

Out of the Ordinary®



Specialist Bank and
Asset Manager

Investec Bank (Mauritius) Limited

Unaudited financial reports for the nine months ended 31 December 2018

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





Unaudited financial report for the nine months ended 31 December 2018

The unaudited financial report for the nine months ended 31 December 2018 has been prepared in accordance with the Bank of Mauritius Guideline on Public Disclosure of Information. The annexed unaudited report including the explanatory notes are in conformity with International Financial Reporting Standards (IFRS).

An overview of the group's performance

- Net interest income increased by 4% from US\$30.4 million for the nine months ended 31 December 2017 to US\$31.7 million for the nine months ended 31 December 2018 as result of improved margins.
- Net fee and commission income slightly decreased by 1% from US\$4.4 million to US\$4.3 million.
- Investment loss stood at US\$4.2 million for the period under review as compared to a loss of US\$1.8 million for the period ended 31 December 2017 because of larger unrealised mark-to-market losses on investments.
- Impairments of US\$0.3 million were provided for during the current period against provisions of US\$1.9 million, mainly specific provisions, in the comparative period.
- Operating expenses decreased slightly by 2% to US\$9.8 million during the nine months under review.

Profit after tax stood at US\$21.6 million for the nine months ended 31 December 2018 as compared to US\$21.3 million for the nine months ended 31 December 2017.

Loans and advances to customers increased by 2% to US\$934 million while external deposits decreased by 10% to US\$938 million as compared to the comparative period. This resulted in the loan to deposit ratio to increase from 0.88 in the comparative period to 1.0.

A dividend of US\$87.1 million was distributed during the period, which resulted in the capital adequacy ratio to decrease to 24.6%. The group however remains well capitalised with a capital adequacy ratio well in excess of regulatory requirements.



Related party transactions, policies and practices

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

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

At 31 December 2018, the total on- and off-balance sheet credit exposure to related parties amounted to US\$49.8 million (31 March 2018 – US\$55.2 million) representing 3.0% (31 March 2018 – 3.2%) of the bank’s total exposure. The credit exposure to the six related parties with the highest exposure amounted to US\$49.4 million (31 March 2018 – US\$55.1 million) representing 15.6% (31 March 2018 – 13.4%) of Tier 1 Capital.

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

Risk management

In the ordinary course of business operations, the bank is exposed to a number of risks, including credit, market, liquidity, operational, legal and reputation risk. Various committees and forums have been set up to measure, monitor and mitigate these risks.

Handwritten signature of David M Lawrence in blue ink.

David M Lawrence
Chairman
Board of directors

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

Pierre de Chasteigner du Mée
Director

Handwritten signature of Craig C McKenzie in blue ink.

Craig C McKenzie
Chief executive officer/Director

Dated: 14 February 2019



Balance sheets

As at US\$'000	Group			Bank		
	31 December 2018	31 March 2018	31 December 2017	31 December 2018	31 March 2018	31 December 2017
Assets						
Cash and balances at central bank	11,865	16,695	24,062	11,865	16,695	24,062
Due from banks	452,725	459,119	692,516	452,725	459,119	691,725
Reverse repurchase agreements	65,493	75,186	55,039	65,493	75,186	55,039
Sovereign debt securities	21,498	-	-	21,498	-	-
Bank debt securities	113,303	137,604	110,051	113,303	137,604	110,051
Other debt securities	28,573	30,172	72,349	28,573	30,172	72,349
Derivative financial instruments	13,709	17,437	15,898	13,709	17,437	15,898
Investment portfolio	6,129	12,993	11,627	6,129	12,993	11,627
Loans and advances to customers	933,901	952,637	917,394	933,901	952,637	917,394
Interest in associated undertaking	4,694	4,598	4,478	4,694	4,598	4,478
Deferred taxation assets	438	438	357	437	437	305
Other assets	10,024	7,203	4,740	9,856	7,137	4,738
Equipment	357	395	422	356	394	422
Amount due from group companies	1,768	3,366	3,743	1,816	3,365	4,735
Investment in subsidiary	-	-	-	467	467	467
Total assets	1,664,477	1,717,843	1,912,677	1,664,822	1,718,241	1,913,290
Liabilities						
Derivative financial instruments	1,949	3,508	7,755	1,949	3,508	7,755
Repurchase agreements	77,206	101,924	100,893	77,206	101,924	100,893
Customer accounts (deposits)	938,060	893,397	1,041,751	938,780	893,717	1,041,751
Debt securities in issue	253,163	258,563	255,926	253,163	258,563	255,926
Amount due to group companies	30,105	32,030	34,086	30,039	32,024	34,615
Current taxation liabilities	562	1,020	684	524	1,020	684
Other liabilities	7,116	7,425	62,124	7,045	7,322	62,005
Total liabilities	1,308,161	1,297,867	1,503,219	1,308,706	1,298,078	1,503,629
Equity						
Ordinary share capital	56,478	56,478	56,478	56,478	56,478	56,478
Other reserves	69,928	65,152	66,019	69,928	65,152	66,019
Retained income	229,910	298,346	286,960	229,710	298,533	287,164
Shareholder's equity	356,316	419,976	409,457	356,116	420,163	409,661
Total liabilities and equity	1,664,477	1,717,843	1,912,677	1,664,822	1,718,241	1,913,290



