the attendance at the board meetings held during the year are shown in the table below:

	Attendance
David M Lawrence	4/4
Craig C McKenzie	4/4
Pierre de Chasteigner du Mée	4/4
Angelique A Desvaux de Marigny	4/4
Peter RS Thomas	4/4

The directors of the subsidiary, Investec Wealth & Investment (Mauritius) Limited, are as follows:
Craig C McKenzie (chairman)
Henry Blumenthal (non-executive)
Joubert Hay (non-executive)
Pierre de Chasteigner du Mée (non-executive)
Rodney Marthinusen (chief executive officer)

SKILLS, KNOWLEDGE, EXPERIENCE AND ATTRIBUTES OF DIRECTORS

The board considers that the skills, knowledge, experience and attributes of the directors as a whole are appropriate for their responsibilities and the bank's activities. The directors bring a range of skills to the board including:

- International business and operational experience
- Understanding of the economics of the sectors in which we operate
- Knowledge of the regulatory environments in which we operate
- Financial, accounting, legal and banking experience and knowledge.

The skills and experience profile of the board and its committees are regularly reviewed to ensure an appropriate and relevant composition from a governance, succession and effectiveness perspective.

BOARD AND BOARD COMMITTEES

The board's performance is evaluated annually and covers areas of the board's processes and responsibilities according to leading practice. The board committees are evaluated every three years.

The performance evaluation process takes place both informally, through personal observations and discussions, and/or in the form of evaluation questionnaires. The results are considered and discussed by the board.

ONGOING TRAINING AND DEVELOPMENT

Following the board's and board committee's performance evaluation process, any training needs are communicated to the company secretary who ensures these needs are addressed.

During the period under review, one training session for directors was organised.

DIRECTORS' INTEREST AND DEALINGS IN SHARES

All the shares of the bank are held by its sole shareholder namely, Investec Bank Limited.

DIRECTORS' EMOLUMENTS

The executive and non-executive directors received emoluments amounting to US$1 217 682 (2015: US$1 611 139) for the year under review.

The remuneration of directors has not been disclosed on an individual basis as discussed on page 51.

DIRECTORS' SERVICE CONTRACTS AND TERMS OF EMPLOYMENT

The chief executive officer, who is the only executive director of the bank, has an indefinite contract of employment, terminable by either party giving the required written notice to the other. The chief executive officer is entitled to receive a basic salary and is also eligible for an annual bonus, the amount of which is determined at the discretion of the remuneration committee.

The non-executive directors do not have service contracts, but letters of appointment confirming the terms and conditions of their service. Unless the non-executive directors resign earlier or are removed from their positions, they will remain as directors until the close of the next annual general meeting.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The bank has arranged for appropriate insurance cover in respect of any legal action against its directors and officers.

DONATIONS

Any donations provided by the bank are made as part of the bank's corporate social and business responsibility. No political donations are made.

DIVIDEND POLICY

Although the bank does not have a formal dividend policy, dividends are paid to its sole shareholder subject to profitability and subject to the approval from the Bank of Mauritius and the solvency test required under section 61(2) of the Companies Act 2001 of Mauritius being satisfied. A dividend of US$60 million was declared and paid during the year.

EXECUTIVE MANAGEMENT

The board has delegated the day-to-day running of the business and affairs of the bank to its executive management. Issues are debated and decisions in management forums are taken unanimously.

The executive management team of the bank is made up of the chief executive officer and chief operating officer. Below is the profile of the management team.

Craig C McKenzie – chief executive officer

Craig C McKenzie joined Investec Bank (Mauritius) Limited in 2000 as chief executive officer. He has more than 26 years' banking experience and holds Bachelor and Master of Science degrees in agricultural economics from the University of Natal (South Africa). He is also a chartered financial analyst (CFA) charterholder.

Lara Ann Vaudin – chief operating officer

Lara Ann Vaudin qualified as an attorney-at-law in Johannesburg, South Africa in 1996. She holds a BA LLB from the University of the Witwatersrand and an LLM (corporate law) from the University of South Africa. She joined the bank in 2004 as the bank's legal adviser and is currently the chief operating officer of the bank.

OTHER STATUTORY DISCLOSURES

In accordance with section 221(4) of the Companies Act 2001, the sole shareholder of the bank has, by way of written resolution, agreed that the annual report of the bank does not need to comply with paragraphs (a) and (d) to (i) of section 221(1) of the Companies Act 2001.

EXTERNAL AUDIT

Ernst & Young are the bank's external auditors. The independence of the external auditors is reviewed by the audit committee each year. The audit committee meets with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services rendered and all other audit matters.

The external auditors are invited to attend audit committee meetings and have access to the chairman of the audit committee.

REGULATION AND SUPERVISION

The bank is subject to regulation by its host regulator, Bank of Mauritius as well as the South African Reserve Bank. It seeks to achieve open and active dialogue with its regulators and supervisors in order to comply with the various regulatory and supervisory requirements. The bank reports to regulators and supervisory bodies regularly and is subject to an annual on-site inspection.

VALUES AND CODE OF CONDUCT

Investec has a strong organisational culture of entrenched values, which forms the cornerstone of its behaviour towards all stakeholders. These values are embodied in a written statement of values which serves as its code of ethics, and is continually reinforced.

The bank conducts its business with uncompromising integrity and fairness, so as to promote trust and confidence in the banking industry.

HUMAN RESOURCES AND REMUNERATION POLICY

The bank's philosophy is to employ high calibre individuals who are characterised by integrity and innovation and who adhere and subscribe to its culture, values and philosophies. The bank promotes entrepreneurship by providing a working environment which stimulates extraordinary performance.

The bank rewards its employees for their contribution through payment of a competitive annual package, a variable performance bonus and ownership in the form of share incentive scheme participation in Investec Limited. Other factors are also considered important such as the organisation's core values, work content and management style in the attraction, retention and motivation of employees.

RELATED PARTY TRANSACTIONS

Refer to note 37 to the financial statements.

RISK MANAGEMENT

Refer to pages 12 to 50.

Internal Audit

The Internal Audit function is managed at group level and is tasked with providing the board with an independent and objective opinion as to the bank's control environment in relation to the risks it faces. Group Internal Audit recommends enhancements to risk management, control and governance processes where weaknesses are identified.

A representative from Group Internal Audit reports at each audit committee meeting and has a direct reporting line to the chairman of the audit committee. He/she operates independently of executive management, but has access to the chief executive officer and the chairman of the audit committee.

Annually, Group Internal Audit conducts a formal risk assessment of the bank's business from which a comprehensive risk-based annual audit plan is derived. The assessment and programme are validated by executive management and approved by the audit committee.

The Group Internal Audit team comprises well-qualified, experienced staff and ensures that the function has the competence to match the bank's diverse requirements. Where specific specialist skills or additional resources are required, these will be obtained from third parties as appropriate. The internal audit resources are subject to review by the audit committee.

The audit committee receives a report on significant issues and actions taken by management to enhance related controls.

Compliance

Compliance risk is the risk that the bank fails to comply with the letter and spirit of all statutes, regulations, supervisory requirements and industry codes of conduct which apply to the bank's business. The bank seeks to bring the highest standard of compliance best practice. In keeping with its core values, the bank also endeavours to comply with the highest professional standards of integrity and behaviour, which build trust.

The Compliance function ensures that the bank complies with existing and emerging regulations impacting on its operations.

The bank recognises its responsibility to conduct business in accordance with the laws and regulations of the country and areas in which it operates. The Compliance function is supported by Group Compliance and the bank's head of compliance.

The bank is subject to extensive supervisory and regulatory governance. Significant business developments in any of its operations must be approved by both the Bank of Mauritius and the South African Reserve Bank.

The bank's head of compliance reports to the chief executive officer, as well as to the group head of compliance and the audit committee. The bank's head of compliance provides regular training to ensure that all employees are familiar with their regulatory obligations; provides advice on regulatory issues; and works closely with business and operational units to ensure consistent management of compliance risk.

Sustainability

The bank believes in making a positive contribution to the society and the environment in which we operate.

Our Corporate Social Investment strategy is to focus on projects and initiatives in the following areas:

- Education
- Environment
- Sports development.

We look to spend 30% of our budget in each of the areas above. We allocate 10% of our budget to discretionary philanthropic donations which may fall out of our focus areas, but allow us to make small but meaningful donations to worthwhile causes.

During the year, we contributed towards the funding of a new centre for 'Link to life', an NGO that supports cancer patients by providing transport, psychological assistance, early detection screening and cancer awareness education.

Corporate social responsibility (CSR) was legislated by the Government of Mauritius in July 2009. In terms of the legislation, all Mauritian companies need to allocate 2% of their chargeable income to CSR-approved NGOs or projects. Segment B profits pertaining to offshore income derived by banks is, however, exempt. Notwithstanding this the bank has chosen to contribute an additional 0.5% of Segment B profit (excluding unrealised gains and losses) to corporate social investment.

In line with the government's focus on poverty alleviation, Investec's CSI projects are directed at communities or beneficiaries that are financially disadvantaged. Our approach is to ensure long-term sustainability. This means making multi-faceted interventions in selected communities and may include building operational skills and organisational capacity.

Our criteria for assessing projects are:

- Ability to make a meaningful difference
- Capacity to deliver sustained benefits
- Measurability
- Potential to engage co-sponsors to increase leverage and provide an integrated solution
- Opportunity for staff involvement.

Investec encourages its staff to contribute and participate in our CSI programme. Staff have given their time to assist the Terrain or the Interactive Pedagogy through Arts (TIPA) with their Art Festival at the Guy Rosemont Government School and providing Christmas and grocery boxes for communities in need from Grand Gaube.

PROJECTS SUPPORTED BY INVESTEC BANK MAURITIUS

Education

Education is the key to empowering disadvantaged communities and enables individuals to make a better life for themselves.

Investec has supported the Guy Rosemont Government School in Tranquebar for the past five years.

We have worked with them on a number of projects:

- Assistance for children preparing to write their CPE exams
- Funding a sport teacher's salary and sport equipment
- Upgrading the children's playground areas by:
  - providing playground equipment;
  - landscaping the gardens;
  - constructing a covered shelter; and
  - providing tables and benches.
- Club de Parents – Investec sponsors the monthly meeting of parents and school representatives. The purpose of this club is to provide a forum for parental participation in education. The club also uses this forum as an opportunity to upgrade and enhance the skills of parents
- TIPA develops essential life skills of vulnerable children. Their focus is to empower children to become critical thinkers, participate in discussions, be responsible and be team players through art, drama and cultural education. They also develop teachers' skills and organise an annual art festival at the school.

Investec supports Education for Sustainability (EFS) at St Mary's College in Rose Hill. The project develops ecologically literate students who will play a role in society, steering business and the Mauritian economy towards a responsible approach to our non-renewable resources and an attitude of care and stewardship towards our natural environment. The EFS programme embeds the ecosystems education into the curriculum. The project is a partnership between the Bureau de l'Education Catholique and Ecological Living Action, an entity focusing on education, training and consulting for sustainability.

Environment

Investec believes that the natural heritage of Mauritius is a critical resource to the country and needs to be respected and protected.

Investec supports the Mauritian Wildlife Foundation's 'Learning with Nature' education project at L'îles aux Aigrettes that teaches children about the flora and fauna of Mauritius. The project allows students to experience and understand their natural environment, and appreciate its relevance in their day-to-day lives and their school curriculum.

Investec partners with the Protection of Animal Welfare Society (PAWS) to implement its education programme focusing on the health and welfare of companion animals and the dire need to have them sterilised. Aside from the cruelty and the negative image to tourists, stray dogs and cats can be a danger to community health.

Continuation of our environmental project in collaboration with Ecole Pere Henri Souchon and Animaterra – Vegetable Farming Project. The project teaches pupils basic crop cultivation skills in a sustainable manner using principals of biological farming and no chemical pesticides. This school is a vocational school for those pupils who are unable to continue in mainstream government education. This project is part of the school curriculum and provides pupils with skills that assist them in finding employment in the agricultural/horticultural sector.

Sports development

Investec believes that access to sport should be available to all. We also believe that aside from the importance of physical exercise, sport also teaches children discipline, perseverance, team work and develops self-esteem.

Investec supports the following sport development projects:

- Tranquebar Black Rangers Women's Volley Ball Club
- Sailing Pour Tous
- Tranquebar Boxing Club
- Tranquebar Dalton Football Club.

Tranquebar Black Rangers Women's Volley Ball Club

The bank has sponsored this club for the past five years. The Tranquebar Women's Volley Ball Club has a membership of 45. The club is based at the Tranquebar Women's Centre. Aside from their strong first team, they also have a junior development team. The team practises three times a week and competes most weekends.

Sailing Pour Tous

Sailing Pour Tous makes sailing accessible to underprivileged children in Port Louis and surrounding areas. It offers free sailing lessons to any child who would like to learn how to sail. Optimists are provided for the younger children and lasers are provided at a later stage for older children. Initially the school will prepare young sailors to compete at a national level and over time at the international level. Aside from learning nautical skills, the children participating in this sailing school will benefit from team work, discipline and responsibility. Gaining knowledge of the sea and sailing skills could assist participants in finding employment in marine activities at a later stage.

Tranquebar Boxing Club

IBM sponsors the Tranquebar Boxing Club. The aim of the club is to give young men in the area the opportunity to learn the skill of boxing, to train and to compete in boxing competitions.

Tranquebar Dalton Football Club

The bank has sponsored the football team for the past two years. The team has twenty five licensed players and ten junior players. They were promoted to the second division of the Port-Louis region of the Mauritius Football Association in 2015. They also reached the semi final of the 'Trophee de la Jeunesse' this year.

Environmental footprint

In terms of the bank's environmental footprint, we measure our use of energy, paper and water. We continue to work towards reducing our overall energy and resource usage.

Shareholder diary

Financial year:	31 March
Unaudited quarterly report:	Within 45 days from the quarters ending June, September and December
Audited financial statements:	Within three months of 31 March 2016
Annual general meeting:	June 2016

Signed on behalf of the board

David M Lawrence
Chairman

Pierre de Chasteigner du Mée
Director

Craig C McKenzie
Chief executive officer

17 June 2016

Three

Annual consolidated
financial statements

Statement of management's responsibility for financial reporting

Directors' statement

The financial statements in this annual report have been prepared by management which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards of the International Accounting Standards Board as well as the requirements of the Banking Act 2004 and the Guidelines issued thereunder have been applied and management has exercised its judgement and made best estimates where deemed necessary.

The bank has designed and maintained its accounting systems, related internal controls and supporting procedures to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well-defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the bank's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the bank.

The bank's board of directors, acting in part through the audit committee and conduct review committee which comprise independent directors, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The group's internal auditor has full and free access to the audit committee and conducts a well-designed programme of internal audits in coordination with the bank's external auditors. In addition, the bank's compliance function maintains policies, procedures and programmes directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the bank as it deems necessary.

The bank's external auditors, Ernst & Young, have full and free access to the board of directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Signed on behalf of the board

David M Lawrence
Chairman
Board of directors

Pierre de Chasteigner du Mée
Director

Craig C McKenzie
Chief executive officer

17 June 2016

Secretary's report

Under section 166(d) of the Companies Act 2001, I certify that, to the best of my knowledge and belief, the bank has lodged with the Registrar of Companies all such returns as are required of the bank in terms of the Act.

Prithiviraj Jeewooth
Secretary

17 June 2016

Report on the financial statements

We have audited the financial statements of Investec Bank (Mauritius) Limited (the group and the bank) on pages 64 to 137 which comprise the consolidated balance sheets at 31 March 2016, the consolidated income statements and consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001 and the Banking Act 2004, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditors consider internal controls relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 64 to 137 give a true and fair view of the financial position of the group and the bank at 31 March 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Other matter

This report has been prepared solely for the bank's member, in accordance with section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the bank's member those matters we are required to state to the latter in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not assume responsibility to anyone other than the bank and the bank's member for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

COMPANIES ACT 2001

We have no relationship with or interests in the bank other than in our capacities as auditors and tax advisers and in dealings with the bank in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the bank as far as appears from our examination of those records.

BANKING ACT 2004

In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius. The explanations or information called for or given to us by the officers or agents of the bank were satisfactory.

FINANCIAL REPORTING ACT 2004

The directors are responsible for preparing the corporate governance report.

Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the Code) as disclosed in the annual report and whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the corporate governance report is consistent with the requirements of the Code.

