ANNUAL REPORT | 2019

Investec Bank (Mauritius) Limited annual financial statements

Investec

Cross reference tools

AUDITED INFORMATION
Denotes information in the risk and remuneration reports that forms part of the group's audited annual financial statements

PAGE REFERENCES
Refers readers to information elsewhere in this report

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

CORPORATE SUSTAINABILITY
Refers readers to further information in our 2019 corporate sustainability and ESG supplementary report available on our website: www.investec.com

REPORTING STANDARD
Denotes our consideration of a reporting standard

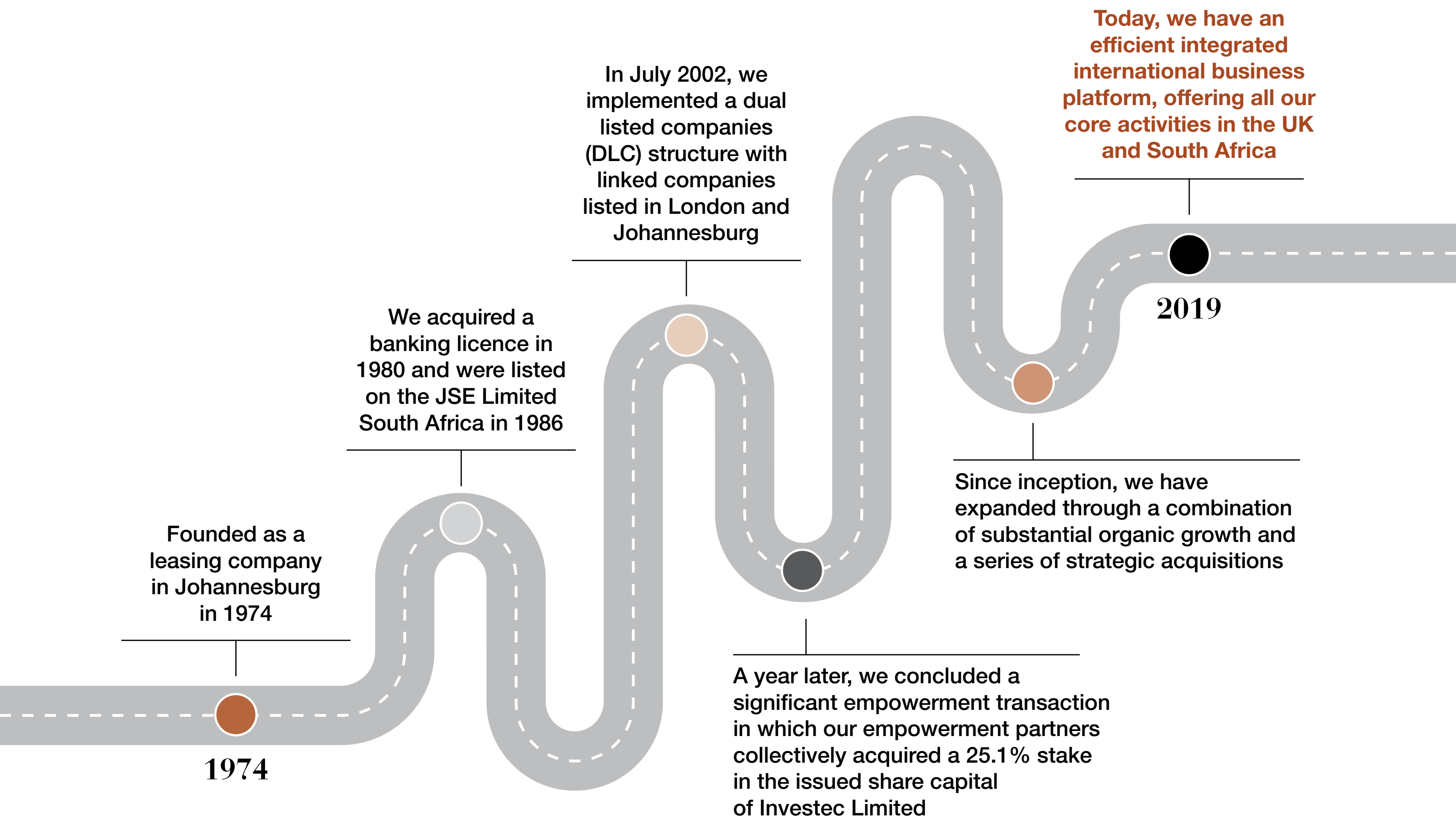
CONTENTS

1

INVESTEC BANK (MAURITIUS) LIMITED IN PERSPECTIVE

We strive to be a distinctive specialist bank and asset manager, driven by commitment to our core philosophies and values.

Our journey



Our values and philosophies

Distinctive performance

- We employ talented people with passion, energy and stamina, who exercise common sense in achieving effective performance in a high pressure, multi-task environment
- We promote innovation and entrepreneurial freedom to operate within the context of risk consciousness, sound judgement and an obligation to do things properly
- We show concern for people, support our colleagues and enlarge growth.

Client focus

- We break china for the client, having the tenacity and confidence to challenge convention
- We thrive on change, continually challenging the status quo and recognising that success depends on flexibility, innovation and enthusiasm in meeting the needs of our changing environment.