Income statements

For the period/ year ended US\$'000	Group			Bank		
	Nine months ended 31 December 2018	Year 31 March 2018	Nine months ended 31 December 2017	Nine months ended 31 December 2018	Year 31 March 2018	Nine months ended 31 December 2017
Interest income	53,434	69,538	45,402	53,436	69,571	45,422
Interest expense	(21,747)	(26,469)	(15,015)	(21,753)	(26,483)	(15,015)
Net interest income	31,687	43,069	30,387	31,683	43,088	30,407
Fee and commission income	5,971	10,372	5,467	5,308	9,256	5,007
Fee and commission expense	(1,632)	(1,434)	(1,108)	(1,618)	(1,434)	(1,108)
Net fee and commission income	4,339	8,938	4,360	3,690	7,822	3,899
Investment loss	(4,191)	(1,678)	(1,812)	(4,191)	(1,678)	(1,812)
Net trading income / (loss)	957	369	1,464	960	321	1,434
Other operating income	107	-	-	107	-	-
Total operating income before impairment	32,899	50,698	34,399	32,249	49,553	33,928
Impairment charge on financial assets	(325)	(3,214)	(1,934)	(325)	(3,214)	(1,934)
Operating income	32,574	47,484	32,465	31,924	46,339	31,994
Operating costs	(9,798)	(14,018)	(10,015)	(9,592)	(13,172)	(9,775)
Operating profit	22,777	33,466	22,450	22,332	33,167	22,219
Share of profit / (loss) in associate	199	138	114	199	138	114
Profit before taxation	22,976	33,604	22,564	22,531	33,305	22,333
Taxation	(1,338)	(1,904)	(1,280)	(1,280)	(1,853)	(1,280)
Profit after taxation	21,638	31,700	21,284	21,251	31,452	21,053
Analysed as follows:						
Transfer (from) / to regulatory general risk reserve	(4,529)	(1,386)	-	(4,529)	(1,386)	(416)
Transfer to retained earnings	26,166	33,086	21,284	25,779	32,838	21,469
Profit attributable to equity holder of the bank	21,638	31,700	21,284	21,251	31,452	21,053

Statements of other comprehensive income

For the period/ year ended US\$'000	Group			Bank		
	Nine months ended 31 December 2018	Year 31 March 2018	Nine months ended 31 December 2017	Nine months ended 31 December 2018	Year 31 March 2018	Nine months ended 31 December 2017
Profit after taxation	21,638	31,700	21,284	21,251	31,452	21,053
Other comprehensive income:						
Items reclassified to the income statement						
-Fair value movements on available-for-sale assets taken directly to other comprehensive income	377	(75)	(180)	377	(75)	(180)
-Foreign currency adjustments on translating associated undertaking	(103)	300	204	(103)	300	204
-Other comprehensive (loss) / income	(27)	36	31	(27)	36	31
Total other comprehensive income/ (loss)	246	261	158	246	261	158
Total comprehensive income attributable to equity holder of the bank	21,884	31,961	21,443	21,497	31,713	21,211