Ernst & Young

Ernst & Young
Ebène
Mauritius

Thierry Leung Hing Wah, FCCA
Licensed by FRC

17 June 2016

Consolidated income statements

For the year to 31 March US$'000	Notes	Group 2016	Bank 2016	Group and Bank 2015	 2014
Interest income	3	60 696	60 699	69 368	64 374
Interest expense	3	(11 381)	(11 381)	(12 940)	(14 991)
Net interest income		**49 315**	**49 318**	**56 428**	**49 383**
Fee and commission income*	4	7 770	7 770	10 831	6 669
Fee and commission expense	4	(1 677)	(1 677)	(3 036)	(1 222)
		6 093	**6 093**	**7 795**	**5 447**
Investment income*	5	2 058	2 058	12 473	10 898
Net trading loss*	6	(5 619)	(5 619)	(10 556)	(5 641)
Total operating income before impairment losses on loans and advances		**51 847**	**51 850**	**66 140**	**60 087**
Impairment reversals/(loss) on loans and advances	23	1 003	1 003	2 359	(3 654)
Operating income		**52 850**	**52 853**	**68 499**	**56 433**
Operating costs*	7	(11 522)	(11 086)	(11 412)	(10 333)
Operating profit		**41 328**	**41 767**	**57 087**	**46 100**
Share of result in associate	24	(784)	(784)	–	–
Profit before taxation		**40 544**	**40 983**	**57 087**	**46 100**
Taxation	9	(2 565)	(2 565)	(2 630)	(199)
Profit after taxation		**37 979**	**38 418**	**54 457**	**45 901**
Analysed as follows:					
Transfer to statutory reserve		1 104	1 104	8 169	6 885
Transfer to retained earnings		36 875	37 314	46 288	39 016
Profit attributable to equity holder of the bank		**37 979**	**38 418**	**54 457**	**45 901**

* *Refer to note 40: Reclassifications.*

Consolidated statements of other comprehensive income

For the year to 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	 2014
Profit after taxation	37 979	38 418	54 457	45 901
Other comprehensive income:				
Items that may be reclassified to the income statement				
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(2 230)	(2 230)	(482)	399
Foreign currency adjustments on translating associated undertakings	(411)	(411)	–	–
Total other comprehensive (loss)/income	**(2 641)**	**(2 641)**	**(482)**	**399**
Total comprehensive income attributable to equity holder of the bank	**35 338**	**35 777**	**53 975**	**46 300**

As at 31 March US$'000	Notes	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Assets					
Cash and balances at central banks	15	9 947	9 947	9 337	16 710
Due from banks*	16	682 160	682 160	382 237	466 591
Reverse repurchase agreements	17	–	–	13 987	–
Sovereign debt securities*	18	–	–	1 642	–
Bank debt securities*	19	112 357	112 357	111 576	123 978
Other debt securities*	20	95 699	95 699	82 897	103 005
Derivative financial instruments	21	25 289	25 289	29 110	35 163
Investment portfolio	22	17 045	17 045	20 586	16 768
Loans and advances to customers	23	891 098	891 098	925 913	890 702
Interests in associated undertakings	24	3 720	3 720	4 915	4 915
Deferred taxation assets	25	116	116	310	293
Other assets	26	2 476	2 476	3 284	5 136
Equipment	27	337	337	409	338
Amount due from group companies	28	3 536	3 958	3 693	3 877
Investment in subsidiary	29	–	17	–	–
Total assets		**1 843 780**	**1 844 219**	**1 589 896**	**1 667 476**
Liabilities					
Derivative financial instruments	21	6 610	6 610	1 038	11 250
Repurchase agreements	17	108 260	108 260	110 025	121 403
Customer accounts (deposits)	30	1 077 907	1 077 907	777 206	832 204
Debt securities in issue	31	253 547	253 547	249 512	266 299
Amount due to group companies	28	9 684	9 684	52 641	52 747
Current taxation liabilities	9	334	334	1 582	1 107
Other liabilities	32	27 555	27 555	13 347	32 060
Total liabilities		**1 483 897**	**1 483 897**	**1 205 351**	**1 317 070**
Equity					
Ordinary share capital	33	56 478	56 478	56 478	56 478
Other reserves		59 987	59 987	61 400	52 291
Retained income		243 418	243 857	266 667	241 637
Total equity		**359 883**	**360 322**	**384 545**	**350 406**
Total liabilities and equity		**1 843 780**	**1 844 219**	**1 589 896**	**1 667 476**

* *Refer to note 40: Reclassifications.*

Signed on behalf of the board

David M Lawrence
Chairman

Pierre de Chasteigner du Mée
Director

Craig C McKenzie
Chief executive officer

17 June 2016

Consolidated statements of changes in equity

		Other reserves					
US$'000	Ordinary share capital	Foreign currency reserves	Available-for-sale reserve	Regulatory general risk reserve	Statutory reserve	Retained income	Total equity
Group							
At 1 April 2015	56 478	–	(83)	6 109	55 374	266 667	384 545
Movement in reserves 1 April 2015 – 31 March 2016							
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)
Total comprehensive income	–	(411)	(2 230)	–	–	37 979	35 338
Dividends paid to equity holder of the bank (Note 10)						(60 000)	(60 000)
Transfer to statutory reserve	–	–	–	–	1 104	(1 104)	–
Transfer to regulatory general risk reserve	–	–	–	124	–	(124)	–
At 31 March 2016	56 478	(411)	(2 313)	6 233	56 478	243 418	359 883
Bank							
At 1 April 2015	56 478	–	(83)	6 109	55 374	266 667	384 545
Movement in reserves 1 April 2015 – 31 March 2016							
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)
Total comprehensive income	–	(411)	(2 230)	–	–	38 418	35 777
Dividends paid to equity holder of the bank (Note 10)	–	–	–	–	–	(60 000)	(60 000)
Transfer to statutory reserve	–	–	–	–	1 104	(1 104)	–
Transfer to regulatory general risk reserve	–	–	–	124	–	(124)	–
At 31 March 2016	56 478	(411)	(2 313)	6 233	56 478	243 857	360 322
Group and Bank							
At 1 April 2013	56 478	–	–	2 745	40 320	204 563	304 106
Movement in reserves 1 April 2013 – 31 March 2014							
Profit after taxation	–	–	–	–	–	45 901	45 901
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	399	–	–	–	399
Total comprehensive income	–	–	399	–	–	45 901	46 300
Transfer to statutory reserve	–	–	–	–	6 885	(6 885)	–
Transfer to regulatory general risk reserve	–	–	–	1 942	–	(1 942)	–
At 31 March 2014	56 478	–	399	4 687	47 205	241 637	350 406
Movement in reserves 1 April 2014 – 31 March 2015							
Profit after taxation	–	–	–	–	–	54 457	54 457
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	(482)	–	–	–	(482)
Total comprehensive income	–	–	(482)	–	–	54 457	53 975
Dividends paid to equity holder of the bank (Note 10)	–	–	–	–	–	(19 836)	(19 836)
Transfer to statutory reserve	–	–	–	–	8 169	(8 169)	–
Transfer to regulatory general risk reserve	–	–	–	1 422	–	(1 422)	–
At 31 March 2015	56 478	–	(83)	6 109	55 374	266 667	384 545

For the year to 31 March US$'000	Notes	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Profit before taxation adjusted for non-cash items	34	47 770	48 209	52 371	65 678
Dividend received		91	91	–	–
Taxation paid		(3 618)	(3 618)	(2 170)	(140)
Decrease/(increase) in operating assets	34	44 664	44 242	(36 920)	(74 782)
Increase/(decrease) in operating liabilities	34	277 524	277 524	(84 027)	198 227
Net cash inflow/(outflow) from operating activities		**366 431**	**366 448**	**(70 746)**	**188 983**
Purchase of investment securities		(22 555)	(22 555)	(1 867)	(74 270)
Proceeds from disposal of investment securities		9 959	9 959	27 969	938
Cash flow on acquisition of equipment		(50)	(50)	(203)	(79)
Cash flow on disposal of equipment		2	2	–	–
Proceeds from disposal of subsidiary		360	360	–	658
Cash flow on acquisition of subsidiary		–	(17)	–	–
Net cash (outflow)/inflow from investing activities		**(12 284))**	**(12 301)**	**25 899**	**(72 753)**
Dividends paid to ordinary shareholders		(60 000)	(60 000)	(19 836)	–
Redemption of preference shares		–	–	(256 841)	–
Issue of preference shares		–	–	256 841	44 000
Net cash (outflow)/inflow from financing activities		**(60 000)**	**(60 000)**	**(19 836)**	**44 000**
Effects of exchange rates on cash and cash equivalents		**3 121**	**3 121**	**(23 294)**	**7 388**
Net increase/(decrease) in cash and cash equivalents		**297 268**	**297 268**	**(87 977)**	**167 618**
Cash and cash equivalents at the beginning of the year*		389 781	389 781	477 758	310 140
Cash and cash equivalents at the end of the year		**687 049**	**687 049**	**389 781**	**477 758**
Cash and cash equivalents is defined as including:					
Cash in hand		5	5	2	5
Cash and balances at central banks		4 884	4 884	7 542	11 162
Due from banks*		682 160	682 160	382 237	466 591
Cash and cash equivalents at the end of the year		**687 049**	**687 049**	**389 781**	**477 758**

* *Refer to note 40: Reclassifications.*

Cash and cash equivalents have a maturity profile of less than three months.

1. Corporate information

Investec Bank (Mauritius) Limited (the bank) is a public company incorporated and domiciled in the Republic of Mauritius on 20 April 1990. The bank's principal activity is the provision of banking facilities. Its registered office is 6th Floor, Dias Pier Building, Caudan Waterfront, Caudan, Port Louis, Mauritius.

The financial statements for the year ended 31 March 2016 were authorised for issue in accordance with a resolution of the directors on 17 June 2016.

2. Accounting policies

2.1 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss, available-for-sale financial assets that have been measured at fair value and the investment in associate which has been equity accounted. All values are rounded to the nearest thousand United States Dollars (US$), unless otherwise indicated.

Statement of compliance

The consolidated financial statements of the bank have been prepared in accordance with International Financial Reporting Standards (IFRS).

Presentation of information

Some disclosures under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements, relating to the nature and extent of risks, have been included in the risk management report on pages 12 to 50 in sections marked as audited.

Going concern

The bank's management has made an assessment of the bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the bank's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models.

The input to these models is taken from observable market data where possible, but where observable data are not available, a degree of judgement is required in establishing fair values.

The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Further details in respect of the fair valuation of financial instruments are included in note 13 to the financial statements.

Impairment losses on loans and advances

The bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, etc.), and judgements on the effect of concentrations of risks and economic data (including real estate prices indices, country risk and the performance of different individual groups).

The impairment loss on loans and advances is disclosed in more detail in note 23.

2.3 CHANGE IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 April 2015:

	Effective for accounting period beginning on or after
Defined Benefit Plans: Employee Contribution (Amendments to IAS 19)	1 July 2014
Annual Improvements 2012 – 2012 Cycle	1 July 2014
Annual Improvements 2011 – 2013 Cycle	1 July 2014

Standards which became effective during the year did not have an impact on the group and the bank.

Annual Improvements 2010 – 2012 Cycle – effective 1 July 2014

The annual improvements 2010 – 2012 Cycle make amendments to the following standards:

- IFRS 2 – Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'
- IFRS 3 – Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 – Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IAS 24 – Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements 2011 – 2013 Cycle

The annual improvements 2011 – 2013 Cycle make amendments to the following standards:

- IFRS 3 – Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- IFRS 13 – Clarify the scope of the portfolio exception in paragraph 52.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Foreign currency translation

The bank's functional currency and presentation currency is US Dollars.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency at the rate of exchange ruling on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to 'net trading income or loss' in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Investec Bank (Mauritius) Limited and its subsidiary as at 31 March 2016.

Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the group's voting rights and potential voting rights.

The group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the income statement
- Reclassifies the parent's share of components previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate, as would be required if the group had directly disposed of the related assets or liabilities.

Investment in subsidiaries

Financial statements of the bank

Investment in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments. The impairment loss is taken to income statement.

Consolidated financial statements

The consolidated financial statements incorporate the financial statements of the bank and entities controlled by the bank (its subsidiaries). Business combinations are accounted for using the purchase method of accounting.

Financial instruments – initial recognition and subsequent measurement

Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the bank becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Derivatives recorded at fair value through profit or loss

The bank uses derivatives such as interest rate swaps and futures, credit default swaps, cross currency swaps and forward foreign exchange contracts. Derivatives are recorded at fair value and are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'net trading income or loss'.

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held-for-trading or designated at fair value through profit or loss.

The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value of investments have been recorded in 'investment income'. Relevant interest earned or incurred is accrued in 'interest income' or 'interest expense', respectively, using the effective interest rate (EIR), while any dividend income is recorded in 'investment income' when the right to the payment has been established.

Included in this classification are equities and debt securities.

'Day 1' profit or loss

Where the transaction price in a non-active market is different to the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the income statement. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

Available-for-sale (AFS) financial investments

Available-for-sale investments relates to debt securities. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in 'other comprehensive income' in the 'available-for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in 'investment income'. Interest earned while holding available-for-sale financial investments is reported as interest income using the EIR.

The losses arising from impairment of such investments are recognised in the income statement in 'impairment losses on financial investments' and removed from the 'available-for-sale reserve'.

Held-to-maturity financial assets

Held-to-maturity financial assets are those which carry fixed or determinable payments and have fixed maturities and which the bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The losses arising from impairment of such assets are recognised in the income statement line, 'impairment loss on financial assets held-to-maturity'.

If the bank was to sell or reclassify more than an insignificant amount of held-to-maturity financial assets before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

Due from banks and loans and advances to customers

'Due from banks' and 'loans and advances to customers' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the bank intends to sell immediately or in the near term (held-for-trading) and those that the bank upon initial recognition designates as fair value through profit or loss; or
- those that the bank, upon initial recognition, designates as available-for-sale; or
- those for which the bank may not recover substantially all of its initial investment, other than because of credit deterioration which is accounted for at fair value through profit and loss.

After initial measurement, amounts 'due from banks' and 'loans and advances to customers' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the income statement. The losses arising from impairment are recognised in the income statement in 'impairment loss on loans and advances'.

The bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss. Where the loan, on drawdown, is expected to be retained by the bank, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract and it is likely to give rise to a loss (e.g. due to a counterparty credit event).

Debt securities in issue

The debt securities relate to preference shares. The legal form of payout is dividend and this is accounted for as interest expense.

Financial instruments issued by the bank, which are not designated at fair value through profit or loss, are classified as liabilities under 'debt securities in issue' where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

An analysis of the bank's issued debt is disclosed in note 31 to the financial statements.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset or where applicable a part of a financial asset or part of a group of similar financial assets is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the bank has transferred substantially all the risks and rewards of the asset or (b) the bank has neither transferred nor retained substantially all the risks and rewards on the asset, but has transferred control of the asset.

When the bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the bank's continuing involvement in the asset. In that case, the bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the bank could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the income statement.

Repurchase agreements

Securities sold under agreements to repurchase at a specified future date (repo's) are not derecognised from the balance sheet as the bank retains substantially all the risks and rewards of ownership. The corresponding cash received, including accrued interest, is recognised in the balance sheet as 'securities sold under repurchase agreement', reflecting its economic substance as a loan to the bank.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the bank reclassifies those securities in its balance sheet to 'financial assets held-for-trading pledged as collateral' or to 'financial investments available-for-sale pledged as collateral', as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the balance sheet. The consideration paid, including accrued interest, is recorded in the balance sheet, within 'cash collateral on securities borrowed and reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the bank. The difference between the purchase and resale prices is recorded in 'net interest income' and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'financial liabilities held-for-trading' and measured at fair value with any gains or losses included in 'net trading income'.

Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the balance sheet if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised in the balance sheet, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'net trading income or loss'.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in note 13.

Impairment of financial assets

The bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The following sets out the policies of the bank regarding the impairment of specific classes of assets:

Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks and loans and advances to customers as well as held-to-maturity financial assets), the bank first assesses individually whether objective evidence of impairment exists. If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the bank.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

If the bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new effective interest rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale (AFS) financial asset

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Renegotiated loans
Where possible, the bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Collateral valuation
The bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

The fair value of collateral is generally assessed, at a minimum, at inception.