Cast-iron integrity

- We demand cast-iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust.

Dedicated partnership

- We believe that open and honest dialogue is the appropriate process to test decisions, seek consensus and accept responsibility
- We are creative individuals who co-operate and collaborate unselfishly in pursuit of group performance
- We respect the dignity and worth of the individual through encouraging openness and embracing difference and by the sincere, consistent and considerate manner in which we interact.

What we do

We focus on delivering distinctive profitable solutions to our clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

Operating structure

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

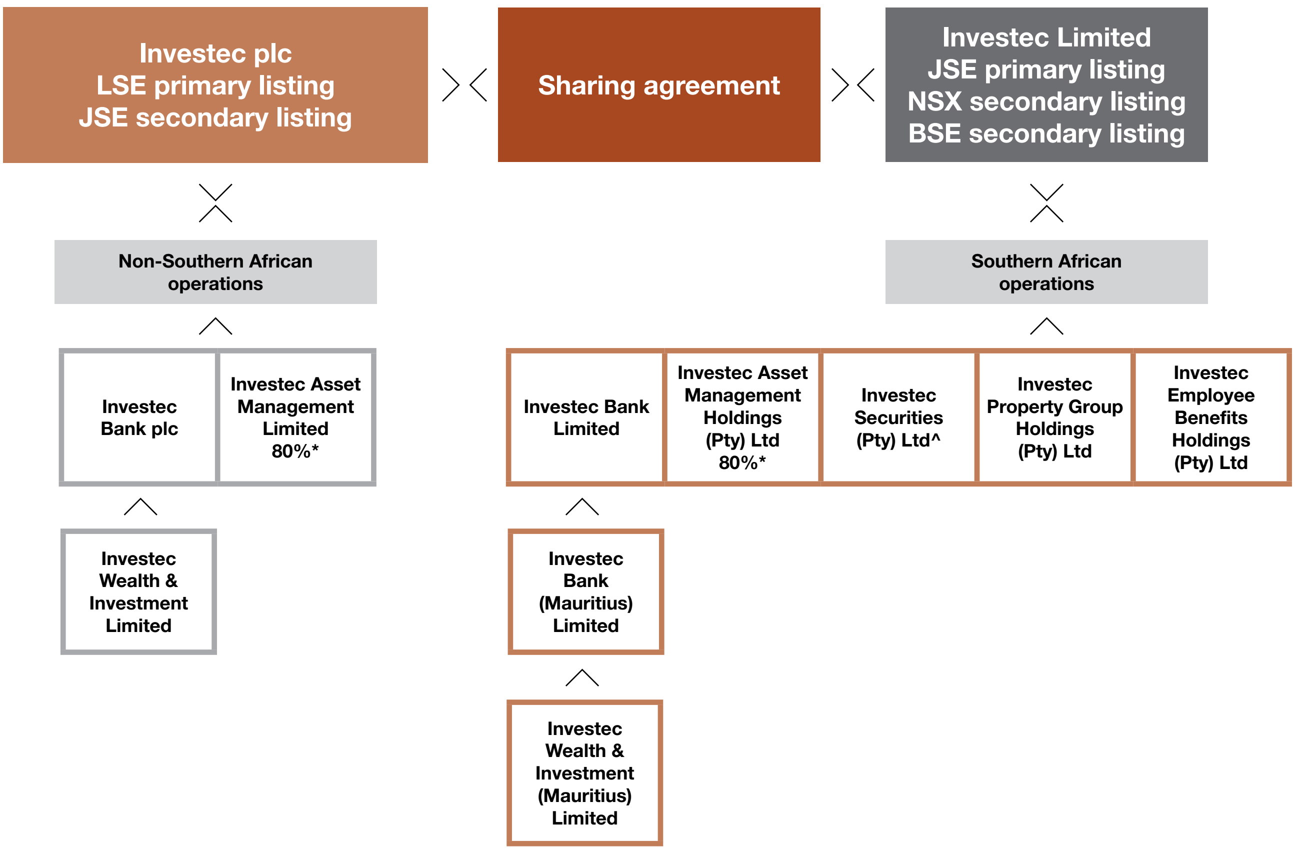
During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange (LSE).

In terms of the DLC structure, Investec Limited is the holding company of our businesses in Southern Africa and Investec plc is the holding company of our non-Southern African businesses. Investec Limited is listed on the Johannesburg Stock Exchange Limited (JSE) South Africa (since 1986) and Investec plc is listed on the LSE (since 2002).

All references in this report to the bank or the group in this report relate to Investec Bank (Mauritius) Limited, whereas references to Investec group or DLC relate to the combined DLC group comprising Investec plc and Investec Limited.

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

Our DLC structure and main operating subsidiaries at 31 March 2019



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

* *Senior management in the company hold 20% minus one share (31 March 2018: 17%).*
^ *Houses the South African Wealth & Investment business*

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 group 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.

Investec Bank (Mauritius) Limited operates as a specialist bank and wealth manager

Specialist Banking

Our specialist teams are well positioned to provide solutions to meet private, business, corporate and institutional clients' needs.