Statements of changes in equity

As at	Other reserves					Retained income	Total equity
	Ordinary share capital	Foreign currency reserve	Available-for-sale reserve	Regulatory general risk reserve	Statutory reserve		
US\$'000							
Group							
At 1 April 2018	56,478	(119)	(185)	8,978	56,478	298,346	419,976
Movement in reserves 1 April 2018 - 31 December 2018							
Profit after taxation	-	-	-	-	-	21,638	21,638
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	377	-	-	-	377
Foreign currency adjustments on translating associated undertaking	-	(103)	-	-	-	-	(103)
Other comprehensive income	-	-	-	(27)	-	-	(27)
Total comprehensive income / (loss)	-	(103)	377	(27)	-	21,638	21,885
Transfer to regulatory general risk reserve	-	-	-	4,529	-	(4,529)	-
IFRS 9 transitional adjustment	-	-	-	-	-	1,555	1,555
Ordinary dividend paid	-	-	-	-	-	(87,100)	(87,100)
At 31 December 2018	56,478	(222)	192	13,480	56,478	229,910	356,316
At 1 April 2017	56,478	(419)	(110)	10,328	56,478	265,260	388,015
Movement in reserves 1 April 2017 - 31 March 2018							
Profit after taxation	-	-	-	-	-	31,700	31,700
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	(75)	-	-	-	(75)
Foreign currency adjustments on translating associated undertakings	-	300	-	-	-	-	300
Other comprehensive income	-	-	-	36	-	-	36
Total comprehensive income / (loss)	-	300	(75)	36	-	31,700	31,961
Transfer to regulatory general risk reserve	-	-	-	(1,386)	-	1,386	-
At 31 March 2018	56,478	(119)	(185)	8,978	56,478	298,346	419,976
At 1 April 2017	56,478	(419)	(110)	10,328	56,478	265,260	388,015
Movement in reserves 1 April 2017 - 31 December 2017							
Profit after taxation	-	-	-	-	-	21,284	21,284
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	(180)	-	-	-	(180)
Loss on realisation of available-for-sale assets recycled through the income statement	-	-	103	-	-	-	103
Foreign currency adjustments on translating associated undertaking	-	204	-	-	-	-	204
Other comprehensive income	-	-	-	31	-	-	31
Total comprehensive income	-	204	(77)	31	-	21,284	21,442
Transfer to regulatory general risk reserve	-	-	-	(416)	-	416	-
Balance at 31 December 2017	56,478	(215)	(187)	9,943	56,478	286,960	409,457
Bank							
At 1 April 2018	56,478	(119)	(185)	8,978	56,478	298,533	420,163
Movement in reserves 1 April 2018 - 31 December 2018							
Profit after taxation	-	-	-	-	-	21,251	21,251
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	377	-	-	-	377
Foreign currency adjustments on translating associated undertakings	-	(103)	-	-	-	-	(103)
Other comprehensive income	-	-	-	(27)	-	-	(27)
Total comprehensive income / (loss)	-	(103)	377	(27)	-	21,251	21,498
Transfer to regulatory general risk reserve	-	-	-	4,529	-	(4,529)	-
IFRS 9 transitional adjustment	-	-	-	-	-	1,555	1,555
Ordinary dividend paid	-	-	-	-	-	(87,100)	(87,100)
At 31 December 2018	56,478	(222)	192	13,480	56,478	229,710	356,116
At 1 April 2017	56,478	(419)	(110)	10,328	56,478	265,695	388,450
Movement in reserves 1 April 2017 - 31 March 2018							
Profit after taxation	-	-	-	-	-	31,452	31,452
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	(75)	-	-	-	(75)
Foreign currency adjustments on translating associated undertaking	-	300	-	-	-	-	300
Other comprehensive income	-	-	-	36	-	-	36
Total comprehensive (loss) / income	-	300	(75)	36	-	31,452	31,713
Transfer to regulatory general risk reserve	-	-	-	(1,386)	-	1,386	-
At 31 March 2018	56,478	(119)	(185)	8,978	56,478	298,533	420,163
At 1 April 2017	56,478	(419)	(110)	10,328	56,478	265,695	388,450
Movement in reserves 1 April 2017 - 31 December 2017							
Profit after taxation	-	-	-	-	-	21,053	21,053
Fair value movements on available-for-sale assets taken directly to other comprehensive income	-	-	(180)	-	-	-	(180)
Loss on realisation of available-for-sale assets recycled through the income statement	-	-	103	-	-	-	103
Foreign currency adjustments on translating associated undertaking	-	204	-	-	-	-	204
Other comprehensive income	-	-	-	31	-	-	31
Total comprehensive income	-	204	(77)	31	-	21,053	21,211
Transfer to regulatory general risk reserve	-	-	-	(416)	-	416	-
Balance at 31 December 2017	56,478	(215)	(187)	9,943	56,478	287,164	409,661



Cash flow statements

For the period/ year ended US\$'000	Group			Bank		
	Nine months ended 31 December 2018	Year 31 March 2018	Nine months ended 31 December 2017	Nine months ended 31 December 2018	Year 31 March 2018	Nine months ended 31 December 2017
Profit before tax	22,976	33,604	22,564	22,531	33,305	22,333
Adjustment for non cash items	6,555	3,462	(7,470)	6,555	3,463	(7,470)
Profit before taxation adjusted for non-cash items	29,531	37,066	15,095	29,086	36,768	14,864
Taxation paid	(1,796)	(1,915)	(1,546)	(1,776)	(1,915)	(1,138)
Decrease/ (increase) in operating assets	22,592	(35,523)	1,493	22,645	(35,116)	58,255
Increase/ (decrease) in operating liabilities	40,873	(343,365)	(134,003)	41,244	(343,475)	68,248
Net cash inflow/ (outflow) from operating activities	91,200	(343,737)	(118,961)	91,199	(343,738)	(119,753)
Purchase of investment securities	(1,167)	(45,000)	(45,000)	(1,167)	(45,000)	(45,000)
Proceeds from disposal of investment securities	20,356	93,348	93,348	20,356	93,348	93,348
Acquisition of equipment	(42)	(213)	-	(42)	(212)	-
Net cash inflow from investing activities	19,147	48,135	48,141	19,147	48,136	48,141
Cash flow from financing activities						
Reverse repurchase agreement matured	10,000	(75,087)	(55,000)	10,000	(75,087)	(55,000)
Securities sold under repurchase agreement with banks matured	(38,670)	-	-	(38,670)	-	-
Dividend paid	(87,100)	-	-	(87,100)	-	-
Net cash outflow from financing activities	(115,770)	(75,087)	(55,000)	(115,770)	(75,087)	(55,000)
Effects of exchange rates on cash and cash equivalents	(3,231)	21,864	16,027	(3,231)	21,864	16,027
Net decrease in cash and cash equivalents	(8,655)	(348,825)	(109,793)	(8,655)	(348,825)	(110,585)
Cash and cash equivalents at beginning of the period/year	467,245	816,070	816,070	467,245	816,070	816,070
Cash and cash equivalents at end of the period/year	458,590	467,245	706,277	458,590	467,245	705,485
Cash and cash equivalents is defined as including:						
Cash in hand	4	4	5	4	4	5
Cash and balances at central bank (unrestricted balance)	5,861	8,122	13,755	5,861	8,122	13,755
Due from banks	452,725	459,119	692,516	452,725	459,119	691,725
Cash and cash equivalents at end of the period/year	458,590	467,245	706,276	458,590	467,245	705,485