To the extent possible, the bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income
For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (e.g. pre-payment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income
The bank earns fee and commission income from a diverse range of services it provides to its customers.

Fees earned for the provision of services over a period of time are accrued over that period and recognised as an adjustment to the effective interest rate. These fees include commission income and raising fees.

Dividend income
Revenue is recognised when the bank's right to receive the payment is established, which is generally when the dividend is declared.

Net trading income or loss
Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense for financial assets and financial liabilities held-for-trading.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

Investment in associates

An associate is an entity in which the bank has significant influence and which is neither a subsidiary nor a joint venture. The bank has adopted the amendments to IAS 27 which allows the bank to equity account its investment in associates both in the group and the separate financial statements of the bank. The bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the bank calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value, and recognises the amount in profit or loss.

Equipment

Equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

	Rate %
Furniture and fittings	10
Office equipment	20
Computer equipment	33
Motor vehicles	20

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'investment income' in the income statement in the year the asset is derecognised.

Residual values and useful lives are reviewed at least at each financial year-end.

Impairment of non-financial assets

The bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists,or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement in the period in which they are identified.

Contingent liabilities

Contingent liabilities, which include certain guarantees, other than financial guarantees, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the bank's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

Pension benefits

Defined contribution pension plan
The bank operates a defined contribution pension plan. The contribution payable to the defined contribution plan is in proportion to the services rendered to the bank by the employees and is recorded as an expense under 'personnel expenses'. Unpaid contributions are recorded as a liability.

Provisions

Provisions are recognised when the bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in profit or loss net of any reimbursement.

Share-based payment transactions

Employees of the bank receive remuneration in the form of share-based payment transactions which can only be settled in cash (cash-settled transactions).

The cost of cash-settled transactions is measured initially at fair value at the grant date and taking into account the terms and conditions upon which the instruments were granted (note 8).

The cost is expensed in personnel expenses over the period until the vesting date.

Taxes

Current tax
Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax
Revenues, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of 'other assets' or 'other liabilities' in the balance sheet.

Corporate social responsibility
Corporate social responsibility (CSR) was legislated by the government of Mauritius in July 2009. In terms of the legislation, the bank is required to allocate 2% of its Segment A chargeable income of the preceding financial year to government-approved CSR NGOs. This is recorded as part of income tax expense.

Bank levy
A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity threshold is reached.

The bank provides for 10% of its segment A taxable income as special levy and an effective special levy of 1% on its segment B book profit as required by the Mauritius Revenue Authority.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the bank's board of directors. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Equity reserves

The reserves recorded in equity on the bank's balance sheet include:

- 'Statutory reserve' which represents 15% of the net profit transferred in accordance with the Banking Act 2004, and until the amount equals the stated capital
- 'General banking reserve' which comprises: (i) the difference between the actual historical loss ratio and the statutory general provision of 1% in line with the Bank of Mauritius Guidelines on Credit Impairment Measurement and Income Recognition; and

(ii) country risk allowance computed in accordance with the Bank of Mauritius Guidelines on Country Risk Management.

Statutory segmental reporting

The bank's segmental reporting is based on the requirements of the Bank of Mauritius Guideline on Public Disclosure of Information, which requires that segment information should be provided by segment A and segment B banking businesses.

Segment B

Segment B activity essentially relates to the provision of international financial services that give rise to 'foreign source income'. Such services may be fund-based and/or non-fund-based. Segment B assets will generally consist of placements with and advances to foreign companies, institutions as well as individuals including stocks and debt instruments and claims on non-resident and/or GBLs.

Segment B liabilities will normally arise from deposits, borrowings, funds deposited by non-residents and GBLs and capital.

Segment A

Segment A activity relates to all banking business other than Segment B activity. The financial services provided under Segment A may be funded and/or non-fund-based. Segment A business will essentially consist of transactions with residents of Mauritius, excluding GBLs companies, both on the liability side and asset side.

Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the bank's financial statements are listed below. This listing is of standards and interpretations issued, which the bank reasonably expects to be applicable at a future date. The bank intends to adopt those standards when they become effective.

Where the standards and interpretations may affect the bank's financial position and performance in the future periods, the impact has been disclosed below:

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments: Classification and measurement of financial assets, Accounting for financial liabilities and derecognition, impairment and hedging	1 January 2018
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely
Investment Entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11)	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38)	1 January 2016
Agriculture: Bearer Plants (amendments to IAS 16 and IAS 41)	1 January 2016
Annual Improvements 2012 – 2014 Cycle	1 January 2016
Disclosure initiative – amendments to IAS 1	1 January 2016
IAS 7 Statement of Cash Flows – Amendments as a result of the Disclosure initiative	1 January 2017
IAS 12 Income Taxes – Amendments regarding the recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 16 Leases	1 January 2019

IFRS 9 Financial Instruments: Classification and Measurement of Financial Assets, Accounting for Financial Liabilities and Derecognition – 1 January 2018

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment
The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognise either 12 months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

Hedge accounting
Hedge effectiveness testing is prospective without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, can be qualitative.

A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

The bank is in the process of quantifying the effect of the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers – effective 1 January 2018
IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The bank is still assessing the impact of this new standard, but it is not expected to have a significant effect on its financial performance. There may be an impact on the level of disclosure provided.

Annual improvements 2012 – 2014 Cycle – effective 1 July 2016
The annual improvements 2012 – 2014 Cycle make amendments to the following standards:

- IFRS 5 – Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or *vice versa* and cases in which held-for-distribution accounting is discontinued
- IFRS 7 – Additional guidance given to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification made on offsetting disclosures in condensed interim financial statements
- IAS 19 – Clarifies that the high-quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- IAS 34 – Clarifies the meaning of 'elsewhere in the interim report' and require a cross reference.

The directors will assess the impact of the amendments when they become effective.

Disclosure Initiative (amendments to IAS 1) – effective 1 January 2016
Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply
- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss

- Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

IAS 7 Statement of Cash Flows (Amendments as result of the Disclosure initiative) – effective 1 January 2017
It amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 Income Taxes (Amendments regarding the recognition of Deferred Tax Assets for Unrealised Losses) – effective 1 January 2017
It amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use
- The carrying amount of an asset does not limit the estimation of probable future taxable profits
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences
- Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

IFRS 16 Leases – effective 1 January 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

No early adoption of these standards and interpretations is intended by the board of directors in the 2016 financial statements.

3. Net interest income

For the year to 31 March US$'000	Group 2016 Balance sheet value	Group 2016 Interest income	Bank 2016 Balance sheet value	Bank 2016 Interest income	Group and Bank 2015 Balance sheet value	Group and Bank 2015 Interest income	Group and Bank 2014 Balance sheet value	Group and Bank 2014 Interest income
Cash, near cash and bank debt and sovereign debt securities[1]	804 464	7 166	804 464	7 166	518 777	4 830	607 279	5 579
Amount due from group companies	3 536	676	3 958	679	3 693	1 000	3 877	1 262
Core loans and advances[2]	891 098	48 554	891 098	48 554	925 913	57 380	890 702	49 983
Other debt securities	95 699	4 300	95 699	4 300	82 897	6 158	103 005	7 550
Total interest-earning assets/interest income	**1 794 797**	**60 696**	**1 795 219**	**60 699**	**1 531 280**	**69 368**	**1 604 864**	**64 374**

For the year to 31 March US$'000	Group 2016 Balance sheet value	Group 2016 Interest expense	Bank 2016 Balance sheet value	Bank 2016 Interest expense	Group and Bank 2015 Balance sheet value	Group and Bank 2015 Interest expense	Group and Bank 2014 Balance sheet value	Group and Bank 2014 Interest expense
Deposits by banks and other debt-related securities[3]	361 807	(7 138)	361 807	(7 138)	359 536	(8 262)	387 702	(7 519)
Customer accounts (deposits)	1 077 907	(3 834)	1 077 907	(3 834)	777 206	(4 090)	832 204	(5 817)
Amount due to group companies	9 684	(409)	9 684	(409)	52 641	(588)	52 747	(1 655)
Total interest-bearing liabilities/interest expense	**1 449 398**	**(11 381)**	**1 449 398**	**(11 381)**	**1 189 383**	**(12 940)**	**1 272 653**	**(14 991)**
Net interest income		**49 315**		**49 318**		**56 428**		**49 383**

1. *Comprises (as per the balance sheet) cash and balances at central banks; due from banks, sovereign debt securities; bank debt securities and reverse repurchase agreements.*
2. *Comprises (as per the balance sheet) loans and advances to customers.*
3. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue and repurchase agreements.*

4. Net fee and commission income

For the year to 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Fee and commission income				
Credit-related fees and commissions	4 703	4 703	7 205	5 163
Brokerage fees received	1 409	1 409	1 743	1 337
Client transactions and maintenance fees	1 658	1 658	1 530	125
Other fees received	–	–	353	44
	7 770	**7 770**	**10 831**	**6 669**
Fee and commission expense				
Brokerage fees paid	(390)	(390)	(71)	(65)
Portfolio and other management fees	(1 287)	(1 287)	(2 963)	(607)
Other fees paid	–	–	(2)	(550)
	(1 677)	**(1 677)**	**(3 036)**	**(1 222)**
Net fee and commission income	**6 093**	**6 093**	**7 795**	**5 447**

5. Investment income

For the year to 31 March US$'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Other asset categories	Total
The following table analyses investment income generated by the asset portfolio shown on the balance sheet:				
Group				
2016				
Realised	(1)	3 270	362	3 631
Unrealised	(1 664)	–	–	(1 664)
Dividend income	91	–	–	91
	(1 574)	**3 270**	**362**	**2 058**
Bank				
Realised	(1)	3 270	362	3 631
Unrealised	(1 664)	–	–	(1 664)
Dividend income	91	–	–	91
	(1 574)	**3 270**	**362**	**2 058**
Group and Bank				
2015				
Realised	128	78	534	740
Unrealised	12 474	(741)	–	11 733
	12 602	**(663)**	**534**	**12 473**
Group and Bank				
2014				
Realised	(662)	–	644	(18)
Unrealised	11 628	(2 569)	–	9 059
Dividend income	1 857	–	–	1 857
	12 823	**(2 569)**	**644**	**10 898**

* *Including embedded derivatives.*

In a year of realisation any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.

6. Net trading loss

	Group	Bank	Group and Bank	
US$'000	**2016**	**2016**	**2015**	**2014**
Changes in fair value of derivative financial instruments	(380)	(380)	(1 889)	1 048
Net interest expense on derivative financial instruments	(5 016)	(5 016)	(7 996)	(6 271)
Net foreign exchange loss	(223)	(223)	(671)	(418)
	(5 619)	**(5 619)**	**(10 556)**	**(5 641)**

Included in 'net foreign exchange loss' are gains and losses from spot and forward contracts and other currency derivatives.

7. Operating costs

For the year to 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Staff costs	5 576	5 470	5 810	4 735
– Salaries and wages (including directors' remuneration)**	4 620	4 516	5 019	4 028
– Training and other costs	129	129	49	29
– Share-based payment expense	699	699	625	580
– Pensions and provident fund contributions	128	126	117	98
Premises expenses (excluding depreciation)	541	541	559	512
Equipment expenses (excluding depreciation)	2 865	2 865	2 550	2 913
Business expenses*	2 165	1 835	2 007	1 986
Marketing expenses	254	254	361	59
Depreciation, amortisation and impairment on property, equipment and intangibles	121	121	125	128
	11 522	**11 086**	**11 412**	**10 333**
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided to the group:				
Auditors' fees (included in business expenses)				
Fees payable to the bank's auditors for the audit of the bank's accounts	171	171	149	151
Audit-related assurance services	23	23	20	–
Tax compliance services	6	6	36	21
	200	**200**	**205**	**172**
Minimum operating lease payments recognised in operating costs	**350**	**350**	**368**	**341**

* *Business expenses mainly comprise insurance costs, professional fees, travel expenses and services provided by the group.*

** *Directors' emoluments are disclosed in the management discussion and analysis on page 57.*

RETIREMENT BENEFIT COSTS

Defined contribution plan

The assets of the plan are held separately from those of the group in a fund under the control of the trustees.

Where employees leave the plan prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions.

The total cost charged to income statement of US$128 104 (2015: US$117 405 and 2011: US$98 015) represents contributions payable to these plans by the group at rates specified in the rules of the plan.

The defined contribution made in respect of key management personnel amounts to US$54 965 (2015: US$50 945 and 2014: US$48 918).

8. Share-based payments

The group operates share option and long-term share incentive plans for employees, the majority of which are on a cash-settled basis.

The purpose of the staff share schemes is to promote an *esprit de corps* within the organisation, create an awareness of the Investec group's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

	Group	Bank	Group and Bank	
For the year to 31 March	**2016**	**2016**	**2015**	**2014**
Share-based payment expense charged to the income statement (US$'000)	699	699	625	580
Fair value of options at grant date (R'000)	11 421	8 556	4 671	7 316

	Group	Bank	Group and Bank	
For the year to 31 March Number of share options	**2016**	**2016**	**2015**	**2014**
Details of options outstanding during the year				
Outstanding at the beginning of the year	422 103	422 103	543 265	481 538
Relocation of employees during the year	140 000	(22 875)	–	–
Granted during the year	135 413	100 635	65 000	140 850
Exercised during the year^	(141 835)	(91 460)	(186 162)	(69 973)
Lapsed during the year	(12 126)	(12 126)	–	(9 150)
Outstanding at the end of the year	**543 555**	**396 277**	**422 103**	**543 265**
Exercisable at the end of the year	**–**	**–**	**–**	**–**

^ *The weighted average exercise price during the year was Rnil (2015 and 2014: Rnil).*

	Group	Bank	Group and Bank	
For the year to 31 March	**2016**	**2016**	**2015**	**2014**
The exercise price range and weighted average remaining contractual life for the options outstanding were as follows:				
Long-term incentive grants with no strike price				
Exercise price range	Rnil	Rnil	Rnil	Rnil
Weighted average remaining contractual life	2.07 years	2.02 years	1.96 years	2.59 years
The fair values of options granted where calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:				
– Share price at date of grant	R109.98 – R120.88	R109.98 – R120.88	R90.00 – R100.57	R70.00 – R71.20
– Exercise price	Rnil	Rnil	Rnil	Rnil
– Expected volatility	30%	30%	25.24% – 30%	30%
– Option life	5 years	5 years	4.5 – 5 years	5 years
– Expected dividend yields	4.02% – 4.19%	4.02% – 4.19%	4.45% – 4.62%	3.89% – 5.08%
– Risk-free rate	7.49% – 7.66%	7.49% – 7.66%	6.78% – 7.18%	6.04% – 7.08%

Expected volatility was determined based on the implied volatility levels quoted by the equity derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months but also includes an element of forward expectation. The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

9. Taxation

For the year to 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Income tax liability				
Current year	2 016	2 016	2 536	1 694
Corporate social responsibility	–	–	2	–
Tax refund	–	–	–	(562)
Tax paid under Advance Payment Scheme	(1 682)	(1 682)	(956)	(25)
	334	**334**	**1 582**	**1 107**
Income statement tax charge				
Taxation on income				
– Current taxation in respect of:				
current year	2 016	2 016	2 536	1 694
corporate social responsibility	24	24	42	9
prior year adjustments	331	331	69	(1 473)
– Deferred taxation	194	194	(17)	(31)
Total taxation charge as per income statement	**2 565**	**2 565**	**2 630**	**199**
Tax rate reconciliation:				
Profit before taxation as per income statement	40 544	40 983	57 087	46 100
Total taxation charge as per income statement	2 565	2 565	2 630	269
Effective rate of taxation	**6%**	**6%**	**5%**	**1%**
At statutory income tax rate of 15% (2015 and 2014: 15%)	6 147	6 147	8 563	6 915
Foreign tax credit	(4 843)	(4 843)	(6 685)	(5 033)
Adjustment of current income tax of prior years	331	331	69	(1 473)
Special levy	506	506	738	406
Corporate social responsibility	21	21	28	9
Other deductible items	(235)	(235)	(303)	(2 096)
Non deductible expenses	424	424	220	1 471
Deferred tax				
– Adjustment of deferred tax of prior years	214	214	–	–
Income tax expense reported in the profit or loss	**2 565**	**2 565**	**2 630**	**199**

The corporate tax rate of the bank is 15%. The bank benefits from a presumed foreign tax credit of 80% on its tax payable in so far as it relates to income earned from Segment B activities.