Each business provides specialised products and services to defined target market clients

Focus on helping our clients create and preserve wealth	**A highly valued partner and adviser to our clients**
High net worth and high income private clients	Corporate, private equity, government and institutional clients
Private Banking	*Corporate and Institutional Banking*
– Lending – Transactional banking – Savings – Foreign exchange	– Asset finance – Lending – Treasury and risk management solutions

Wealth & Investment

Investec Wealth & Investment Mauritius offers its clients comfort in its scale, international reach and depth of investment processes.

Investec Wealth & Investment Mauritius provides an international investment management service to its corporate, institutional and high net worth private client base leveraging from the Investec group's international infrastructure and intellectual property. The business in Mauritius has combined funds under management of US$ 200 million.

A two-tiered service offering; advisory or discretionary investment management to best meet the investor's customised requirements.

All custody functions are executed through one of Investec's nominee companies administered by either Investec Bank Switzerland (IBSAG) or Investec Wealth & Investment UK (Investec Wealth & Investment UK).

Investment Management Services

An **integrated** investment management service leveraging from the group's international infrastructure/intellectual property

A **flexible** investment management offering through:

- **Discretionary** and **advisory** portfolio management services for private clients
- **Segregated** or **unitised** portfolio solutions
- Specialist portfolio management services for international clients.

Underlying **specialised mandates**:

- Segregated fixed income and equity centric portfolios
- Capital Protected Structured Investments
- Risk profiles multi-manager unitised strategies.

Investec Bank Mauritius' structure comprises two principal divisions: Specialist Banking and Wealth & Investment

Specialist Banking

Value proposition

- High-quality specialist banking solution to corporate and private clients with leading positions in selected areas
- High touch personalised service – ability to execute quickly
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world – internationally mobile
- Strong ability to originate, manufacture and distribute
- Balanced business model with good business depth and breadth.

Wealth & Investment

Value proposition

- Investec Wealth & Investment Mauritius was established in 2017
- Strong collaboration with the global Wealth & Investment business
- Distinct distribution channels: direct, intermediaries, charities and international
- Single consistent global investment process
- Focus is on organic growth in our key markets and enhancing our range of services for the benefit of our clients.

2 MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year, the global economic environment was largely affected by the ongoing trade war between the US and China, which led to a risk averse sentiment and fear of global economic slowdown, resulting in a more moderate approach from the US monetary policy with fewer anticipated interest rate hikes, and the lingering uncertainty associated with Brexit

Domestically, the economy is forecast to grow at a rate of over 3%; some sectors such as sugar and textiles are facing challenges while headwinds in the tourism industry have surfaced following the depreciation of the GBP as a result of Brexit and the 'gilets jaune' crisis in France, both representing major markets.

The global business and banking industries are likely to be negatively impacted by the revision of the Mauritius - India tax treaty. To mitigate the effect, the government and industry stakeholders are concentrating their efforts to establish Mauritius as the preferred financial centre to invest in Africa.

On the regulatory front, the current year coincided with the first year of IFRS 9 implementation while fiscal developments announced in The Finance Act will impact us as from year of assessment 2020 where no distinction will be made with regard to local and foreign source income and will see the elimination of the deemed foreign tax credit.

Investec Bank (Mauritius) Limited and its subsidiary, Investec Wealth and Investment Limited (the group) posted an increase in net profit after tax of 6% to US$33.6 million (2018: US$31.7 million). Return on assets and return on equity improved while our capital ratio remains in excess of regulatory requirements.