Notes to the unaudited financial accounts for the nine months ended 31 December 2018

1. General information

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

2. Significant accounting policies

(a) Statement of compliance

The financial reports for the period ended 31 December 2018 have been prepared in accordance with Bank of Mauritius Guideline on Public Disclosure of Information and International Financial Reporting Standards (IFRS).

(b) Basis of preparation

The reports are presented in United States Dollar.

The reports have been prepared using the same accounting policies as those applied in the accounts for the financial year ended 31 March 2018.

(c) Functional currency of the group and the bank

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



Notes to the unaudited financial accounts for the nine months ended 31 December 2018

3. Related party transactions

As at US\$'000	Group			Bank		
	31 December 2018	31 March 2018	31 December 2017	31 December 2018	31 March 2018	31 December 2017
Interest income	1,736	4,443	4,043	1,735	4,476	4,064
Interest expense	(7,862)	(8,257)	(5,829)	(7,856)	(8,271)	(5,829)
Net fair value of derivatives held with group companies	2,383	13,928	(6,916)	2,383	1,331	(6,916)
Reverse repurchase agreements	65,493	25,089	-	65,493	25,089	-
Loans and advances	7,037	5,079	8,096	7,037	5,079	8,096
Deposits	(12,554)	(10,418)	(7,889)	(12,554)	(10,418)	(7,889)
Amount due from holding bank	163,834	15,762	76,878	163,834	15,762	76,878
Amount due from group companies	-	3,356	3,743	43	3,365	4,735
Amount due to group companies	(30,105)	(32,030)	(34,086)	(30,039)	(32,024)	(34,615)
Debt securities in issue	(253,163)	(258,563)	(255,926)	(253,163)	(258,563)	(255,926)

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates. As at 31 December 2018, loans and advances amounting to US\$ 219K were unsecured (31 March 2018: US\$ 247K and 31 December 2017: US\$ 187K). For the nine months ended 31 December 2018, the bank has not made any impairment relating to amounts owed by related parties (31 March 2018: Nil and 31 December 2017: Nil).



Credit and counterparty risk information

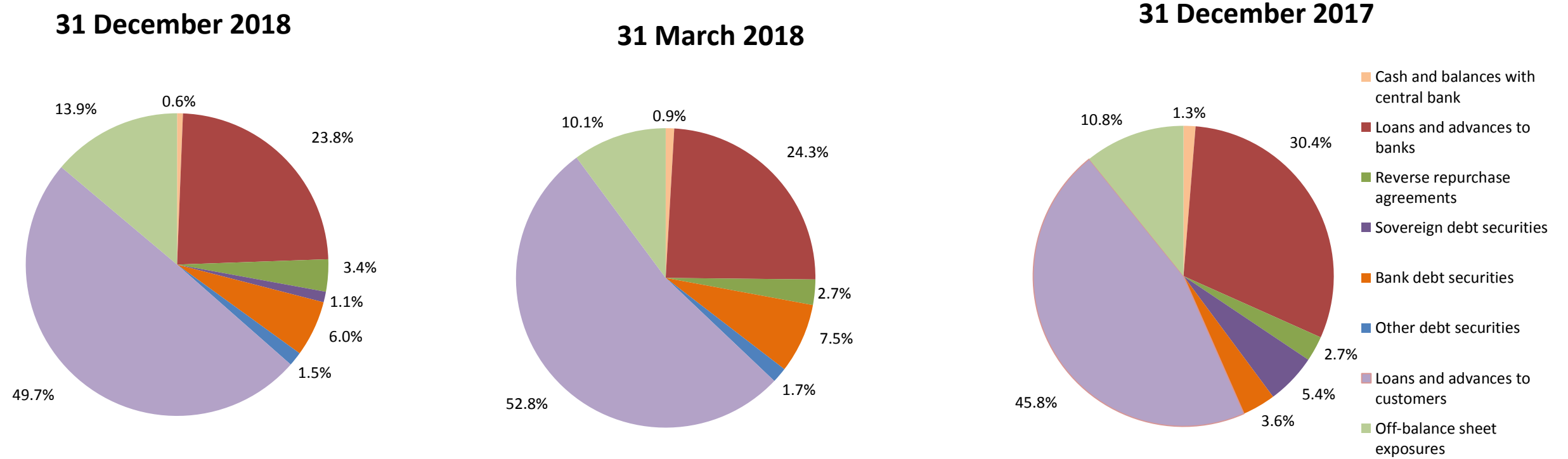
The table that follows provides an analysis of gross credit and counterparty exposures