TAX PAID UNDER ADVANCE PAYMENT SCHEME

The Finance Act 2007 introduced an Advance Payment System (APS) whereby companies having a turnover of 100 million Mauritian Rupee or more are required to file a quarterly corporate tax return as from 1 July 2008.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate Social Responsibility (CSR) was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the bank is required to allocate 2% of its Segment A activities of the preceding financial year to Government-approved CSR projects.

SPECIAL LEVY

The bank is liable to a special levy pursuant to the provisions of the Income Tax Act 1995. For the year under review, the levy on Segment A activities is computed at 10% of the preceding year chargeable income; the levy for Segment B activities is computed at 3.4% of its book profit and 1.0% of the preceding year operating income.

10. Dividends

For the year to 31 March	Group 2016 Cents per share	Group 2016 US$'000	Bank 2016 Cents per share	Bank 2016 US$'000	Group and Bank 2015 Cents per share	Group and Bank 2015 US$'000	Group and Bank 2014 Cents per share	Group and Bank 2014 US$'000
Declared and paid during the year								
Equity dividends on ordinary shares:	106.24	60 000	106.24	60 000	35.00	19 836	–	–

11. Analysis of income and impairments by category of financial instrument

For the year to 31 March US$'000	At fair value through profit or loss Trading	Designated at inception
Group		
2016		
Net interest income	–	211
Fee and commission income	1 389	–
Fee and commission expense	–	–
Investment income	–	1 605
Net trading loss	(4 890)	(24)
Total operating income before impairment losses on loans and advances	**(3 501)**	**1 792**
Impairment losses on loans and advances	–	–
Operating (expense)/income	**(3 501)**	**1 792**
Bank		
2016		
Net interest income	–	211
Fee and commission income	1 389	–
Fee and commission expense	–	–
Investment income	–	1 605
Net trading loss	(4 890)	(24)
Total operating income before impairment losses on loans and advances	**(3 501)**	**1 792**
Impairment losses on loans and advances	–	–
Operating (expense)/income	**(3 501)**	**1 792**
Group and Bank		
2015		
Net interest income	–	424
Fee and commission income	1 743	–
Fee and commission expense	–	–
Investment income	–	11 939
Net trading loss	(10 556)	–
Total operating income before impairment losses on loans and advances	**(8 813)**	**12 363**
Impairment losses on loans and advances	–	–
Operating (expense)/income	**(8 813)**	**12 363**
Group and Bank		
2014		
Net interest income	–	1 169
Fee and commission income	1 337	–
Fee and commission expense	–	–
Investment income	–	10 255
Net trading loss	(5 641)	–
Total operating income before impairment losses on loans and advances	**(4 304)**	**11 424**
Impairment losses on loans and advances	–	–
Operating (expense)/income	**(4 304)**	**11 424**

Held to maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
6 077	51 834	2 569	(11 376)	–	–	49 315
–	4 640	–	1 741	–	–	7 770
–	(1 677)	–	–	–	–	(1 677)
–	–	–	–	91	362	2 058
–	(705)	–	–	–	–	(5 619)
6 077	**54 092**	**2 569**	**(9 635)**	**91**	**362**	**51 847**
–	1 003	–		–	–	1 003
6 077	**55 095**	**2 569**	**(9 635)**	**91**	**362**	**52 850**
6 077	51 837	2 569	(11 376)	–	–	49 318
–	4 640	–	1 741	–	–	7 770
–	(1 677)	–	–	–	–	(1 677)
–	–	–	–	91	362	2 058
–	(705)	–	–	–	–	(5 619)
6 077	**54 095**	**2 569**	**(9 635)**	**91**	**362**	**51 850**
–	1 003	–		–		1 003
6077	**55 098**	**2 569**	**(9 635)**	**91**	**362**	**52 853**
6 927	60 327	1 557	(12 807)	–	–	56 428
–	7 510	–	1 578	–	–	10 831
–	(3 036)	–	–	–	–	(3 036)
–	–	–	–	–	534	12 473
–	–	–	–	–	–	(10 556)
6 927	**64 801**	**1 557**	**(11 229)**	**–**	**534**	**66 140**
–	2 359	–	–	–	–	2 359
6 927	**67 160**	**1 557**	**(11 229)**	**–**	**534**	**68 499**
5 764	55 000	2 440	(14 990)	–	–	49 383
–	4 292	–	1 040	–	–	6 669
–	(1 222)	–	–	–	–	(1 222)
–	–	–	–	–	643	10 898
–	–	–	–	–	–	(5 641)
5 764	**58 070**	**2 440**	**(13 950)**	**–**	**643**	**60 087**
–	(3 654)	–	–	–	–	(3 654)
5 764	**54 416**	**2 440**	**(13 950)**	**–**	**643**	**56 433**

12. Analysis of assets and liabilities by category

	At fair value through profit or loss	
As at 31 March US$'000	**Trading**	**Designated at inception**
Group		
2016		
Assets		
Cash and balances at central banks	–	–
Loans and advances to banks	–	–
Bank debt securities	–	–
Other debt securities	–	–
Derivative financial instruments	25 289	–
Investment portfolio	–	17 045
Loans and advances to customers	–	–
Interests in associated undertakings	–	–
Deferred taxation assets	–	–
Other assets	–	–
Equipment	–	–
Amount due from group companies	–	–
	25 289	**17 045**
Liabilities		
Derivative financial instruments	6 610	–
Repurchase agreements	–	–
Customer accounts (deposits)	–	–
Debt securities in issue	–	–
Amount due to holding and group companies	–	–
Current taxation liabilities	–	–
Other liabilities	–	–
	6 610	**–**
Bank		
2016		
Assets		
Cash and balances at central banks	–	–
Loans and advances to banks	–	–
Bank debt securities	–	–
Other debt securities	–	–
Derivative financial instruments	25 289	–
Investment portfolio	–	17 045
Loans and advances to customers	–	–
Interests in associated undertakings	–	–
Deferred taxation assets	–	–
Other assets	–	–
Equipment	–	–
Amount due from group companies	–	–
Investment in subsidiary	–	–
	25 289	**17 045**
Liabilities		
Derivative financial instruments	6 610	–
Repurchase agreements	–	–
Customer accounts (deposits)	–	–
Debt securities in issue	–	–
Amount due to holding and group companies	–	–
Current taxation liabilities	–	–
Other liabilities	–	–
	6 610	**–**

Available-for-sale	Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	–	–	9 947	–	9 947	–	9 947
–	–	–	682 160	–	682 160	–	682 160
–	–	112 357	–	–	112 357	–	112 357
74 234	74 234	–	21 465	–	21 465	–	95 699
–	25 289	–	–	–	–	–	25 289
–	17 045	–	–	–	–	–	17 045
–	–	–	891 098	–	891 098	–	891 098
–	–	–	–	–	–	3 720	3 720
–	–	–	–	–	–	116	116
–	–	–	84	–	84	2 392	2 476
–	–	–	–	–	–	337	337
–	–	–	3 536	–	3 536	–	3 536
74 234	**116 568**	**112 357**	**1 608 290**	**–**	**1 720 647**	**6 565**	**1 843 780**
–	6 610	–	–	–	–	–	6 610
–	–	–	–	108 260	108 260	–	108 260
–	–	–	–	1 077 907	1 077 907	–	1 077 907
–	–	–	–	253 547	253 547	–	253 547
–	–	–	–	9 684	9 684	–	9 684
–	–	–	–	–	–	334	334
–	–	–	–	24 002	24 002	3 553	27 555
–	**6 610**	**–**	**–**	**1 473 400**	**1 473 400**	**3 887**	**1 483 897**
–	–	–	9 947	–	9 947	–	9 947
–	–	–	682 160	–	682 160	–	682 160
–	–	112 357	–	–	112 357	–	112 357
74 234	74 234	–	21 465	–	21 465	–	95 699
–	25 289	–	–	–	–	–	25 289
–	17 045	–	–	–	–	–	17 045
–	–	–	891 098	–	891 098	–	891 098
–	–	–	–	–	–	3 720	3 720
–	–	–	–	–	–	116	116
–	–	–	84	–	84	2 392	2 476
–	–	–	–	–	–	337	337
–	–	–	3 958	–	3 958	–	3 958
–	–	–	–	–	–	17	17
74 234	**116 568**	**112 357**	**1 608 712**	**–**	**1 721 069**	**6 582**	**1 844 219**
–	6 610	–	–	–	–	–	6 610
–	–	–	–	108 260	108 260	–	108 260
–	–	–	–	1 077 907	1 077 907	–	1 077 907
–	–	–	–	253 547	253 547	–	253 547
–	–	–	–	9 684	9 684	–	9 684
–	–	–	–	–	–	334	334
–	–	–	–	24 002	24 002	3 553	27 555
–	**6 610**	**–**	**–**	**1 473 400**	**1 473 400**	**3 887**	**1 483 897**

12. Analysis of assets and liabilities by category *(continued)*

For the year to 31 March US$'000	At fair value through profit or loss Trading	 Designated at inception
Group and Bank *(continued)*		
2015		
Assets		
Cash and balances at central banks	–	–
Loans and advances to banks	–	–
Reverse repurchase agreements	–	–
Sovereign debt securities	–	–
Bank debt securities	–	–
Other debt securities	–	2 979
Derivative financial instruments	29 110	–
Investment portfolio	–	20 586
Loans and advances to customers	–	–
Interests in associated undertakings	–	–
Deferred taxation assets	–	–
Other assets	–	–
Equipment	–	–
Amount due from group companies	–	–
	29 110	**23 565**
Liabilities		
Derivative financial instruments	1 038	–
Repurchase agreements	–	–
Customer accounts (deposits)	–	–
Debt securities in issue	–	–
Amount due to holding and group companies	–	–
Current taxation liabilities	–	–
Other liabilities	–	–
	1 038	**–**
Group and Bank		
2014		
Assets		
Cash and balances at central banks	–	–
Loans and advances to banks	–	–
Bank debt securities	–	–
Other debt securities	–	5 620
Derivative financial instruments	35 163	–
Investment portfolio	–	16 767
Loans and advances to customers	–	–
Interests in associated undertakings	–	–
Deferred taxation assets	–	–
Other assets	–	–
Equipment	–	–
Amount due from group companies	–	–
	35 163	**22 387**
Liabilities		
Derivative financial instruments	11 250	–
Repurchase agreements	–	–
Customer accounts (deposits)	–	–
Debt securities in issue	–	–
Amount due to holding and group companies	–	–
Current taxation liabilities	–	–
Other liabilities	–	–
	11 250	**–**

Available-for-sale	Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	–	–	9 337	–	9 337	–	9 337
–	–	–	382 237	–	382 237	–	382 237
–	–	–	13 987	–	13 987	–	13 987
–	–	1 642	–	–	1 642	–	1 642
–	–	111 576	–	–	111 576	–	111 576
54 088	57 067	–	25 830	–	25 830	–	82 897
–	29 110	–	–	–	–	–	29 110
–	20 586	–	–	–	–	–	20 586
–	–	–	925 913	–	925 913	–	925 913
–	–	–	–	–	–	4 915	4 915
–	–	–	–	–	–	310	310
–	–	–	3 131	–	3 131	153	3 284
–	–	–	–	–	–	409	409
–	–	–	3 693	–	3 693	–	3 693
54 088	**106 763**	**113 218**	**1 364 128**	**–**	**1 477 346**	**5 787**	**1 589 896**
–	1 038	–	–	–	–	–	1 038
–	–	–	–	110 025	110 025	–	110 025
–	–	–	–	777 206	777 206	–	777 206
–	–	–	–	249 512	249 512	–	249 512
–	–	–	–	52 641	52 641	–	52 641
–	–	–	–	–	–	1 582	1 582
–	–	–	–	11 093	11 093	2 254	13 347
–	**1 038**	**–**	**–**	**1 200 477**	**1 200 477**	**3 835**	**1 205 351**
–	–	–	16 710	–	16 710	–	16 710
–	–	–	466 591	–	466 591	–	466 591
–	–	123 978	–	–	123 978	–	123 978
56 201	61 821	–	41 184	–	41 184	–	103 005
–	35 163	–	–	–	–	–	35 163
–	16 767	–	–	–	–	–	16 767
–	–	–	890 702	–	890 702	–	890 702
–	–	–	–	–	–	4 915	4 915
–	–	–	–	–	–	293	293
–	–	–	3 350	–	3 350	1 786	5 136
–	–	–	–	–	–	339	339
–	–	–	3 877	–	3 877	–	3 877
56 201	**113 751**	**123 978**	**1 422 414**	**–**	**1 546 392**	**7 333**	**1 667 476**
–	11 250	–	–	–	–	–	11 250
–	–	–	–	121 403	121 403	–	121 403
–	–	–	–	832 204	832 204	–	832 204
–	–	–	–	266 299	266 299	–	266 299
–	–	–	–	52 747	52 747	–	52 747
–	–	–	–	–	–	1 107	1 107
–	–	–	–	29 025	29 025	3 034	32 060
–	**11 250**	**–**	**–**	**1 301 678**	**1 301 678**	**4 142**	**1 317 070**

13. Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value category		
For the year to 31 March US$'000	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
Group				
2016				
Assets				
Other debt securities	74 234	74 234	–	–
Derivative financial instruments	25 289	–	25 289	–
Investment portfolio	17 045	33	17 012	–
	116 568	**74 267**	**42 301**	**–**
Liabilities				
Derivative financial instruments	6 610	–	6 610	–
	6 610	**–**	**6 610**	**–**
Net assets	**109 958**	**74 267**	**35 691**	**–**
Bank				
2016				
Assets				
Other debt securities	74 234	74 234	–	–
Derivative financial instruments	25 289	–	25 289	–
Investment portfolio	17 045	33	17 012	–
	116 568	**74 267**	**42 301**	**–**
Liabilities				
Derivative financial instruments	6 610	–	6 610	–
	6 610	**–**	**6 610**	**–**
Net assets	**109 958**	**74 267**	**35 691**	**–**

13. Fair value hierarchy *(continued)*

For the year to 31 March US$'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Group and Bank				
2015				
Assets				
Other debt securities	57 067	54 088	–	2 979
Derivative financial instruments	29 110	–	29 110	–
Investment portfolio	20 586	33	20 553	–
	106 763	**54 121**	**49 663**	**2 979**
Liabilities				
Derivative financial instruments	1 038	–	1 038	–
	1 038	**–**	**1 038**	**–**
Net assets	**105 725**	**54 121**	**48 625**	**2 979**
Group and Bank				
2014				
Assets				
Other debt securities	61 821	56 201	–	5 620
Derivative financial instruments	35 163	–	35 163	–
Investment portfolio	16 767	213	16 554	–
	113 751	**56 414**	**51 717**	**5 620**
Liabilities				
Derivative financial instruments	11 250	–	11 250	–
	11 250	**–**	**11 250**	**–**
Net assets	**102 501**	**56 414**	**40 467**	**5 620**

TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

There were no transfers between level 1 and level 2 in the current and prior year.

13. Fair value hierarchy *(continued)*

LEVEL 3 INSTRUMENTS

The following table is a reconciliation of the opening balances to the closing balances for financial instruments in level 3 of the fair value category. All instruments are at fair value through profit and loss.