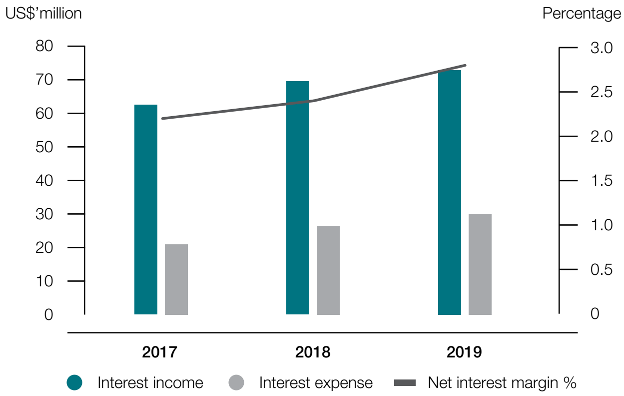
Performance against objectives

OBJECTIVES 2019	PERFORMANCE 2019	OBJECTIVES 2020
Operating income		
Operating income was expected to grow to US$48.7 million.	Operating income is 5.0% below objective at US$46.4 million.	Operating income is expected to grow to US$53.0 million.
Operating expenses		
Operating expenses were expected to increase slightly by 5.0% to US$13.8 million.	Costs were 4.0% below objective at US$13.3 million.	Operating expenses are expected to remain stable at US$13.8 million.
Cost to income ratio		
Cost to income ratio was expected to be below 30.0%.	Cost to income stood at 28.7%.	Cost to income ratio is expected to be below 30.0%.
Return on average asset		
Return on average asset was expected to remain at 1.8%.	Return on average assets increased to 1.9%.	Return on average asset is expected to improve to 2.1%.
Return on average equity		
Return on average equity was expected to remain at 7.3%.	Return on average equity increased to 9.1% as at 31 March 2019 following an increase in net profit while a dividend of US$87.1 million was paid during the current financial year.	Return on average equity is expected to improve to 9.6%.
Loans and advances growth		
Loans and advances were expected to remain constant at US$952 million.	Loans and advances increased by 8.6% to US$1,034 million.	Loans and advances are expected to be in excess of US$1,000 million.
Deposits growth		
Deposits was expected to increase to US$1,000 million.	Deposits increased to US$1,037 million.	Deposits are expected to grow to US$1,100 million.
Asset quality		
Credit loss ratio was expected to be below 0.5%.	Credit loss ratio was negative following release of impairment provisions.	Credit loss ratio is expected to be below 0.5%
Capital management		
Capital Adequacy ratio was expected to remain above 15.0%.	Capital Adequacy ratio stood at 24.9%.	Capital Adequacy ratio is expected to remain above 15%.

Financial performance analysis

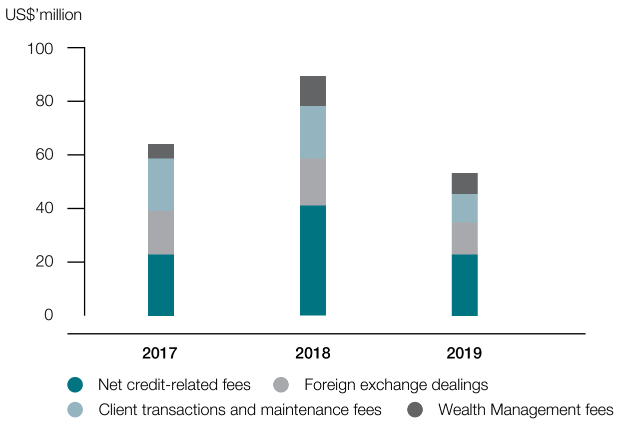
The overview that follows highlights variances in the major line items on the face of the income statements for the year under review.

Net interest income



Net interest income decreased by 0.7% to US$42.8 million during the year under review. The net interest margin ratio increased from 2.5% to 2.8%.

Net fee income



Net fee income decreased by 40% from US$8.9 million to US$5.3 million year mainly due to exit fee accounted in the previous financial year.

Investment loss

A loss of US$1.4 million was recorded, compared to a loss of US$1.7 million in the prior year, resulting from a decrease in share price of equity investments.

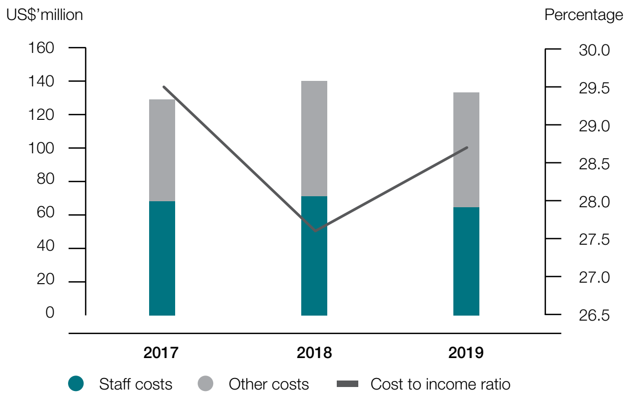
Net trading income

Trading loss of US$0.3 million arose mainly from a negative mark-to-market on the financial derivatives compared to a net trading income of US$0.4 million in 2018.

Expected credit loss impairments on loans and advances

Impairment of US$ 2.2 million were reversed during the year compared to a charge of US$3.2 million in 2018.

Operating costs



Operating costs decreased by 5% to US$13.3 million mainly by lower staff, compliance and risk related costs. Staff costs represented 48.5% of the cost base, in line with the previous year.

The cost-to-income ratio increased by 3.8% from 27.7% in the prior year to 28.7% for the current year as a result of a decrease in operating income before impairment.

Financial position analysis

For the year to 31 March	2019	Change 2019 vs 2018	2018	Change 2018 vs 2017	2017
Loans and advances to customers (US$'000)	1 034 269	8.6%	952 637	4.2%	913 995
Cash holdings (US$'000)	578 192	6.6%	542 431	(33.5%)	816 070
Customer deposits (US$'000)	1 036 836	16.1%	893 397	(25.7%)	1 202 181
Loans to deposits ratio	1.0	(6.5%)	1.07	40.8%	0.76

Loans and advances

Loans and advances grew by 8.6% to US$1,034 million during the financial year.

Cash holdings

Cash holdings, which includes reverse repurchase agreements, increased by 6.6% to US$578.2 million.

Customer deposits

Customer deposits, increased by 16.1% to US$1,037 million resulting in a loan to deposit ratio of 99.8%.

Performance ratios

For the year to 31 March %	2019	2018	2017
Return on average equity	9.1	7.8	6.9
Return on average assets*	1.9	1.7	1.4

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

Return on average equity

Return on average equity increased to 9.1% as a result of a higher net profit after tax for the year and lower equity following of the payment of a US$87.1 million dividend.