Group and Bank

US\$'000	31 December 2018	31 March 2018	31 December 2017	31 December 2018 vs 31 March 2018 % change	Average*
On-balance sheet exposures	1,637,885	1,642,608	1,804,627	(9.2)	1,640,247
Balances at central bank	11,861	16,691	24,058	(28.9)	14,276
Loans and advances to banks	452,739	443,357	615,638	2.1	448,048
Reverse repurchase agreements	65,493	50,097	55,039	30.7	57,795
Investment securities - sovereign debt securities	21,498	-	110,051	< 100	10,749
Investment securities - bank debt securities	113,399	137,604	72,349	(17.6)	125,502
Investment securities - other debt securities	28,679	30,172	-	(4.9)	29,426
Loans and advances to customers	944,216	964,687	927,492	(2.1)	954,451
Off-balance sheet exposures	263,535	185,542	218,841	20.4	224,538
Guarantees^	10,513	7,417	6,505	41.7	8,965
Committed facilities	253,021	178,125	212,335	42.0	215,573
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	1,901,420	1,828,150	2,023,468	4.0	1,864,785

*Where the average is based on a straight line average for period 1 April 2018 to 31 December 2018.

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





Asset quality and impairments

Group and Bank

US\$'000	31 December 2018	31 March 2018	31 December 2017
Gross core loans and advances to customers	944,216	964,687	927,492
Total impairments	(10,315)	(12,050)	(10,098)
Specific impairments	(6,052)	(4,876)	(3,064)
Portfolio impairments	(4,263)	(7,174)	(7,034)
Net core loans and advances to customers	933,901	952,637	917,394
Average gross core loans and advances to customers	954,451	946,090	924,641
Current loans and advances to customers	842,123	905,709	881,336
Past due loans and advances to customers (1-60 days)	34,207	30,863	3,305
Special mention loans and advances to customers	54,498	14,563	21,055
Default loans and advances to customers	13,389	13,552	21,796
Gross core loans and advances to customers	944,217	964,687	927,492
Current loans and advances to customers	842,123	905,917	881,336
Gross core loans and advances to customers that are past due but not impaired	88,704	46,134	29,635
Gross core loans and advances to customers that are impaired	13,389	12,636	16,522
Gross core loans and advances to customers	944,216	964,687	927,492
Total income statement losses for impairments on core loans and advances	(325)	(3,214)	(1,934)
Gross default loans and advances to customers	13,389	13,552	16,522
Specific impairments	(6,052)	(4,876)	(3,064)
Portfolio impairments	(4,263)	(7,174)	(7,034)
Defaults net of impairments	3,075	1,502	6,423
Collateral and other credit enhancements	14,425	10,535	9,407
Net default loans and advances to customers (limited to zero)	-	-	-
Ratios:			
Total impairments as a % of gross core loans and advances to customers	1.09%	1.25%	1.09%
Total impairments as a % of gross default loans	77.04%	88.92%	61.12%
Gross defaults as a % of gross core loans and advances to customers	1.42%	1.40%	1.78%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.33%	0.16%	0.70%
Net defaults as a % of gross core loans and advances to customers	-	-	-
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average gross core loans and advances)	0.05%	0.34%	0.28%



Capital structure

As at	Group			Bank		
	31 December 2018	31 March 2018	31 December 2017	31 December 2018	31 March 2018	31 December 2017
US\$'000						
Common equity tier 1 capital: instruments and reserves						
Ordinary shares	56,478	56,478	56,478	56,478	56,478	56,478
Retained earnings	204,015	298,346	259,755	204,202	298,533	259,524
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surpluses on land and building assets)	56,256	56,174	56,478	56,256	56,174	56,478
Common equity tier 1 capital before regulatory adjustments	316,749	410,998	372,712	316,936	411,185	372,481
Common equity tier 1 capital: regulatory adjustments						
Deferred tax assets	438	438	357	437	437	305
Total regulatory adjustments to common equity tier 1 capital	438	438	357	437	437	305
Common equity tier 1 capital (CET1)	316,311	410,560	372,355	316,499	410,748	372,176
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)	15,717	16,153	16,399	15,717	16,153	16,401
Tier 2 capital before regulatory adjustments	15,717	16,153	16,399	15,717	16,153	16,401
Total capital (capital base) (TC = T1 + T2)	332,028	426,713	388,754	332,216	426,901	388,577
Risk-weighted assets						
Risk-weighted on-balance sheet assets	1,147,062	1,204,838	1,197,627	1,146,214	1,206,017	1,197,826
Non-market related off-balance sheet risk-weighted assets	104,813	83,925	110,510	104,813	83,925	110,510
Market related off-balance sheet risk-weighted assets	6,314	4,748	3,773	6,314	4,748	3,773
Operational risk	79,118	79,118	87,146	79,118	79,118	87,146
Aggregate net open foreign exchange position	14,856	5,977	7,192	14,856	5,977	7,192
Total risk-weighted assets	1,352,164	1,378,606	1,406,249	1,351,316	1,379,785	1,406,447
Capital adequacy ratio (%)	24.6%	31.0%	27.6%	24.6%	30.9%	27.6%
Tier 1 ratio	23.4%	29.8%	26.5%	23.4%	29.8%	26.5%