For the year to 31 March **US$'000**	**Total level 3 financial instruments**
Group and Bank	
The following table is a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:	
Balance as at 1 April 2013	**10 006**
Total gains or losses recognised in the income statement	(1 400)
Sales	(2 593)
Foreign exchange adjustments	(393)
Balance as at 31 March 2014	**5 620**
Total gains or losses recognised in the income statement	(239)
Sales	(1 475)
Foreign exchange adjustments	(927)
Balance as at 31 March 2015	**2 979**
Total gains or losses recognised in the income statement	3 299
Sales	(6 388)
Foreign exchange adjustments	110
Balance as at 31 March 2016	**–**

13. Fair value hierarchy *(continued)*

The following table quantifies the gains or (losses) included in the income statement and other comprehensive income recognised on level 3 financial instruments:

For the year to 31 March US$'000	Total	Realised	Unrealised
Group			
2016			
Total gains included in the income statement for the year			
Net interest income	29	29	–
Investment income	3 270	3 270	–
	3 299	**3 299**	**–**
Bank			
2016			
Total gains included in the income statement for the year			
Net interest income	29	29	–
Investment income	3 270	3 270	–
	3 299	**3 299**	**–**
Group and Bank			
2015			
Total gains/(losses) included in the income statement for the year			
Net interest income	424	424	–
Investment income	(663)	–	(663)
	(239)	**424**	**(663)**
Group and Bank			
2014			
Total gains/(losses) included in the income statement for the year			
Net interest income	1 169	1 169	–
Investment income	(2 569)	–	(2 569)
	(1 400)	**1 169**	**(2 569)**

13. Fair value hierarchy *(continued)*

SENSITIVITY OF FAIR VALUES TO REASONABLY POSSIBLE ALTERNATIVE ASSUMPTIONS BY LEVEL 3 INSTRUMENT TYPE

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from 'observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:'

Group and Bank					Reflected in the income statement	
At 31 March	Balance sheet value US$'000	Valuation method	Significant unobservable input changed	Range which unobservable input has been stressed	Favourable changes US$'000	Unfavourable changes US$'000
2015						
Assets						
Other debt securities	2 979	Discounted cash flows	Discount rates	15% – 30%	390	(331)
2014						
Assets						
Other debt securities	5 620	Discounted cash flows	Discount rates	15% – 30%	731	(688)

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

DISCOUNT RATES

Discount rates are the interest rates used to discount future cash flows in the discounted cash flow valuation method. The discount rate takes into account time value of money and uncertainty of cash flows.

VALUATION TECHNIQUES

The valuation techniques relating to financial instruments classified under level 2 have been further elaborated in note 14.

14. Fair value of financial instruments at amortised cost

At 31 March US$'000	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
Group					
2016					
Assets					
Cash and balances at central banks	9 947	9 947	–	9 947	–
Loans and advances to banks	682 160	682 160	–	682 160	–
Bank debt securities	112 357	174 213	174 213	–	–
Other debt securities	21 465	22 600	–	22 600	–
Loans and advances to customers	891 098	899 602	–	–	899 602
Other assets	84	84	2	82	–
Amount due from group companies	3 537	3 537	–	3 537	–
	1 720 648	**1 792 143**	**174 215**	**718 326**	**899 602**
Liabilities					
Repurchase agreements	108 260	108 260	–	108 260	–
Customer accounts (deposits)	1 077 907	1 078 449	–	1 078 449	–
Debt securities in issue	253 547	264 412	–	264 412	–
Other liabilities	24 002	24 002	–	24 002	–
Amount due to holding and group companies	9 684	9 684	–	9 684	–
	1 473 400	**1 484 807**	**–**	**1 484 807**	**–**
Bank					
2016					
Assets					
Cash and balances at central banks	9 947	9 947	–	9 947	–
Loans and advances to banks	682 160	682 160	–	682 160	–
Bank debt securities	112 357	174 213	174 213	–	–
Other debt securities	21 465	22 600	–	22 600	–
Loans and advances to customers	891 098	899 602	–	–	899 602
Other assets	84	84	2	82	–
Amount due from group companies	3 959	3 959	–	3 959	–
	1 721 070	**1 792 565**	**174 215**	**718 748**	**899 602**
Liabilities					
Repurchase agreements	108 260	108 260	–	108 260	–
Customer accounts (deposits)	1 077 907	1 078 449	–	1 078 449	–
Debt securities in issue	253 547	264 412	–	264 412	–
Other liabilities	24 002	24 002	–	24 002	–
Amount due to holding and group companies	9 684	9 684	–	9 684	–
	1 473 400	**1 484 807**	**–**	**1 484 807**	**–**

14. Fair value of financial instruments at amortised cost *(continued)*

At 31 March US$'000	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
Group and Bank					
2015					
Assets					
Cash and balances at central banks	9 337	9 337	–	9 337	–
Loans and advances to banks	382 237	382 237	–	382 237	–
Reverse repurchase agreements	13 987	13 987		13 987	
Sovereign debt securities	1 642	1 642	–	1 642	–
Bank debt securities	111 576	127 207	127 207	–	–
Other debt securities	25 830	25 830	–	25 830	–
Loans and advances to customers	925 913	935 431	–	–	935 431
Other assets	3 131	3 131	–	3 131	–
Amount due from holding and group companies	3 693	3 693	–	3 693	–
	1 477 344	**1 502 495**	**127 207**	**439 857**	**935 431**
Liabilities					
Repurchase agreements	110 025	110 025	–	110 025	–
Customer accounts (deposits)	777 206	777 766	–	777 766	–
Debt securities in issue	249 512	264 808	–	264 808	–
Other liabilities	11 093	11 093	–	11 093	–
Amount due to holding and group companies	52 641	52 641	–	52 641	–
	1 200 477	**1 216 333**	**–**	**1 216 333**	**–**
Group and Bank					
2014					
Assets					
Cash and balances at central banks	16 710	16 710	–	16 710	–
Loans and advances to banks	466 591	466 591	–	466 591	–
Bank debt securities	123 978	135 667	135 667	–	–
Other debt securities	41 184	41 184	–	41 184	–
Loans and advances to customers	890 702	892 117	–	–	892 117
Other assets	3 350	3 350	–	3 350	–
Amount due from group companies	3 877	3 877	–	3 877	–
	1 546 392	**1 559 496**	**135 667**	**531 712**	**892 117**
Liabilities					
Repurchase agreements	121 403	121 403	–	121 403	–
Customer accounts (deposits)	832 204	832 380	–	832 380	–
Debt securities in issue	266 299	268 270	–	268 270	–
Other liabilities	29 025	29 025	–	29 025	–
Amount due to holding and group companies	52 747	52 747	–	52 747	–
	1 301 678	**1 303 825**	**–**	**1 303 825**	**–**

^ *Financial instruments for which fair value approximates carrying value.*

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits and savings accounts without a specific maturity included in customer accounts (deposits) and variable rate financial instruments.

14. Fair value of financial instruments at amortised cost *(continued)*

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring level 2 and level 3 financial instruments not held at fair value:

	Valuation basis/technique	Main inputs
Assets		
Bank debt securities	Discounted cash flow model	Discount rates
Other debt securities	Discounted cash flow model	Discount rates
Loans and advances to customers	Discounted cash flow model	Discount rates
Liabilities		
Customer accounts (deposits)	Discounted cash flow model	Interest rate yield curve
Debt securities in issue	Discounted cash flow model	Discount rates

FINANCIAL INSTRUMENTS FOR WHICH FAIR VALUE APPROXIMATES CARRYING VALUE

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying values approximate their fair value. This assumption also applies to demand deposits, savings accounts without specific maturity and variable rate financial instruments.

FIXED RATE FINANCIAL INSTRUMENTS

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity.

INVESTMENT SECURITIES HELD-TO-MATURITY

The fair value of held-to-maturity investments is based on quoted prices obtained from the relevant exchanges.

LEVEL 2 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table sets out the group's principal valuation techniques as at 31 March 2016 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	Valuation basis/techniques	Main assumptions
Assets		
Derivative financial instruments	Discounted cash flow model	Discount rates
Investment portfolio	Net asset value model and comparable quoted inputs	Discount rate and listed price
		Net asset value
Liabilities		
Derivative financial instruments	Discounted cash flow model	Discount rates

15. Cash and balances at central banks

	Group	Bank	Group and Bank	
As at 31 March US$'000	**2016**	**2016**	**2015**	**2014**
Cash in hand	5	5	2	5
Cash balance with the central bank				
– Restricted	5 058	5 058	1 793	5 543
– Unrestricted	4 884	4 884	7 542	11 162
	9 947	**9 947**	**9 337**	**16 710**

The restricted reserve with the Central Bank of Mauritius is not available to finance the bank's day-to-day operations.

16. Due from banks

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Holding bank	334 740	334 740	125 634	182 430
Other banks	347 420	347 420	256 603	284 161
	682 160	**682 160**	**382 237**	**466 591**

REMAINING TERM TO MATURITY

US$'000	Demand	Up to one month	One month to three months	Total
Group				
2016				
Holding bank	31 824	270 131	32 785	334 740
Other banks	257 334	90 086	–	347 420
	289 158	**360 217**	**32 785**	**682 160**
Bank				
2016				
Holding bank	31 824	270 131	32 785	334 740
Other banks	257 334	90 086	–	347 420
	289 158	**360 217**	**32 785**	**682 160**
Group and Bank				
2015				
Holding bank	13 432	112 202	–	125 634
Other banks	211 513	18 253	26 837	256 603
	224 945	**130 455**	**26 837**	**382 237**
Group and Bank				
2014				
Holding bank	12 426	130 001	40 003	182 430
Other banks	155 913	98 239	30 009	284 161
	168 339	**228 240**	**70 012**	**466 591**

17. Repurchase and reverse repurchase agreements

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Assets				
Reverse repurchase agreements	–	–	13 987	–
	–	**–**	**13 987**	**–**
Liabilities				
Repurchase agreements	108 260	108 260	110 025	121 403
	108 260	**108 260**	**110 025**	**121 403**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at US$122 million (2015: US$123 million and 2014: US$124 million). They are pledged as security for the term of the underlying repurchase agreement.

The bank has a programme to sell securities under agreements to repurchase (repo's).

The securities sold under agreements to repurchase are transferred to a third party and the bank receives cash in exchange. These transactions are conducted under terms based on the applicable ISDA Collateral Guidelines. If the securities increase or decrease in value the bank may, in certain circumstances, require, or be required, to pay additional cash collateral. The bank has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

18. Sovereign debt securities

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	 2014
Treasury bills	–	–	1 642	–
	–	**–**	**1 642**	**–**
The country risk of the sovereign debt securities lies in				
– Mauritius	–	–	1 642	–
	–	**–**	**1 642**	**–**

19. Bank debt securities

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	 2014
Bonds	112 357	112 357	111 576	123 978
	112 357	**112 357**	**111 576**	**123 978**
The country risk of bank debt securities lies in the following geographies:				
United Kingdom	52 917	52 917	53 755	52 917
United States of America	59 440	59 440	57 821	71 061
	112 357	**112 357**	**111 576**	**123 978**

20. Other debt securities

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	 2014
Bonds	87 140	87 140	71 797	78 658
Other investments	8 559	8 559	11 100	24 347
	95 699	**95 699**	**82 897**	**103 005**
The country risk of other debt securities lies in the following geographies:				
United Kingdom	24 462	24 462	3 056	3 433
Europe (excluding UK)	62 679	62 679	68 741	75 225
Australia	8 558	8 558	11 100	24 347
	95 699	**95 699**	**82 897**	**103 005**

21. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

Group and Bank	2016			2015			2014		
At 31 March US$'000	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
Group									
Foreign exchange derivatives									
Forward foreign exchange contracts	245 824	24	(4 088)	280 185	1 329	(24)	325 114	36	(6 039)
Currency swaps	145 931	9 572	(595)	144 530	10 468	–	65 997	159	(4 436)
	391 755	**9 596**	**(4 683)**	**424 715**	**11 797**	**(24)**	**391 111**	**195**	**(10 475)**
Interest rate derivatives									
Interest rate swaps	83 505	245	(1 927)	143 747	153	(1 014)	145 494	2 486	(775)
Equity derivatives									
Stay in option	–	15 448	–	–	17 160	–	–	32 482	–
Derivatives per balance sheet	**475 260**	**25 289**	**(6 610)**	**568 462**	**29 110**	**(1 038)**	**536 605**	**35 163**	**(11 250)**

Most of the bank's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. The group and the bank may also take positions with the expectation of profiting from favourable movements in prices, rates and indices.

FORWARDS

Forwards contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. The group and the bank have credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and are therefore considered to bear a high liquidity risk. Such contracts also result in market risk exposure.

SWAPS

Swaps are contractual agreements between two parties to exchange streams of payment over time based on specified notional amounts in relation to movements in interest rate, foreign currency rate or equity index.

EQUITY DERIVATIVE – STAY IN OPTION

The equity derivative relates to the group's and the bank's right in listed share and is measured at fair value through profit and loss using quoted market price as observable input.

22. Investment portfolio

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Listed equities	33	33	33	213
Unlisted equities	17 012	17 012	20 553	16 555
	17 045	**17 045**	**20 586**	**16 768**

23. Loans and advances to customers

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Loans and advances to customers				
Gross loans and advances to customers	897 788	897 788	932 566	899 069
Impairments of loans and advances to customers	(6 690)	(6 690)	(6 653)	(8 367)
Net loans and advances to customers	**891 098**	**891 098**	**925 913**	**890 702**

For further analysis on loans and advances refer to pages 26 to 33 in the risk management section.

23. Loans and advances to customers *(continued)*

SPECIFIC AND PORTFOLIO IMPAIRMENTS

Reconciliation of movements in specific and portfolio impairments

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Specific impairment				
Balance at the beginning of the year	–	–	78	551
Reversals and recoveries recognised in the income statement	–	–	–	(68)
Written off out of allowance	–	–	(78)	(348)
Exchange adjustment	–	–	–	(57)
Balance at the end of the year	**–**	**–**	**–**	**78**
Portfolio impairment				
Balance at the beginning of the year	6 653	6 653	8 289	7 150
Charge to the income statement	37	37	–	1 139
Reversals and recoveries recognised in the income statement	–	–	(1 636)	–
Balance at the end of the year	**6 690**	**6 690**	**6 653**	**8 289**
Total specific impairments	–	–	–	78
Total portfolio impairments	6 690	6 690	6 653	8 289
Total impairments	**6 690**	**6 690**	**6 653**	**8 367**
Interest income recognised on loans that have been impaired	**–**	**–**	**–**	**429**
Reconciliation of income statement charge:				
Loans and advances to customers	**1 003**	**1 003**	**2 359**	**(3 654)**
Specific impairment charged to income statement	–	–	–	68
Portfolio impairment (charged)/reversed to income statement	(37)	(37)	1 636	(1 139)
Loss on disposal of loans and advances	–	–	(1 299)	(2 583)
Loans and advances recovered	1 040	1 040	2 022	–
Total income statement reversal/(charge)	**1 003**	**1 003**	**2 359**	**(3 654)**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance:	**–**	**–**	**–**	**78**

24. Interests in associated undertakings

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	2014
Interests in associated undertakings consist of:				
Net asset value	3 720	3 720	4 915	4 915
Investment in associated undertakings	**3 720**	**3 720**	**4 915**	**4 915**
Associated undertakings comprise unlisted investments.				
Analysis of the movement in our share of net assets:				
At the beginning of the year	4 915	4 915	4 915	4 915
Foreign currency adjustments through OCI	(411)	(411)	–	–
Share of result in associate	(784)	(784)	–	–
At the end of the year	**3 720**	**3 720**	**4 915**	**4 915**

The group and the bank own 34.54% interest in Dolphin Coast Marina Estate Ltd (DCME), a company incorporated in Mauritius and operating an Integrated Resort Scheme (IRS). The group's and the bank's interest in DCME is accounted for using the equity accounting method.

The following table illustrates the summarised financial information of the group's and the bank's investment in the above associate.

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	2014
Share of associate's balance sheet:				
Assets	23 477	23 477	24 076	29 482
Liabilities	(12 707)	(12 707)	(9 846)	(15 252)
Net assets	**10 770**	**10 770**	**14 230**	**14 230**
Share of net assets	**3 720**	**3 720**	**4 915**	**4 915**
Share of associate's revenue and loss:				
Revenue	**1 936**	**1 936**	**934**	**1 837**
Loss	**(784)**	**(784)**	**–**	**–**

25. Deferred taxation assets

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Deferred taxation assets	278	278	310	293
Deferred taxation liabilities	(162)	(162)	–	–
Net deferred taxation assets/(liabilities)	**116**	**116**	**310**	**293**
The net deferred taxation assets arise from:				
Impairment of loans and advances to customers	278	278	343	273
Capital allowances	(1)	(1)	–	–
Income and expenditure accruals	(161)	(161)	–	–
Other temporary differences	–	–	(33)	20
Net deferred taxation assets	**116**	**116**	**310**	**293**
Reconciliation of net deferred taxation assets/(liabilities):				
At the beginning of the year	310	310	293	262
Charge to income statement – current year taxation	(194)	(194)	17	31
At the end of the year	**116**	**116**	**310**	**293**

Deferred taxation assets are recognised to the extent it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred taxation assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential losses is uncertain.