Return on average assets

Return on assets was also positively impacted by the increase in profitability, increasing from 1.7% last year to 1.9% for the year.

Capital

For the year to 31 March %	2019	2018	2017
Shareholders' equity (US$'000)	368 088	419 976	388 015
Capital adequacy ratio (%)	24.9	30.9	27.2
Tier 1 ratio (%)	23.8	29.8	26.0

Total equity decreased from US$420.0 million to US$368.1 million following the payment of an ordinary dividend of US$87.1 million during the current financial year. The capital adequacy ratio, mainly made up of Tier 1 capital, also decreased from 30.9% to 24.9%, but remained well above the regulatory requirement.

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 14 to 58) with further disclosures provided within the financial statements section (pages 85 to 185).

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 its risk management culture
- Ensure the business operates within the board-stated 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, to the best extent possible, 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
- 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. Credit losses on core loans and advances for the year under review were negative with a credit loss ratio standing at (0.22)%
- Exposure to rated and unrated structured credit investments representing less than 1% of total assets
- A low leverage ratio of approximately 3.9 times
- A high level of readily available, high-quality liquid assets with cash and cash equivalent representing 33% of total assets
- High level of liquidity; the bank does not rely 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 asset 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.

Risks relating to our operations

In our ordinary course of business we face a number of risks that could affect our business operations

These risks are summarised briefly in the table below. For additional information pertaining to these risks as well as information on the management and monitoring of these risks, see the page references provided.

10 The **financial services industry** in which we operate is intensely competitive.	**10** **Market, business and general economic conditions** and fluctuations could adversely affect our business in a number of ways.	**16 – 41** **Credit and counterparty risk** exposes us to losses caused by financial or other problems experienced by our clients.
41 – 42 We may be exposed to **investment risk** in our unlisted and listed investment portfolios.	**42 – 43** Our net interest earnings and net asset value may be adversely affected by **interest rate risk.**	**44 – 48** **Liquidity risk** may impair our ability to meet our payment obligations as they fall due.
49 **Market risk** arising in our trading book could affect our operational performance.	**49** **Operational risk** (including financial crime and process failure) may disrupt our business or result in regulatory action.	**50 – 52** **Employee misconduct** could cause harm that is difficult to detect.
50 – 52 We may be **vulnerable to the failure of our systems** and breaches of our security systems (including cyber and information security).	**50 – 52** We may be unable to **recruit, retain and motivate key personnel.**	**52** **Reputational, strategic** and **business risk** could impact our operational performance.
53 **Compliance, legal and regulatory risks** may have an impact on our business.	**53 – 58** **We may have insufficient capital** in the future and may be unable to secure additional financing when it is required.	**53 – 58** We may be exposed to **country risk** i.e. the risk inherent in sovereign exposure and events in other countries.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our 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 actual or implied 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) 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 2019, 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 16 and 41 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 Management Discussion and Analysis 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.

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

Concentration of risk policies

The bank has adopted and complies with the Bank of Mauritius Guideline on Credit Concentration Risk. 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.

The bank which is a subsidiary of a foreign bank ensures that its credit exposures are within the following limits:

(i) Denominated in Mauritian rupees
  (a) Aggregate credit exposure to any single customer shall not exceed 25 per cent of the bank's Tier 1 Capital;
  (b) Aggregate credit exposure to any group of connected counterparties shall not exceed 40 per cent of the bank's Tier 1 Capital; and
  (c) Aggregate large exposures to all customers and groups of connected counterparties shall not exceed 800 per cent of the bank's Tier 1 capital.

(ii) Denominated in currencies other than Mauritian Rupee
  (a) Aggregate credit exposure to any single customer shall not exceed 50 per cent of the bank's Tier 1 Capital;
  (b) Aggregate credit exposure to any group of connected counterparties shall not exceed 75 per cent of the bank's Tier 1 Capital; and
  (c) Aggregate large exposures to all customers and groups of connected counterparties shall not exceed 1200 per cent of the bank's Tier 1 capital. This limit is exclusive of the limit of 800 per cent imposed in Mauritian Rupee denominated credit.

Since 2 October 2017, the Bank of Mauritius defines the large credit exposure as the sum of all exposures to a customer or group of connected counterparties in Mauritian Rupees or foreign currencies or both which is over 10 per cent (previously 15 per cent) of the financial institution's Tier 1 Capital (previously total capital base).

At 31 March 2019, there were five customers or group of connected counterparties to whom the bank granted facilities aggregating more than 10 per cent its Tier 1 capital for total amount of US$227.0 million (65.1% of Tier 1 Capital).

At 31 March 2018, there were seven customers or group of connected counterparties to whom the bank granted facilities aggregating more than 10 per cent its Tier 1 capital for total amount of US$330.5 million (80.5% of Tier 1 Capital).

At 31 March 2017, there were no customers or group of connected counterparties to whom the bank granted facilities aggregating more than 15 per cent its capital base.

Risk appetite

The board has set the bank's risk appetite limit framework which regulates the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. This limit framework is 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. Should there be any breaches to limits or where exposures are nearing limits, these exceptions are specifically highlighted for attention and any remedial actions agreed.