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

As at 31 December 2018

US\$'000	Group		Bank	
	Balance sheet amount	Amounts included for regulatory purposes	Balance sheet amount	Amounts included for regulatory purposes
Paid in capital and qualifying capital instruments	56,478	56,478	56,478	56,478
Retained earnings	229,910	204,015	229,710	204,202
Other reserves	69,928	56,256	69,928	56,256
Qualifying common equity tier 1 capital before regulatory adjustments	356,315	316,749	356,116	316,936
Deferred tax assets	-	(438)	-	(437)
Tier 1 capital	356,315	316,311	356,116	316,499
Qualifying tier 1 capital	356,315	316,311	356,116	316,499
Tier 2 capital after regulatory adjustments and general allowance for credit impairments (T2)	-	15,717	-	15,717
Total qualifying capital	356,315	332,028	356,116	332,216



Risk-weighted assets

US\$'000	Group and Bank		Group			Bank			
	31 December 2018	31 December 2018	31 March 2018	31 December 2017	31 December 2018	31 March 2018	31 December 2017		
	Risk-weights %	Exposures amount	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets	Exposures amount	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets
Risk-weighted on-balance sheet assets									
Cash items	0%	4	-	-	-	4	-	-	-
Claims on sovereigns	0%-100%	44,071	50,285	28,753	29,725	44,071	50,285	28,753	29,725
Claims on central banks and international institutions	0%-50%	11,861	4,680	18,011	10,287	11,861	4,680	18,011	10,287
Claims on banks	20%-50%	654,692	197,618	139,098	245,481	654,692	197,618	139,098	244,690
Claims on non-central government public sector entities (PSEs)	50%	-	-	-	27,410	-	-	-	27,410
Claims on corporates	20%-150%	695,104	646,391	789,797	657,909	695,111	646,408	790,976	658,901
Claims secured by residential property	35%-125%	33,685	27,480	30,350	47,175	33,685	27,480	30,350	47,175
Claims secured by commercial real estate	100%-125%	186,625	192,029	165,419	136,936	186,625	192,029	165,419	136,936
Past due claims	50%-150%	7,345	7,283	7,989	20,080	7,345	7,283	7,989	20,080
Other assets	100%-250%	21,297	21,297	25,421	22,626	21,764	20,432	25,421	22,623
Total on-balance sheet credit risk-weighted exposures			1,147,062	1,204,838	1,197,627		1,146,214	1,206,017	1,197,826



Risk-weighted assets

Group and Bank

US\$'000	31 December 2018				31 March 2018	31 December 2017
	Notional amount	Credit conversion factor %	Credit equivalent amount	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets
Non-market related off-balance sheet risk-weighted assets						
Direct credit substitutes	7,544	100%	6,805	6,805	4,839	4,291
Transaction-related contingent items	4,641	50%	2,320	2,320	1,235	1,242
Trade-related contingencies	-	20%	-	-	89	-
Total other commitments	257,840	20%-50%	97,602	95,688	77,762	104,977
Total on-balance sheet credit risk-weighted exposures			106,727	104,813	83,925	110,510

Group and Bank

US\$'000	31 December 2018				31 March 2018	31 December 2017	
	Notional principal amount	Potential future exposure	Current exposure	Credit equivalent amount	Risk-weighted assets	Risk-weighted assets	Risk-weighted assets
Market related off-balance sheet risk-weighted assets							
Interest rate contracts	86,307	288	266	554	554	772	680
Foreign exchange and gold contracts	367,704	4,375	2,117	6,492	5,294	3,531	1,217
Other market-related contracts	-	-	11,325	-	467	445	1,876
Total market-related off-balance sheet risk-weighted credit exposures	454,012	4,662	13,709	7,046	6,314	4,748	3,773



Balance sheet risk management

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

With respect to the contractual liquidity mismatch:

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

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

With respect to the behavioural liquidity mismatch:

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

Contractual liquidity

At 31 December 2018 US\$'million	Demand	Up to one month	One to three months	Three to Nine months	Nine months to one year	One to five years	> five years	Total
Cash and short-term funds - banks	254	250	25	-	-	-	-	530
Investment/trading assets	22	2	1	70	39	29	23	186
Advances	10	71	113	63	143	486	48	934
Other assets	-	-	-	11	-	-	-	11
Assets	286	323	140	144	182	515	71	1,661
Deposits - non-banks	(663)	(74)	(45)	(89)	(68)	-	-	(938)
Securities sold under repurchase agreement	10	-	-	(49)	(37)	-	-	(77)
Other liabilities	-	-	-	(7)	-	-	-	(7)
Liabilities	(653)	(74)	(45)	(145)	(106)	(0)	-	(1,023)
Intercompany loans	(9)	-	-	(49)	(38)	(185)	-	(281)
Shareholders' funds	-	-	-	-	-	-	(356)	(356)
Balance sheet	(376)	249	94	(51)	39	330	(286)	-
Off-balance sheet	1	1	-	-	-	(2)	-	-
Contractual liquidity gap	(375)	250	94	(51)	39	329	(286)	-
Cumulative liquidity gap	(375)	(125)	(31)	(81)	(43)	286	-	-

At 31 March 2018 US\$'million	Demand	Up to one month	One to three months	Three to Nine months	Nine months to one year	One to five years	> five years	Total
Cash and short-term funds - banks	261	220	54	-	-	-	-	535
Investment/trading assets	-	-	-	-	-	142	59	201
Advances	35	53	80	115	215	359	96	953
Other assets	-	-	-	-	-	-	8	8
Assets	296	273	134	115	215	501	163	1,697
Deposits - non-banks	(664)	(32)	(79)	(49)	(64)	(6)	-	(894)
Securities sold under repurchase agreement	(12)	-	-	-	-	(90)	-	(102)
Other liabilities	(2)	-	-	(6)	-	-	-	(8)
Liabilities	(678)	(32)	(79)	(55)	(64)	(96)	-	(1,004)
Intercompany loans	13	-	-	-	-	(214)	(70)	(271)
Shareholders' funds	-	-	-	-	-	-	(420)	(420)
Balance sheet	(369)	241	55	60	151	191	(327)	2
Off-balance sheet	-	1	-	-	-	(3)	-	(2)
Contractual liquidity gap	(369)	242	55	60	151	188	(327)	-
Cumulative liquidity gap	(369)	(127)	(72)	(12)	139	327	-	-

At 31 December 2017 US\$'million	Demand	Up to one month	One to three months	Three to Nine months	Nine months to one year	One to five years	> five years	Total
Cash and short-term funds - banks	341	247	106	-	-	-	-	694
Investment/trading assets	-	-	-	19	-	115	80	214
Advances	5	6	103	61	137	509	96	917
Other assets	-	-	-	-	-	-	5	5
Assets	346	253	209	80	137	624	181	1,830
Deposits - non-banks	(740)	(91)	(40)	(90)	(73)	(7)	-	(1,041)
Securities sold under repurchase agreement	6	-	-	(18)	-	(89)	-	(101)
Other liabilities	(57)	-	-	(6)	-	-	-	(63)
Liabilities	(791)	(91)	(40)	(114)	(73)	(96)	-	(1,205)
Intercompany loans	11	60	1	-	-	(212)	(69)	(209)
Shareholders' funds	-	-	-	-	-	-	(410)	(410)
Balance sheet	(434)	222	170	(34)	64	317	(298)	7
Off-balance sheet	-	(5)	-	-	-	(4)	2	(7)
Contractual liquidity gap	(434)	217	170	(34)	64	313	(296)	-
Cumulative liquidity gap	(434)	(217)	(47)	(81)	(17)	296	-	-



Unaudited financial reports for the quarter ended 31 December 2018

At 31 December 2018 US\$'million	Demand	Up to one month	One to three months	Three to Nine months	Nine months to one year	One to five years	> five years	Total
Behavioural liquidity gap	165	226	5	(52)	(2)	(296)	(44)	-
Cumulative	165	391	396	344	342	46	2	-

At 31 March 2018 US\$'million	Demand	Up to one month	One to three months	Three to Nine months	Nine months to one year	One to five years	> five years	Total
Behavioural liquidity gap	158	143	86	39	210	9	(645)	-
Cumulative	158	301	387	426	636	645	-	-

At 31 December 2017 US\$'million	Demand	Up to one month	One to three months	Three to Nine months	Nine months to one year	One to five years	> five years	Total
Behavioural liquidity gap	237	302	143	8	132	43	(865)	-
Cumulative	237	539	682	690	822	865	(0)	-

Repricing - all currencies

Non-trading interest rate risk description

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

Sources of interest rate risk include:

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

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

Interest rate sensitivity gap

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

At 31 December 2018 US\$'million	Not > three months	> three months but < Nine months	> Nine months but < one year	> one year but < five years	> five years	Non rate	Total non-trading
Cash and short-term funds - banks	530	-	-	-	-	-	530
Investment/trading assets	61	70	39	4	-	12	186
Advances	779	88	32	35	-	-	934
Other assets	-	-	-	-	-	11	11
Assets	1,370	158	71	39	-	22	1,661
Deposits - non-banks	(781)	(89)	(68)	-	-	-	(938)
Repurchase agreements with banks	(77)	-	-	-	-	-	(77)
Other liabilities	-	-	-	-	-	(7)	(7)
Liabilities	(859)	(89)	(68)	-	-	(7)	(1,023)
Intercompany loans	(196)	(49)	(36)	-	-	-	(281)
Shareholders' funds	-	-	-	-	-	(356)	(356)
Balance sheet	316	20	(33)	39	-	(342)	-
Off balance sheet	73	(1)	(33)	(37)	-	-	-
Repricing gap	388	19	(67)	-	-	(342)	-
Cumulative repricing gap	388	407	340	342	342	-	-

At 31 March 2018 US\$'million	Not > three months	> three months but < Nine months	> Nine months but < one year	> one year but < five years	> five years	Non rate	Total non-trading
Cash and short-term funds - banks	535	-	-	-	-	-	535
Investment/trading assets	67	-	-	98	-	36	201
Advances	891	20	2	40	-	-	953
Other assets	-	-	-	-	-	8	8
Assets	1,493	20	2	138	-	44	1,697
Deposits - non-banks	(797)	(27)	(64)	(6)	-	-	(894)
Securities sold under repurchase agreement	(102)	-	-	-	-	-	(102)
Other liabilities	-	-	-	-	-	(8)	(8)
Liabilities	(899)	(27)	(64)	(6)	-	(8)	(1,004)
Intercompany loans	(180)	-	-	(91)	-	-	(271)
Shareholders' funds	-	-	-	-	-	(420)	(420)
Balance sheet	414	(7)	(62)	41	-	(384)	2
Off-balance sheet	48	(2)	(3)	(45)	-	-	(2)
Repricing gap	462	(9)	(65)	(4)	-	(384)	-
Cumulative repricing gap	462	453	388	384	384	-	-



At 31 December 2017 US\$'million	Not > three months	> three months but < Nine months	> Nine months but < one year	> one year but < five years	> five years	Non rate	Total non- trading
Cash and short-term funds - banks	694	-	-	-	-	-	694
Investment/trading assets	49	19	-	98	14	34	214
Advances	826	47	2	41	-	-	916
Other assets	-	-	-	-	-	6	6
Assets	1,569	66	2	139	14	40	1,830
Deposits - non-banks	(893)	(90)	(51)	(7)	-	-	(1,041)
Repurchase agreements with banks	(101)	-	-	-	-	-	(101)
Other liabilities	-	-	-	-	-	(63)	(63)
Liabilities	(994)	(90)	(51)	(7)	-	(63)	(1,205)
Intercompany loans	(102)	(18)	-	(89)	-	-	(209)
Shareholders' funds	-	-	-	-	-	(410)	(410)
Balance sheet	473	(42)	(49)	43	14	(433)	6
Off balance sheet	59	(1)	(3)	(47)	(16)	1	(7)
Repricing gap	532	(43)	(52)	(4)	(2)	(432)	-
Cumulative repricing gap	532	489	437	433	431	-	-

Economic value sensitivity

Our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change in our net asset value should such a hypothetical scenario arise. The sensitivity effect does not have a significant direct impact on our equity.

As at 'million	Sensitivity to the following interest rates (expressed in original currencies)					All (USD)
	ZAR	GBP	USD	EUR	AUD	
31 December 2018						
200bp down	(0.07)	0.73	0.05	0.10	0.15	0.96
200bp up	0.07	(0.73)	(0.05)	(0.10)	(0.15)	(0.96)
31 March 2018						
200bp down	0.24	0.30	(4.58)	0.10	(0.07)	(4.07)
200bp up	(0.12)	(0.29)	4.53	(0.10)	0.07	4.04
31 December 2017						
200bp down	(0.66)	0.51	(5.01)	0.23	(0.04)	(4.12)
200bp up	0.74	(0.50)	4.95	(0.22)	0.04	4.10

Foreign exchange risk

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

The bank computes its net open foreign position in accordance with the Bank of Mauritius Guideline for Calculation and Reporting of Foreign Exchange Exposures by taking the higher of the absolute values of all net short and net long positions. The bank monitors the net open position on a daily basis.

Open position (USD'000)	EUR	GBP	JPY	MUR	Other currencies	Aggregate net open foreign exchange position
31 December 2018						
Long/(short) position	6,879	6,706	(4)	(366)	(4,780)	14,856
31 March 2018						
Long/(short) position	1,579	1,979	(1,179)	1,265	(4,798)	(5,977)
31 December 2017						
Long/(short) position	3,292	3,030	(1)	(1,063)	(4,518)	7,192