26. Other assets

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Settlement debtors	13	13	81	1 776
Pre-payments	205	205	72	10
Other receivables	2 258	2 258	3 131	3 350
	2 476	**2 476**	**3 284**	**5 136**

Other receivables consist mainly of exit fees on loans and advances to customers which are deferred over the term of the loan.

27. Equipment

At 31 March US$'000	Computer equipment	Furniture and fittings	Office equipment	Motor vehicles	Total
Group and Bank					
2016					
Cost					
At the beginning of the year	190	463	351	96	1 100
Additions	38	–	12	–	50
Disposals	–	–	–	(20)	(20)
Adjustments	(37)	–	–	–	(37)
At the end of the year	**191**	**463**	**363**	**76**	**1 093**
Accumulated depreciation					
At the beginning of the year	130	231	247	83	691
Disposals	–	–	–	(20)	(20)
Depreciation charge for the year	41	43	31	6	121
Adjustments	(30)	–	(6)	–	(36)
At the end of the year	**141**	**274**	**272**	**69**	**756**
Net carrying value	**50**	**189**	**91**	**7**	**337**
2015					
Cost					
At the beginning of the year	188	380	333	87	988
Additions	20	76	107	–	203
Adjustments and reclassifications	(18)	7	(89)	9	(91)
At the end of the year	**190**	**463**	**351**	**96**	**1 100**
Accumulated depreciation					
At the beginning of the year	134	188	263	65	650
Depreciation charge for the year	31	40	47	7	125
Adjustments	(35)	3	(63)	11	(84)
At the end of the year	**130**	**231**	**247**	**83**	**691**
Net carrying value	**60**	**232**	**104**	**13**	**409**
2014					
Cost					
At the beginning of the year	167	374	313	87	941
Additions	53	6	20	–	79
Adjustments	(32)	–	–	–	(32)
At the end of the year	**188**	**380**	**333**	**87**	**988**
Accumulated depreciation					
At the beginning of the year	140	151	204	59	554
Depreciation charge for the year	26	37	59	6	128
Adjustments	(32)	–	–	–	(32)
At the end of the year	**134**	**188**	**263**	**65**	**650**
Net carrying value	**54**	**192**	**70**	**22**	**338**

28. Amounts due from/to group companies

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Assets				
Amount due from group companies				
Amount due from fellow subsidiaries	3 536	3 958	3 693	3 877
	3 536	**3 958**	**3 693**	**3 877**
Liabilities				
Amount due to group companies				
Amount due to holding bank – Investec Bank Limited	387	387	43 182	42 632
Amount due to fellow subsidiaries	9 307	9 307	9 459	10 115
	9 684	**9 684**	**52 641**	**52 747**

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. Outstanding balances at year-end are unsecured. For the year ended 31 March 2016, the bank has not made any impairment loss relating to amounts owed by related parties (2015 and 2014: Nil).

29. Investment in subsidiary

				Shares at book value			Net indebtedness		
At 31 March	Nature of business	Issued ordinary capital	Holding (%)	2016 US$'000	2015 US$'000	2014 US$'000	2016 US$'000	2015 US$'000	2014 US$'000
Investec Wealth and Investment (Mauritius) Limited	Investment manager	600 000	100	17	–	–	422	–	–

30. Customer accounts (deposits)

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	Group and Bank 2014
Private clients				
– Current accounts	75 545	75 545	35 426	29 273
– Term deposits	42 365	42 365	62 980	60 282
Corporates				
– Current accounts	827 842	827 842	594 759	585 188
– Term deposits	132 155	132 155	84 041	157 461
	1 077 907	**1 077 907**	**777 206**	**832 204**

31. Debt securities in issue

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	2014
Redeemable cumulative non-participating preference shares of nominal value US$191 525 000 and EUR 52 700 000 at no par value (2015 and 2014: US$191 525 000 and EUR 52 700 000)	**253 547**	**253 547**	**249 512**	**266 299**

The 10-year redeemable preference shares bear interest as follows and are listed on the Johannesburg Stock Exchange.

31 March 2016 and 2015	
CLASS IMRP1	Fixed rate 3.962% up to 4 September 2019 thereafter three-month EURIBOR+1.35%
CLASS IMRP2	Fixed rate 3.99% up to 23 October 2019 thereafter three-month EURIBOR+1.35%
CLASS IMRP3	Three-month EURIBOR+1.63% up to 28 November 2021
CLASS IMRP4	Fixed rate 3.075% up to 1 April 2018 thereafter three-month US$ LIBOR+1.35%
CLASS IMRP5	Fixed rate 1.912% up to 28 July 2017 thereafter three-month US$ LIBOR+1%
CLASS IMRP6	Three-month US$ LIBOR+1.35% up to 31 August 2021
CLASS IMRP7	Fixed rate 3.394% up to 22 May 2019 thereafter three-month US$ LIBOR+1.35%
31 March 2014	
Class A1	Three-month US$ LIBOR+1.35%
Class A2	Fixed rate 3.394% up to 25 November 2019 thereafter three-month US$ LIBOR+1.35%
Class A3	Fixed rate 3.075% up to 31 March 2018 thereafter three-month US$ LIBOR+1.35%
Class B1	Fixed rate 3.99% up to 29 October 2019 thereafter three-month EURIBOR+1.35%
Class B2	Fixed rate 3.962% up to 30 September 2019 thereafter three-month EURIBOR+1.35%
Class B3	Three-month EURIBOR+1.63%
Class CU1	Fixed rate 1.912% up to 28 July 2017 thereafter three-month US$ LIBOR+1%

32. Other liabilities

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	2014
Settlement liabilities	23 013	23 013	8 500	26 000
Other creditors and accruals	3 044	3 044	4 078	4 593
Other non-interest-bearing liabilities	1 498	1 498	769	1 467
	27 555	**27 555**	**13 347**	**32 060**

33. Ordinary share capital

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	2014
Authorised				
Issued				
56 478 463 (2015 and 2014: 56 478 463) ordinary shares	56 478	56 478	56 478	56 478

AVAILABLE-FOR-SALE RESERVE

This reserve comprised of fair value movements recognised on available-for-sale financial assets.

FOREIGN CURRENCY TRANSLATION RESERVE

The reserve comprised of foreign exchange differences arising from the translation of financial statements of associated undertakings.

33. Ordinary share capital *(continued)*

GENERAL BANKING RESERVE

This reserve comprises amounts set aside for general banking risks, including future losses and other unforeseeable risks. It also includes the country risk provision computed in accordance with the BOM guideline on country risk management.

STATUTORY RESERVE

This reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the profit for the year is transferred each year until the balance is equal to the amount paid as stated capital.

HOLDING COMPANY

The immediate holding company is Investec Bank Limited, and ultimate holding is Investec Limited, both incorporated in the Republic of South Africa.

34. Notes to the cash flow statements

	Group	Bank	Group and Bank	
At 31 March US$'000	**2016**	**2016**	**2015**	**2014**
Profit before taxation adjusted for non-cash items is derived as follows:				
Profit before taxation	40 544	40 983	57 087	46 100
Adjustment for non-cash items included in net income before taxation:				
Foreign exchange loss/(gain) on cash and cash equivalent	(3 121)	(3 121)	23 293	(7 388)
(Profit)/loss on disposal of equipment	(2)	(2)	6	–
Depreciation of equipment	121	121	125	128
Impairment (reversal)/loss on loans and advances	37	37	(2 359)	3 654
Interest and foreign exchange loss/(gain) on debt securities	4 036	4 036	(16 788)	5 238
Foreign exchange loss/(gain) on investment securities	1 967	1 967	4 383	19 076
Interest and foreign exchange (gain)/loss on securities sold under repurchase agreement	(1 765)	(1 765)	(11 378)	2 025
Dividend income	(91)	(91)	–	–
Loss on disposal of investment	–	–	–	19
Profit on disposal of investment in subsidiary	(360)	(360)	–	–
Share of loss in associate	784	784	–	–
Loss/(gain) on investment securities and derivatives	5 620	5 620	(1 998)	(3 174)
Profit before taxation adjusted for non-cash items	**47 770**	**48 209**	**52 371**	**65 678**
Decrease/(increase) in operating assets				
Loans and advances to banks	–	–	–	50 010
Balance with central bank – restricted	(3 265)	(3 265)	3 750	(1 517)
Reverse repurchase agreement	13 987	13 987	(13 984)	–
Derivative financial instruments	(1 799)	(1799)	4 130	(405)
Loans and advances to customers	34 778	34 778	(32 852)	(122 111)
Other assets	808	808	1 852	(4)
Amount due from group companies	155	(267)	184	(755)
	44 664	**44 242**	**(36 920)**	**(74 782)**
Increase/(decrease) in operating liabilities				
Deposits by banks	–	–	–	(3 527)
Derivative financial instruments	5 572	5 572	(10 212)	8 016
Customer accounts (deposits)	300 700	300 700	(54 997)	165 350
Amount due to group companies	(42 956)	(42 956)	(106)	3 414
Other liabilities	14 208	14 208	(18 712)	24 974
	277 524	**277 524**	**(84 027)**	**198 227**

35. Commitments

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	 2014
Undrawn facilities	108 057	108 057	114 315	65 923
	108 057	**108 057**	**114 315**	**65 923**

The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.

UNDRAWN COMMITMENTS TO LEND

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

OPERATING LEASE COMMITMENTS

The Bank has entered into operating leases for office buildings with lease terms between three and five years.

Future minimum lease payments under non-cancellable operating leases:

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	 2014
Less than one year	405	405	390	357
One to five years	1 517	1 517	1 922	1 917
Later than five years	–	–	–	–
	1 922	**1 922**	**2 312**	**2 274**

36. Contingent liabilities

At 31 March US$'000	Group 2016	Bank 2016	Group and Bank 2015	 2014
Guarantees and assets pledged as collateral security:				
– Guarantees and irrevocable letters of credit	17 138	17 138	16 447	28 880
	17 138	**17 138**	**16 447**	**28 880**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

GUARANTEES

Guarantees commit the bank to make payments on behalf of customers on the occurrence or non-occurrence of a specific, uncertain future event.

LEGAL CLAIMS

Litigation is a common occurrence in the banking industry due to the nature of the business. The group and the bank have an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the year-end, there were no legal claims against the group and the bank.

37. Related party disclosures

For the year to 31 March US$'000	2016	2015	2014
Compensation of key management personnel of the bank			
Short-term employee benefits	1 955	1 813	1 766
Other benefits	699	625	580
Transactions with key management personnel of the bank			
Loans and advances to key management personnel	1 667	345	25
Deposits from key management personnel	2 278	2 372	2 136

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

For the year to 31 March US$'000	Holding bank	Asso-ciates	Fellow sub-sidiaries	Significant influence	Pension Fund	Corporate Social Responsibility Fund	Total
Group							
2016							
Income statement							
Interest income	1 339	189	676	4 495	–	–	6 699
Interest expense	(6 664)	–	(5)	–	–	–	(6 669)
Fees expense	(378)	–	(909)	–	–	–	(1 287)
Contribution	–	–	–	–	(215)	(2)	(217)
Balance sheet							
Assets							
Due from banks	334 740	–	–	–	–	–	334 740
Derivative assets	9 574	–	243	–	–	–	9 817
Investment portfolio	–	–	–	17 012	–	–	17 012
Interest in associated undertakings	–	3 720	–	–	–	–	3 720
Amount due from group companies	–	–	3 536	–	–	–	3 536
Loans and advances	–	7 394	–	46 904	–	–	54 298
Liabilities							
Derivative liabilities	(5 976)	–	(611)	–	–	–	(6 587)
Amount due from group companies	–	–	(9 684)	–	–	–	(9 684)
Deposits	–	(1 692)	–	(4 635)	–	–	(6 327)
Debt securities in issue	(253 547)	–	–	–	–	–	(253 547)
Off balance sheet							
Guarantees received from	(59 705)	–	–	–	–	–	(59 705)

37. Related party disclosures *(continued)*

For the year to 31 March US$'000	Holding bank	Subsidiary	Associates	Fellow subsidiaries	Significant influence	Pension Fund	Corporate Social Responsibility Fund	Total
Bank								
2016								
Income statement								
Interest income	1 339	3	189	676	4 495	–	–	6 701
Interest expense	(6 664)	–	–	(5)	–	–	–	(6 671)
Fees expense	(378)	–	–	(909)	–	–	–	(1 288)
Contribution	–	–	–	–	–	(215)	(2)	(218)
Balance sheet								
Assets								
Due from banks	334 740	–	–	–	–	–	–	334 740
Derivative assets	9 574	–	–	243	–	–	–	9 817
Investment portfolio	–	–	–	–	17 012	–	–	17 012
Interest in associated undertakings	–	–	3 720	–		–	–	3 720
Investment in subsidiary	–	17	–	–	–	–	–	17
Amount due from group companies	–	–	–	3 958	–	–	–	3 958
Loans and advances	–	–	7 394	–	46 904	–	–	54 298
Liabilities								
Derivative liabilities	(5 976)	–	–	(611)	–	–	–	(6 587)
Amount due from group companies	–	–	–	(9 684)	–	–	–	(9 684)
Deposits	–	–	(1 692)	–	(4 635)	–	–	(6 327)
Debt securities in issue	(253 547)	–	–	–	–	–	–	(253 547)
Off balance sheet								
Guarantees received from	(59 705)	–	–	–	–	–	–	(59 705)

37. Related party disclosures *(continued)*

For the year to 31 March US$'000	Holding bank	Associates	Fellow subsidiaries	Significant influence	Pension Fund	Corporate Social Responsibility Fund	Total
Group and Bank							
2015							
Income statement							
Interest income	875	37	124	6 846	–	–	7 882
Interest expense	(7 874)	–	(7)	–	–	–	(7 881)
Fees expense	(425)	–	(2 538)	–	–	–	(2 963)
Contribution	–	–	–	–	(117)	–	(117)
Balance sheet							
Assets							
Due from bank	125 634	–	–	–	–	–	125 634
Derivative assets	11 856	–	15	–	–	–	11 871
Other debt securities	–	–	–	2 979	–	–	2 979
Investment portfolio	–	–	–	20 553	–	–	20 553
Investment in associate	–	4 915	–	–	–	–	4 915
Amount due from group companies	–	–	3 693	–	–	–	3 693
Loans and advances	–	7 259	–	44 602	–	–	51 861
Liabilities							
Derivative liabilities	(1 010)	–	(28)	–	–	–	(1 038)
Amount due from group companies	(43 182)	–	(9 459)	–	–	–	(52 641)
Deposits	–	(856)	–	(490)	–	(2)	(1 348)
Debt securities in issue	(249 512)	–	–	–	–	–	(249 512)
Off balance sheet							
Guarantees received from	(89 366)	–	–	–	–	–	(89 366)

37. Related party disclosures *(continued)*

For the year to 31 March US$'000	Holding bank	Asso-ciates	Fellow sub-sidiaries	Significant influence	Pension Fund	Corporate Social Responsibility Fund	Total
Group and Bank							
2014							
Income statement							
Interest income	1 129	–	134	5 008	–	–	6 271
Interest expense	(6 853)	–	(1 241)	(58)	–	–	(8 152)
Fees expense	(289)	–	(318)	–	–	–	(607)
Contribution	–	–	–	–	(98)	(93)	(191)
Balance sheet							
Assets							
Due from bank	182 430	–	–	–	–	–	182 430
Derivative assets	1 971	–	–	–	–	–	1 971
Other debt securities	–	–	–	5 620	–	–	5 620
Investment portfolio	–	–	–	24 441	–	–	24 441
Investment in associate	–	4 915	–	–	–	–	4 915
Amount due from group companies	–	–	3 877	–	–	–	3 877
Loans and advances	–	–	–	72 169	–	–	72 169
Liabilities							
Derivative liabilities	(11 170)	–	(80)	–	–	–	(11 250)
Amount due from group companies	(42 632)	–	(10 115)	–	–	–	(52 747)
Deposits	–	–	–	(4 432)	–	(15)	(4 447)
Debt securities in issue	(266 299)	–	–	–	–	–	(266 299)
Off balance sheet							
Guarantees received from	(75 637)	–	–	–	–	–	(75 637)

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. Outstanding balances at year-end are unsecured except for loans and advances where security is given. For the year ended 31 March 2016, the bank has not made any impairment loss relating to amounts owed by related parties (2015 and 2014: Nil).