Management and measurement of credit and counterparty 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)
- 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 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.

Fitch (UK only), S&P, Moody's and Global Credit Ratings (SA only) have been nominated as eligible ECAIs for the purposes of determining external credit ratings. The following elections have been made:

- In relation to sovereigns and securitisations, Fitch (UK only), Moody's, S&P and Global Credit Ratings (SA only) have been selected by Investec as eligible ECAIs
- In relation to banks, corporates and debt securities, Fitch (UK only), Moody's and S&P are recognised as eligible ECAIs
- If two assessments are available, the more conservative will apply
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings should be referred to and the higher of those two ratings should be applied. The group applies the standardised approach for calculating capital requirements in the assessment of its credit and counterparty exposures. The group conduct their mapping of credit and counterparty exposures in accordance with the mapping procedures specified by the Bank of Mauritius (BoM), in the respective geographies in which the group operates.

Related party transactions, policies and practices

The bank adheres to the Bank of Mauritius (BoM) 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 an annual basis.

For the year to 31 March	2019	2018	2017
On- and off-balance sheet credit exposure (US$'million)	39.7	55.2	75.7
On- and off-balance sheet credit exposure to related parties as a percentage of exposure to all customers (%)	2.2	3.2	3.7
Amount of credit exposure to six related parties with the highest exposure (US$'million)	39.5	55.1	74.5
Amount of credit exposure to six related parties with the highest exposure to tier 1 capital (%)	11.3	13.4	19.7

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

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.

Credit risk classification and provisioning policy

International Financial Reporting Standard 9 Financial Investments (IFRS 9) requirements have been embedded into our group credit risk classification and provisioning policy. A framework has been established to incorporate both quantitative and qualitative measures. Policies for financial assets at amortised cost and at fair value through other comprehensive income (FVOCI), in accordance with IFRS 9, have been developed as described below:

Definition of default

The group has aligned the IFRS 9 and regulatory definitions of default, credit impaired and non-performing exposure. Assets that are more than 90 days past due, or considered by management as unlikely to pay their obligations in full without realisation of collateral are considered as exposures in default.

Stage 1

All assets that are considered performing and have not had a significant increase in credit risk are reported as Stage 1 assets. Under IFRS 9 these Stage 1 financial assets have loss allowances measured at an amount equal to 12-month expected credit loss (ECL).

Stage 2

Financial assets are considered to be in Stage 2 when their credit risk has increased significantly since initial recognition. A loss allowance equivalent to a lifetime ECL is required to be held.

The group's primary indicator for Stage 2 assets are distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision from watchlist committees and are under management review.

Assets in forbearance are considered to be, at a minimum, Stage 2. Forbearance measures refer to concessions such as modification of the terms and conditions or refinancing that has been granted to a debtor in financial difficulty amongst other indicators of financial stress. These exposures are assessed on a case by case basis to determine whether the proposed modifications will be considered as forbearance. Where the credit committee considers it likely that the client will be able to return to perform against the original contractual obligations within a reasonable timeframe these assets will be considered performing and in Stage 2. Forbearance is distinguished from commercial renegotiations which take place as part of normal business activity and standard banking practice.

In addition to loans under management review, an asset may also move from Stage 1 to Stage 2 if the model calculated probability of default (PD) has significantly increased since origination. This is tested on both a relative and absolute basis to assess whether a significant deterioration in lifetime risk of default has occurred.

The group assumes that all financial assets that are more than 30 days past due have experienced a significant increase in credit risk.

Exposures move back to Stage 1 once they no longer meet the criteria above for a significant increase in credit risk and as cure periods (specifically relating to forborne exposures) are met.

Stage 3

Financial assets are included in Stage 3 when there is objective evidence of credit impairment. As required under IFRS 9, the group assesses a loan as Stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay and credit impaired, or the loan is otherwise considered to be in default, for example due to the appointment of an administrator or the client is in receivership. Forborne loans that are considered non-performing, for example if a loan is not expected to meet the original contractual obligations in a reasonable timeframe, the loan will be classified as Stage 3.

Loans which are more than 90 days past due are considered to be in default.

Expected credit loss (ECL)

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge may be more volatile.

Prudential Norm impairment provisions

As per the Bank of Mauritius 'Guideline on Credit Impairment Measurement and Income Recognition', the bank is required to compute credit impairment provisions on 'impaired' assets under the Prudential Norm.

Where credit provisions computed in terms of Accounting Standard are different from those computed under the Prudential Provisioning Norm, the financial institution will be required to adhere to the following requirements:

- If the specific provision computed in terms of the Prudential Provisioning Norm is higher than the specific provision computed in terms of Accounting Standard, the difference shall be accounted as General Provision, through an appropriation of distributable reserves.
- If the specific provision computed in terms of Accounting Standard is higher than the specific provision computed in terms of the Prudential Provisioning Norm, then the entire specific provision computed under the Accounting Standard shall be treated as an expense in the Profit and Loss Account.

The information provided next page reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 30).

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. Credit exposures overdue for more than 180 days will at a minimum be included in doubtful (or a lower quality category).
		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 40 and 41.

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 re-sold. 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 ability 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 bank is mainly exposed to credit risk and has continued to remain prudent in its lending approach.