38. Liquidity analysis of financial liabilities based on undiscounted cash flows

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

At 31 March US$'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2016								
Liabilities								
Derivative financial instruments	–	4 080	–	–	–	1 330	1 200	6 610
Repurchase agreements and cash collateral on securities lent	–	4	186	249	497	109 350	–	110 286
Customer accounts (deposits)	903 388	28 379	81 635	9 820	32 550	23 512	–	1 079 284
Debt securities in issue	–	288	1 373	1 839	3 398	27 038	256 082	290 018
Amount due to holding and group companies	9 684	–	–	–	–	–	–	9 684
Other liabilities	25 200	15	2 085	51	56	148	–	27 555
Total on balance sheet liabilities	**938 272**	**32 766**	**85 279**	**11 959**	**36 501**	**161 378**	**257 282**	**1 523 437**

38. Liquidity analysis of financial liabilities based on undiscounted cash flows

(continued)

At 31 March US$'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Bank								
2016								
Liabilities								
Derivative financial instruments	–	4 080	–	–	–	1 330	1 200	6 610
Repurchase agreements and cash collateral on securities lent	–	4	186	249	497	109 350	–	110 286
Customer accounts (deposits)	903 388	28 379	81 635	9 820	32 550	23 512	–	1 079 284
Debt securities in issue	–	288	1 373	1 839	3 398	27 038	256 082	290 018
Amount due to group companies	9 684	–	–	–	–	–	–	9 684
Other liabilities	25 200	15	2 085	51	56	148	–	27 555
Total on balance sheet liabilities	**938 272**	**32 766**	**85 279**	**11 959**	**36 501**	**161 378**	**257 282**	**1 523 437**
Group and Bank								
2015								
Liabilities								
Derivative financial instruments	–	24	114	–	6	877	17	1 038
Repurchase agreements and cash collateral on securities lent	–	69	138	207	413	112 471	–	113 298
Customer accounts (deposits)	630 185	47 574	38 340	23 289	4 800	34 713	–	778 901
Debt securities in issue	–	178	1 225	1 571	3 183	25 431	258 586	290 174
Amount due to group companies	9 986	1 241	–	35 185	6 359	–	–	52 771
Other liabilities	10 328	59	2 371	177	239	176	–	13 350
Total on balance sheet liabilities	**650 499**	**49 145**	**42 188**	**60 429**	**15 000**	**173 668**	**258 603**	**1 249 532**
Group and Bank								
2014								
Liabilities								
Derivative financial instruments	–	6 044	–	–	–	5 138	68	11 250
Repurchase agreements and cash collateral on securities lent	–	86	173	259	518	31 471	94 078	126 585
Customer accounts (deposits)	614 461	62 047	27 114	34 971	86 601	9 171	–	834 365
Debt securities in issue	1 869	541	1 100	1 658	3 281	25 544	274 639	308 632
Amount due to group companies	10 470	950	–	–	6 280	35 550	–	53 250
Other liabilities	27 623	60	3 155	181	362	679	–	32 060
Total on balance sheet liabilities	**654 423**	**69 728**	**31 542**	**37 069**	**97 042**	**107 553**	**368 785**	**1 366 142**

39. Statutory segmental reporting

As at 31 March US$'000	Notes	Segment A 2016	2015	2014
Group				
Balance sheet				
Cash and balances with central bank		9 947	9 337	16 710
Due from banks		20 157	45 583	30 236
Reverse repurchase agreement and cash collateral on securities borrowed		–	–	–
Sovereign debt securities	I	–	1 642	–
Bank debt securities	II	–	–	–
Other debt securities	III	–	–	–
Derivative financial instruments		–	–	–
Investment portfolio	IV	–	–	–
Loans and advances to customers	VI	32 953	34 551	30 266
Investment in associated undertakings		3 720	4 915	4 915
Deferred taxation assets		116	310	293
Other assets	VII	379	161	107
Equipment		337	409	338
Amount due from group companies	V	–	–	–
Investment in subsidiary		–	–	–
		67 609	**96 908**	**82 865**
Liabilities and equity				
Deposits by banks		–	–	–
Derivative financial instruments		–	–	–
Reverse repurchase agreement and cash collateral on securities lent		–	–	–
Customer accounts (deposits)	VII	79 920	31 953	120 801
Debt securities in issue		–	–	–
Amount due to group companies	V	17	–	–
Current taxation liabilities		334	1 582	1 107
Other liabilities	VIII	2 851	2 335	3 243
		83 122	**35 870**	**125 151**
Equity				
Ordinary share capital				
Other reserves				
Retained income				
Total equity				
Total liabilities and equity				

	Segment B			Total		
	2016	2015	2014	2016	2015	2014
	–	–	–	9 947	9 337	16 710
	662 003	336 654	436 355	682 160	382 237	466 591
	–	13 987	–	–	13 987	–
	–	–	–	–	1 642	–
	112 357	111 576	123 978	112 357	111 576	123 978
	95 699	82 897	103 005	95 699	82 897	103 005
	25 289	29 110	35 163	25 289	29 110	35 163
	17 045	20 586	16 768	17 045	20 586	16 768
	858 145	891 362	860 436	891 098	925 913	890 702
	–	–	–	3 720	4 915	4 915
	–	–	–	116	310	293
	2 097	3 123	5 029	2 476	3 284	5 136
	–	–	–	337	409	338
	3 536	3 693	3 877	3 536	3 693	3 877
	–	–	–	–	–	–
	1 776 171	**1 492 988**	**1 584 611**	**1 843 780**	**1 589 896**	**1 667 476**
	–	–	–	–	–	–
	6 610	1 038	11 250	6 610	1 038	11 250
	108 260	110 025	121 403	108 260	110 025	121 403
	997 987	745 253	711 403	1 077 907	777 206	832 204
	253 547	249 512	266 299	253 547	249 512	266 299
	9 667	52 641	52 747	9 684	52 641	52 747
	–	–	–	334	1 582	1 107
	24 704	11 012	28 817	27 555	13 347	32 060
	1 400 775	**1 169 481**	**1 191 919**	**1 483 897**	**1 205 351**	**1 317 070**
				56 478	56 478	56 478
				59 987	61 400	52 291
				243 418	266 667	241 637
				359 883	**384 545**	**350 406**
				1 843 780	**1 589 896**	**1 667 476**

39. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Segment A 2016	2015	2014
Income statement			
Group			
Interest income	1 486	1 529	1 873
Interest expense	(382)	(1 527)	(1 984)
Net interest income/(expense)	**1 104**	**2**	**(111)**
Fee and commission income	456	1 121	551
Fee and commission expense	–	–	–
Net fee and commission income	**456**	**1 121**	**551**
Investment income/(loss)	360	(17)	1 298
Net trading loss	–	–	–
Total operating income before impairment losses on loans and advances	**1 920**	**1 106**	**1 738**
Impairment (loss)/reversal on loans and advances	(139)	26	(19)
Operating income	**1 781**	**1 132**	**1 719**
Operating costs	(810)	(188)	(314)
Operating profit	**971**	**944**	**1 405**
Share of result in associate	(784)	–	–
Profit before taxation	**187**	**944**	**1 405**
Taxation	(94)	(531)	(19)
Profit after taxation	**93**	**413**	**1 386**

For the year to 31 March US$'000	Segment A 2016	2015	2014
Cash flow statement			
Group			
Profit/(loss) before taxation adjusted for non-cash items	871	(1 054)	1 520
Dividend received	–	–	–
Taxation paid	(3 618)	(2 170)	(140)
Decrease/(increase) in operating assets	(1 902)	(4 338)	273
Increase/(decrease) in operating liabilities	48 500	(89 756)	59 466
Net cash inflow/(outflow) from operating activities	**43 851**	**(97 318)**	**61 119**
Purchase of investment securities	(714)	(1 867)	–
Proceeds from disposal of investment securities	2 356	–	938
Cash flow on acquisition of equipment	(50)	(203)	(79)
Cash flow on disposal of equipment	2	–	–
Cash flow on disposal of subsidiary	360	–	658
Cash flow on acquisition of subsidiary	–	–	–
Net cash (outflow)/inflow from investing activities	**1 954**	**(2 070)**	**1 517**
Dividends paid to ordinary shareholders	–	–	–
Redemption of preference shares	–	–	–
Issue of preference shares	–	–	–
Net cash (outflow)/inflow from financing activities	**–**	**–**	**–**
Effects of exchange rates on cash and cash equivalents	**(6 566)**	**3**	**13**
Net increase/(decrease) in cash and cash equivalents	39 239	(99 385)	62 649
Cash and cash equivalents at the beginning of the year	(14 194)	85 191	22 542
Cash and cash equivalents at the end of the year	**25 045**	**(14 194)**	**85 191**

Segment B			Total		
2016	2015	2014	2016	2015	2014
59 210	67 839	62 501	60 696	69 368	64 374
(10 999)	(11 413)	(13 007)	(11 381)	(12 940)	(14 991)
48 211	**56 426**	**49 494**	**49 315**	**56 428**	**49 383**
7 314	9 710	6 118	7 770	10 831	6 669
(1 677)	(3 036)	(1 222)	(1 677)	(3 036)	(1 222)
5 637	**6 674**	**4 896**	**6 093**	**7 795**	**5 447**
1 698	12 490	9 600	2 058	12 473	10 898
(5 619)	(10 556)	(5 641)	(5 619)	(10 556)	(5 641)
49 927	**65 034**	**58 349**	**51 847**	**66 140**	**60 087**
1 142	2 333	(3 635)	1 003	2 359	(3 654)
51 069	**67 367**	**54 714**	**52 850**	**68 499**	**56 433**
(10 712)	(11 224)	(10 019)	(11 522)	(11 412)	(10 333)
40 357	**56 143**	**44 695**	**41 328**	**57 087**	**46 100**
–	–	–	(784)	–	–
40 357	**56 143**	**44 695**	**40 544**	**57 087**	**46 100**
(2 471)	(2 099)	(180)	(2 565)	(2 630)	(199)
37 886	**54 044**	**44 515**	**37 979**	**54 457**	**45 901**

Segment B			Total		
2016	2015	2014	2016	2015	2014
46 899	53 425	64 158	47 770	52 371	65 678
91	–	–	91	–	–
–	–	–	(3 618)	(2 170)	(140)
46 566	(32 582)	(75 055)	44 664	(36 920)	(74 782)
229 024	5 729	138 761	277 524	(84 027)	198 227
322 580	**26 572**	**127 864**	**366 431**	**(70 746)**	**188 983**
(21 841)	–	(74 270)	(22 555)	(1 867)	(74 270)
7 603	27 969	–	9 959	27 969	938
–	–	–	(50)	(203)	(79)
–	–	–	2	–	–
–	–	–	360	–	658
–	–	–	–	–	–
(14 238)	**27 969**	**(74 270)**	**(12 284)**	**25 899**	**(72 753)**
(60 000)	(19 836)	–	(60 000)	(19 836)	–
–	(256 841)	–	–	(256 841)	–
–	256 841	44 000	–	256 841	44 000
(60 000)	**(19 836)**	**44 000**	**(60 000)**	**(19 836)**	**44 000**
9 687	**(23 297)**	**7 375**	**3 121**	**(23 294)**	**7 388**
258 028	11 408	(58 836)	297 268	(87 977)	3 813
403 975	392 567	451 403	389 781	477 758	473 945
663 003	**403 975**	**392 567**	**687 049**	**389 781**	**477 758**

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39. Statutory segmental reporting *(continued)*

At 31 March US$'000	Notes	Segment A 2016	2015	2014
Bank				
Balance sheet				
Cash and balances with central bank		9 947	9 337	16 710
Due from banks		20 157	45 583	30 236
Reverse repurchase agreement and cash collateral on securities borrowed		–	–	–
Sovereign debt securities	I	–	1 642	–
Bank debt securities	II	–	–	–
Other debt securities	III	–	–	–
Derivative financial instruments		–	–	–
Investment portfolio	IV	–	–	–
Loans and advances to customers	VI	32 953	34 551	30 266
Investment in associated undertakings		3 720	4 915	4 915
Deferred taxation assets		116	310	293
Other assets	VII	379	161	107
Equipment		337	409	338
Amount due from group companies	V	437	–	–
Investment in subsidiary		17	–	–
		68 063	**96 908**	**82 865**
Liabilities and equity				
Deposits by banks		–	–	–
Derivative financial instruments		–	–	–
Reverse repurchase agreement and cash collateral on securities lent		–	–	–
Customer accounts (deposits)	VII	79 920	31 953	120 801
Debt securities in issue		–	–	–
Amount due to group companies	V	17	–	–
Current taxation liabilities		334	1 582	1 107
Other liabilities	VIII	2 851	2 335	3 243
		83 122	**35 870**	**125 151**
Equity				
Ordinary share capital				
Other reserves				
Retained income				
Total equity				
Total liabilities and equity				

Segment B			Total		
2016	2015	2014	2016	2015	2014
–	–	–	9 947	9 337	16 710
662 003	336 654	436 355	682 160	382 237	466 591
–	13 987	–	–	13 987	–
–	–	–	–	1 642	–
112 357	111 576	123 978	112 357	111 576	123 978
95 699	82 897	103 005	95 699	82 897	103 005
25 289	29 110	35 163	25 289	29 110	35 163
17 045	20 586	16 768	17 045	20 586	16 768
858 145	891 362	860 436	891 098	925 913	890 702
–	–	–	3 720	4 915	4 915
–	–	–	116	310	293
2 097	3 123	5 029	2 476	3 284	5 136
–	–	–	337	409	338
3 521	3 693	3 877	3 958	3 693	3 877
–	–	–	17	–	–
1 776 156	**1 492 988**	**1 584 611**	**1 844 219**	**1 589 896**	**1 667 476**
–	–	–	–	–	–
6 610	1 038	11 250	6 610	1 038	11 250
108 260	110 025	121 403	108 260	110 025	121 403
997 987	745 253	711 403	1 077 907	777 206	832 204
253 547	249 512	266 299	253 547	249 512	266 299
9 667	52 641	52 747	9 684	52 641	52 747
–	–	–	334	1 582	1 107
24 704	11 012	28 817	27 555	13 347	32 060
1 400 775	**1 169 481**	**1 191 919**	**1 483 897**	**1 205 351**	**1 317 070**
			56 478	56 478	56 478
			59 987	61 400	52 291
			243 857	266 667	241 637
			360 322	**384 545**	**350 406**
			1 844 219	**1 589 896**	**1 667 476**

39. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Segment A		
	2016	2015	2014
Bank			
Income statement			
Interest income	1 489	1 529	1 873
Interest expense	(382)	(1 527)	(1 984)
Net interest income/(expense)	**1 107**	**2**	**(111)**
Fee and commission income	456	1 121	551
Fee and commission expense	–	–	–
Net fee and commission income	**456**	**1 121**	**551**
Investment income/(loss)	360	(17)	1 298
Net trading loss	–	–	–
Total operating income before impairment losses on loans and advances	**1 923**	**1 106**	**1 738**
Impairment reversal/(loss) on loans and advances	(139)	26	(19)
Operating income	**1 784**	**1 132**	**1 719**
Operating costs	(374)	(188)	(314)
Operating profit	1 410	944	1 405
Share of result in associate	(784)	–	–
Profit before taxation	**626**	**944**	**1 405**
Taxation	(94)	(531)	(19)
Profit after taxation	**532**	**413**	**1 386**

Segment B			Total		
2016	2015	2014	2016	2015	2014
59 210	67 839	62 501	60 699	69 368	64 374
(10 999)	(11 413)	(13 007)	(11 381)	(12 940)	(14 991)
48 211	**56 426**	**49 494**	**49 318**	**56 428**	**49 383**
7 314	9 710	6 118	7 770	10 831	6 669
(1 677)	(3 036)	(1 222)	(1 677)	(3 036)	(1 222)
5 637	**6 674**	**4 896**	**6 093**	**7 795**	**5 447**
1 698	12 490	9 600	2 058	12 473	10 898
(5 619)	(10 556)	(5 641)	(5 619)	(10 556)	(5 641)
49 927	**65 034**	**58 349**	**51 850**	**66 140**	**60 087**
1 142	2 333	(3 635)	1 003	2 359	(3 654)
51 069	**67 367**	**54 714**	**52 853**	**68 499**	**56 433**
(10 712)	(11 224)	(10 019)	(11 086)	(11 412)	(10 333)
40 357	56 143	44 695	41 767	57 087	46 100
–	–	–	(784)	–	–
40 357	**56 143**	**44 695**	**40 983**	**57 087**	**46 100**
(2 471)	(2 099)	(180)	(2 565)	(2 630)	(199)
37 886	**54 044**	**44 515**	**38 418**	**54 457**	**45 901**

39. Statutory segmental reporting *(continued)*

US$'000	Segment A 2016	2015	2014
Group and Bank			
I. Sovereign debt securities			
Financial assets designated at fair value through profit or loss			
– Government-related debt securities	**–**	**1 642**	**–**
Group and Bank			
II. Bank debt securities			
Financial assets designated at fair value through profit or loss			
– Bonds	**–**	**–**	**–**
Group and Bank			
III. Other debt securities			
Financial assets designated at fair value through profit or loss			
– Bonds	–	–	–
– Other investments	–	–	–
	–	**–**	**–**
Group and Bank			
IV. Investment portfolio			
Financial assets designated at fair value through profit or loss			
– Quoted equities	–	–	–
– Unquoted equities	–	–	–
	–	**–**	**–**
Group			
V. Amount due from/to group companies			
Remaining term to maturity			
(a) Amount due from group companies			
Within three months	–	–	–
	–	**–**	**–**
(b) Amount due to group companies			
Within three months	–	–	–
Over three to six months	–	–	–
Over six to 12 months	–	–	–
Over one to five years	–	–	–
	–	**–**	**–**
Bank			
V. Amount due from/to group companies			
Remaining term to maturity			
(a) Amount due from group companies			
Within three months	437	–	–
	437	**–**	**–**
(b) Amount due to group companies			
Within three months	17	–	–
Over three to six months	–	–	–
Over six to 12 months	–	–	–
Over one to five years	–	–	–
	17	**–**	**–**

Segment B			Total		
2016	2015	2014	2016	2015	2014
–	–	–	–	1 642	–
112 357	111 576	123 978	112 357	111 576	123 978
87 140	71 797	78 658	87 140	71 797	78 658
8 559	11 100	24 347	8 559	11 100	24 347
95 699	82 897	103 005	95 699	82 897	103 005
33	33	213	33	33	213
17 012	20 553	16 555	17 012	20 553	16 555
17 045	20 586	16 768	17 045	20 586	16 768
3 536	3 693	3 877	3 536	3 693	3 877
3 536	3 693	3 877	3 536	3 693	3 877
9 684	11 225	11 420	9 684	11 225	11 420
–	35 091	–	–	35 091	–
–	6 325	6 236	–	6 325	6 236
–	–	35 091	–	–	35 091
9 684	52 641	52 747	9 684	52 641	52 747
3 521	3 693	3 877	3 958	3 693	3 877
3 521	3 693	3 877	3 958	3 693	3 877
9 667	11 225	11 420	9 684	11 225	11 420
–	35 091	–	–	35 091	–
–	6 325	6 236	–	6 325	6 236
–	–	35 091	–	–	35 091
9 667	52 641	52 747	9 684	52 641	52 747

39. Statutory segmental reporting *(continued)*

US$'000	Segment A 2016	2015	2014
Group and Bank			
VI. Loans and advances to customers			
(a) Remaining term to maturity			
Within three months	6 735	5 564	9 105
Over three to six months	130	–	–
Over six to twelve months	–	812	1 119
Over one to five years	23 514	7 518	594
Over five years	2 574	20 657	19 448
	32 953	**34 551**	**30 266**
(b) Credit concentration of risk by industry sectors			
Credit exposures to any one customer exceeding 15% of capital base, classified by industry sectors			
Construction	–	–	–
Financial and business services	–	–	–
Global Business Licence holders (GBL)	–	–	–
Manufacturing	–	–	–
	–	**–**	**–**
(c) Allowance for credit impairment losses			
(i) Portfolio provision			
At 1 April	413	439	449
Provision for/(release of) credit losses for the year	139	(26)	(10)
At 31 March	**552**	**413**	**439**
(ii) Specific provision			
At 1 April	–	–	–
Written off out of allowance	–	–	–
(Release of)/provision for credit losses for the year	–	–	–
Differences due to foreign currency translation	–	–	–
At 31 March	**–**	**–**	**–**
(iii) Total provision			
At 1 April	413	439	449
Written off against balance sheet	–	–	–
(Release of)/provision for credit losses for the year	139	(26)	(10)
Differences due to foreign currency translation	–	–	–
At 31 March	**552**	**413**	**439**

Segment B			Total		
2016	2015	2014	2016	2015	2014
14 532	159 744	79 295	21 267	165 308	88 400
130 129	51 666	16 447	130 259	51 666	16 447
147 672	82 659	105 608	147 672	83 471	106 727
410 007	465 350	502 112	433 521	472 868	502 706
155 805	131 943	156 974	158 379	152 600	176 422
858 145	**891 362**	**860 436**	**891 098**	**925 913**	**890 702**
–	–	–	–	–	–
–	–	–	–	–	–
–		127 784	–	–	127 784
–	–	–	–	–	–
–	**–**	**127 784**	**–**	**–**	**127 784**
6 240	7 850	6 701	6 653	8 289	7 150
(102)	(1 610)	1 149	37	(1 636)	1 139
6 138	**6 240**	**7 850**	**6 690**	**6 653**	**8 289**
–	78	551	–	78	551
–	(78)	(348)	–	(78)	(348)
–	–	(68)	–	–	(68)
–	–	(57)	–	–	(57)
–	**–**	**78**	**–**	**–**	**78**
6 240	7 928	7 252	6 653	8 367	7 701
–	(78)	(348)	–	(78)	(348)
(102)	(1 610)	1 081	37	(1 636)	1 071
–	–	(57)	–	–	(57)
6 138	**6 240**	**7 928**	**6 690**	**6 653**	**8 367**

39. Statutory segmental reporting *(continued)*

US$'000	Gross amount of loans	Non-performing loans	Specific provision	Portfolio provision	Total provision 2016	Total provision 2015	Total provision 2014
Group and Bank							
VI. Loans and advances to customers *(continued)*							
(d) Allowance for credit losses by sector							
Agriculture	1 995	–	–	14	14	14	–
Manufacturing	19 197	–	–	131	131	230	561
Tourism	20 043	–	–	397	397	166	263
Transport	124 717	–	–	853	853	1 062	709
Construction	296 388	–	–	2 293	2 293	2 282	3 060
Information, communication and technology	8 351	–	–	57	57	169	306
Financial and business services	124 136	–	–	849	849	681	603
Traders	–	–	–	–	–	–	184
Personal	30 981	925	–	237	237	210	1
Professional	–	–	–	–	–	–	394
Global Business Licence holders (GBL)	174 256	–	–	1 191	1 191	1 316	1 264
Media, entertainment and recreational activities	194	–	–	1	1	5	16
Infrastructure	57 345	–	–	392	392	380	818
Other entities	40 185	–	–	275	275	138	188
	897 788	**925**	**–**	**6 690**	**6 690**	**6 653**	**8 367**

39. Statutory segmental reporting *(continued)*

	Gross amount of loans	Non-performing loans	Specific provision	Portfolio provision	Total provision 2016	2015	2014
Group and Bank							
VI. Loans and advances to customers *(continued)*							
Analysed by segments:							
Segment A							
Agriculture	–	–	–	–	–	–	–
Tourism	16 334	–	–	260	260	126	256
Transport	–	–	–	–	–	–	–
Construction	15 719	–	–	267	267	265	159
Financial and Business Services	–	–	–	–	–	–	–
Personal	1 452	–	–	25	25	22	1
Professional	–	–	–	–	–	–	23
Other entities	–	–	–	–	–	–	–
	33 505	**–**	**–**	**552**	**552**	**413**	**439**
Segment B							
Agriculture	1 995	–	–	14	14	14	–
Manufacturing	19 197	–	–	131	131	230	561
Tourism	3 709	–	–	137	137	40	7
Transport	124 717	–	–	853	853	1 062	709
Construction	280 669	–	–	2 026	2 026	2 017	2 901
Information, communication and technology	8 351	–	–	57	57	169	306
Financial and business services	124 136	–	–	849	849	681	603
Traders	–	–	–	–	–	–	184
Personal	29 529	925	–	212	212	188	–
Professional	–	–	–	–	–	–	371
Global Business Licence holders (GBL)	174 256	–	–	1 191	1 191	1 316	1 264
Media, entertainment and recreational activities	194	–	–	1	1	5	16
Infrastructure	57 345	–	–	392	392	380	818
Other entities	40 185	–	–	275	275	138	188
	864 283	**925**	**–**	**6 138**	**6 138**	**6 240**	**7 928**
	897 788	**925**	**–**	**6 690**	**6 690**	**6 653**	**8 367**

39. Statutory segmental reporting *(continued)*

	Segment A		
US$'000	**2016**	**2015**	**2014**
Group and Bank			
VII. Other assets			
Settlement debtors	–	–	–
Pre-payments and accruals	113	57	10
Other	266	104	97
	379	**161**	**107**
Group and Bank			
VII. Due to customers			
Demand	29 935	18 580	17 932
Term deposits with remaining term to maturity			
Within three months	45 682	6 225	21 505
Over three to six months	956	4 083	20 763
Over six to 12 months	1 869	646	58 867
Over one to five years	1 478	2 419	1 734
	79 920	**31 953**	**120 801**
Group and Bank			
VIII. Other liabilities			
Amounts payable and sundry creditors	2 851	2 335	3 243
	2 851	**2 335**	**3 243**
Group and Bank			
IX. Contingent liabilities			
To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though the obligations may not be recognised on the balance sheet they do contain credit risk and are therefore part of the overall risk of the bank.			
Group and Bank			
Guarantees	10 138	11 016	20 850
Commitments			
– Irrevocable unutilised facilities	3 723	5 701	36
	13 861	**16 717**	**20 886**

Commitments to extend credit represent contractual commitments to make loans and revolving credits.

Segment B			Total		
2016	2015	2014	2016	2015	2014
13	81	1 776	13	81	1 776
92	15	–	205	72	10
1 992	3 027	3 253	2 258	3 131	3 350
2 097	**3 123**	**5 029**	**2 476**	**3 284**	**5 136**
873 453	611 606	596 530	903 388	630 186	614 462
65 238	80 522	67 587	110 920	86 747	89 092
7 727	18 184	13 873	8 683	22 267	34 636
30 323	4 049	26 515	32 192	4 695	85 382
21 246	30 892	6 898	22 724	33 311	8 632
997 987	**745 253**	**711 403**	**1 077 907**	**777 206**	**832 204**
24 704	11 012	28 817	27 555	13 347	32 060
24 704	**11 012**	**28 817**	**27 555**	**13 347**	**32 060**
7 000	5 431	8 030	17 138	16 447	28 880
104 334	108 614	65 887	108 057	114 315	65 923
111 334	**114 045**	**73 917**	**125 195**	**130 762**	**94 803**

39. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Segment A 2016	2015	2014
Bank			
Cash flow statement			
Profit/(loss) before taxation adjusted for non-cash items	1 309	(1 054)	1 520
Dividend received	–	–	–
Taxation paid	(3 618)	(2 170)	(140)
Decrease/(increase) in operating assets	(2 322)	(4 338)	273
Increase/(decrease) in operating liabilities	48 500	(89 756)	59 466
Net cash inflow/(outflow) from operating activities	**43 869**	**(97 318)**	**61 119**
Purchase of investment securities	(714)	(1 867)	–
Proceeds from disposal of investment securities	2 356	–	938
Cash flow on acquisition of equipment	(50)	(203)	(79)
Cash flow on disposal of equipment	2	–	–
Cash flow on disposal of subsidiary	360	–	658
Cash flow on acquisition of subsidiary	(17)	–	–
Net cash (outflow)/inflow from investing activities	**1 937**	**(2 070)**	**1 517**
Dividends paid to ordinary shareholders	–	–	–
Redemption of preference shares	–	–	–
Issue of preference shares	–	–	–
Net cash (outflow)/inflow from financing activities	**–**	**–**	**–**
Effects of exchange rates on cash and cash equivalents	**(6 566)**	**3**	**13**
Net increase/(decrease) in cash and cash equivalents	39 240	(99 385)	62 649
Cash and cash equivalents at the beginning of the year	(14 194)	85 191	22 542
Cash and cash equivalents at the end of the year	**25 046**	**(14 194)**	**85 191**

	Segment B			Total		
	2016	2015	2014	2016	2015	2014
	46 900	53 425	64 158	48 209	52 371	65 678
	91	–	–	91	–	–
	–	–	–	(3 618)	(2 170)	(140)
	46 564	(32 582)	(75 055)	44 242	(36 920)	(74 782)
	229 024	5 729	138 761	277 524	(84 027)	198 227
	322 579	**26 572**	**127 864**	**366 448**	**(70 746)**	**188 983**
	(21 841)	–	(74 270)	(22 555)	(1 867)	(74 270)
	7 603	27 969	–	9 959	27 969	938
	–	–	–	(50)	(203)	(79)
	–	–	–	2	–	–
	–	–	–	360	–	658
	–	–	–	(17)	–	–
	(14 238)	**27 969**	**(74 270)**	**(12 301)**	**25 899**	**(72 753)**
	(60 000)	(19 836)	–	(60 000)	(19 836)	–
	–	(256 841)	–	–	(256 841)	–
	–	256 841	44 000	–	256 841	44 000
	(60 000)	**(19 836)**	**44 000**	**(60 000)**	**(19 836)**	**44 000**
	9 687	**(23 297)**	**7 375**	**3 121**	**(23 294)**	**7 388**
	258 028	11 408	(58 836)	297 268	(87 977)	167 618
	403 975	392 567	451 403	389 781	477 758	310 140
	662 003	**403 975**	**392 567**	**687 049**	**389 781**	**477 758**

40. Reclassifications

To align with the disclosure of the Investec DLC Group, Investec Bank (Mauritius) Limited has made certain reclassifications in the financial statements. The reclassifications had no impact on the prior years' reported profit before tax or total equity reported.

The reclassifications made are as follows:

As at 31 March US$'000	As previously reported	Adjustments	As reported
Balance sheet			
2015			
Due from banks	256 603	125 634	382 237
Amount due from holding bank	125 634	(125 634)	–
	382 237	**–**	**382 237**
2014			
Due from banks	284 161	182 430	466 591
Amount due from holding bank	182 430	(182 430)	–
	466 591	**–**	**466 591**
2015			
Investment securities	216 701	(196 115)	20 586
Sovereign debt securities	–	1 642	1 642
Bank debt securities	–	111 576	111 576
Other debt securities	–	82 897	82 897
	216 701	**–**	**216 701**
2014			
Investment securities	243 751	(226 984)	16 767
Sovereign debt securities	–	–	–
Bank debt securities	–	123 978	123 978
Other debt securities	–	103 005	103 005
	243 751	**–**	**243 751**

Investment securities have been split for better understanding by the user of the financial statements.

Amount due from holding bank has now been reclassified to Due from banks to properly reflect the substance of the balances.

40. Reclassifications *(continued)*

For the year to 31 March US$'000	As previously reported	Adjustments	As reported
Income statements			
2015			
Fee and commission income	(10 815)	(16)	(10 831)
Investment income	(3 439)	(9 034)	(12 473)
Net other operating income	(539)	539	–
Net trading loss	2 056	8 500	10 556
Operating costs	11 401	11	11 412
2014			
Fee and commission income	(6 643)	(26)	(6 669)
Investment income	(427)	(10 471)	(10 898)
Net other operating income	(2 517)	2 517	–
Net trading gain	(2 329)	7 970	5 641
Operating costs	10 323	10	10 333

For the year to 31 March US$'000	As previously reported	Adjustments	As reported
Cash flow statements			
2015			
Due from banks (included under cash and cash equivalents)	256 603	125 634	382 237
Amount due from holding bank	56 796	(56 796)	–
Opening cash and cash equivalents	295 328	182 430	477 758
2014			
Due from banks (included under cash and cash equivalents)	284 161	182 430	466 591
Amount due from holding bank	(163 805)	163 805	–
Opening cash and cash equivalents	291 515	18 625	310 140

Amount due from holding bank has now been reclassified to Due from banks to properly reflect the substance of the balances.

THREE

Contact details

MAURITIUS, PORT LOUIS

6th Floor Dias Pier Building
Le Caudan Waterfront Caudan
Port Louis
Telephone (230) 207 4000
Facsimile (230) 207 4002/3
e-mail info@investec.com

Notes