Loans to customers are well secured and monitored in order to remain within credit approved limit.

Credit quality remains solid with non-performing loans standing at 1.2% of gross loans and advances to customers. These exposures remain relatively well secured.

Exposures amounting US$0.24 million have been written-off during the year.

Gross core loans increased by 7.9% to US$1,041 million as at 31 March 2019.

Credit and counterparty risk information

Pages 16 to 41 describe where and how credit counterparty risk exists in the bank's operations

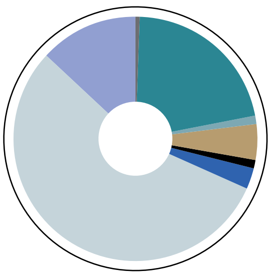
The tables that follow provide an analysis of the bank's credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

US$'000	31 March 2019	31 March 2018	31 March 2017	2019 vs 2018 % change	Average* 2019 vs 2018	2018 vs 2017 % change	Average* 2018 vs 2017
On-balance sheet exposures							
Cash and balances at central bank	14 138	16 691	13 706	(15.3%)	15 414	21.8%	15 199
Due from banks	402 956	443 357	796 611	(9.1%)	423 157	(44.3%)	619 984
Sovereign debt securities	20 575	–	22 214	100.0%	10 288	100.0%	11 107
Bank debt securities	88 672	137 604	108 399	(35.6%)	113 138	26.9%	123 001
Other debt securities	25 085	30 172	100 202	(16.9%)	27 628	(69.9%)	65 187
Derivative financial instruments	–	–	1	(100.0%)	–	(100.0%)	1
Reverse repurchase agreements	50 033	50 097	–	(0.2%)	50 055	100.0%	25 048
Loans and advances to customers	1 041 148	964 687	921 790	7.9%	1 002 917	4.7%	943 239
Total on-balance sheet credit and counterparty exposures	**1 642 607**	**1 642 608**	**1 962 923**	**0.0%**	**1 642 597**	**(16.3%)**	**1 802 766**
Guarantees^	6 095	7 417	4 854	(17.8%)	6 756	52.8%	6 136
Committed facilities	239 293	178 125	156 986	34.3%	208 709	13.5%	167 555
Off-balance sheet exposures	**245 388**	**185 542**	**161 840**	**32.3%**	**215 465**	**14.6%**	**173 691**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**1 887 995**	**1 828 150**	**2 124 763**	**3.3%**	**1 858 062**	**(14.0%)**	**1 976 457**

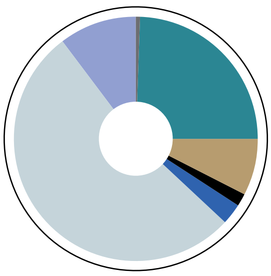
* *Where the average is based on a straight-line average.*
^ *Excludes guarantees provided to clients which are backed/secured by cash deposit with the bank.*

An analysis of gross credit and counterparty exposures



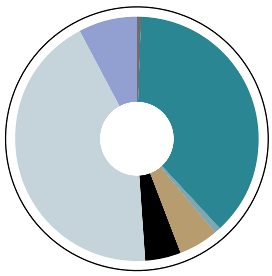
2019

0.7%	Cash and balances at central banks
21.3%	Loans and advances to banks
1.1%	Sovereign debt securities
4.7%	Bank debt securities
1.3%	Other debt securities
0.0%	Derivative financial instruments
2.6%	Reverse repurchase agreements and cash collateral on securities borrowed
55.1%	Loans and advances to customers
13.0%	Off-balance sheet exposures



2018

0.7%	Cash and balances at central banks
24.3%	Loans and advances to banks
0.0%	Sovereign debt securities
7.5%	Bank debt securities
1.7%	Other debt securities
0.0%	Derivative financial instruments
2.7%	Reverse repurchase agreements and cash collateral on securities borrowed
52.8%	Loans and advances to customers
10.1%	Off-balance sheet exposures



2017

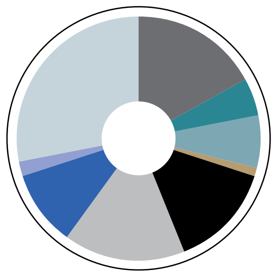
0.6%	Cash and balances at central banks
37.5%	Loans and advances to banks
1.0%	Sovereign debt securities
5.1%	Bank debt securities
4.7%	Other debt securities
0.0%	Derivative financial instruments
0.0%	Reverse repurchase agreements and cash collateral on securities borrowed
43.4%	Loans and advances to customers
7.6%	Off-balance sheet exposures

Concentration of risk is managed by client/counterparty, by geographical region and industry sector. The maximum exposure to any client and counterparty at 31 March 2019 was US$80.8 million (2018: US$92.5 million and 2017: US$201.2 million).

An analysis of gross credit and counterparty exposures

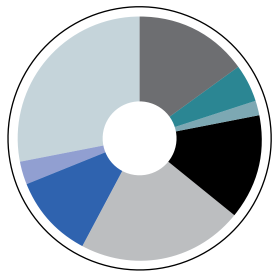
2019

22%	Mauritius
8%	South Africa
7%	Africa (excl RSA)
2%	Asia
11%	European Union
0%	Europe (non-EU)
17%	North America
4%	Other
2%	Australia
27%	United Kingdom



2018

17%	Mauritius
5%	South Africa
7%	Africa (excl RSA)
1%	Asia
14%	European Union
0%	Europe (non-EU)
15%	North America
10%	Other
2%	Australia
28%	United Kingdom



2017

15%	Mauritius
5%	South Africa
2%	Africa (excl RSA)
0%	Asia
14%	European Union
0%	Europe (non-EU)
22%	North America
11%	Other
3%	Australia
28%	United Kingdom

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

At 31 March US$'000	Total credit and counterparty exposure	Expected credit loss	Assets that we deem to have no legal credit exposure	Note refer-ence	**Total balance sheet**
2019					
Cash and balances at central banks	14 138	–	5		14 143
Due from banks	402 956	(11)	91 368	1	494 313
Sovereign debt securities	20 575	–	–		20 575
Bank debt securities	88 672	(60)	–		88 612
Other debt securities	25 085	(107)	–		24 978
Derivative financial instruments	–	–	17 061		17 061
Reverse repurchase agreements	50 033	(19)	25 541		75 555
Loans and advances to customers	1 041 148	(6 879)	–	2	1 034 269
Other assets	–	–	4 300		4 300
Investment portfolio	–	–	5 445	3	5 445
Investment in associate	–	–	4 635		4 635
Deferred taxation asset	–	–	297		297
Equipment	–	–	354		354
Amount due from group companies	–	–	1 010	1	1 010
Total on-balance sheet exposures	**1 642 607**	**(7 076)**	**150 016**		**1 785 547**

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**
2018				
Cash and balances at central bank	16 691	4		16 695
Due from banks	443 357	15 762	1	459 119
Bank debt securities	137 604	–		137 604
Other debt securities	30 172	–		30 172
Derivative financial instruments	–	17 437		17 437
Reverse repurchase agreements	50 097	25 089		75 186
Loans and advances to customers	964 687	(12 050)	2	952 637
Other assets	–	7 203		7 203
Investment portfolio	–	12 993	3	12 993
Investment in associate	–	4 598		4 598
Deferred taxation asset	–	438		438
Equipment	–	395		395
Amount due from group companies	–	3 366	1	3 366
Total on-balance sheet exposures	**1 642 608**	**75 235**		**1 717 843**
2017				
Cash and balances at central bank	13 706	9		13 715
Due from banks	796 611	15 765	1	812 376
Sovereign debt securities	22 214	–		22 214
Bank debt securities	108 399	–		108 399
Other debt securities	100 202	–		100 202
Derivative financial instruments	1	21 803		21 804
Loans and advances to customers	921 790	(7 795)	2	913 995
Other assets	–	4 521		4 521
Investment portfolio	–	14 473	3	14 473
Investment in associate	–	4 160		4 160
Deferred taxation asset	–	357		357
Equipment	–	294		294
Amount due from group companies	–	3 698	1	3 698
Total on-balance sheet exposures	**1 962 923**	**57 285**		**2 020 208**

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

	Gross core loans and advances			Other credit and counterparty exposures			Total		
As at 31 March US$'000	**2019**	2018*	2017*	**2019**	2018*	2017*	**2019**	2018*	2017*
Agriculture, forestry and fishing	17 259	–	2 003	–	–	–	17 259	–	2 003
Construction	71 036	132 110	221 178	47 787	50 246	67 706	118 823	182 356	288 884
Households	26 164	31 333	30 096	5 495	460	865	31 659	31 793	30 961
Real estate activities	217 213	180 826	122 373	41 497	71 839	38 321	258 710	252 665	160 694
Financial and Insurance activities	388 170	395 747	265 501	718 966	728 799	1 064 901	1 107 136	1 124 546	1 330 402
Wholesale and retail trade	32 556	9 954	–	–	5 051	–	32 556	15 005	–
Manufacturing	5 681	17 880	14 861	5 000	–	653	10 681	17 880	15 514
Transportation and storage	108 032	139 720	164 444	8 124	–	–	116 156	139 720	164 444
Accommodation and food service activities	1 321	13 940	15 419	24	–	–	1 345	13 940	15 419
Electricity, gas, steam and air conditioning supply	48 908	2 403	40 005	1 603	–	1 259	50 511	2 403	41 264
Information and communication	56 028	20 270	14 412	5 751	–	21 798	61 779	20 270	36 210
Administrative and support service activities	18 931	461	151	–	–	–	18 931	461	151
Human health and social work activities	33 443	10 880	–	2 112	–	–	35 555	10 880	–
Mining and Quarrying	6 822	–	–	–	–	–	6 822	–	–
Entertainment	–	105	–	–	–	–	–	105	–
Other entities	9 584	9 058	31 347	10 488	7 068	7 470	20 072	16 126	38 817
Total	**1 041 148**	**964 687**	**921 790**	**846 847**	**863 463**	**1 202 973**	**1 887 995**	**1 828 150**	**2 124 763**

* *The prior year figures have been reclassified according to new Bank of Mauritius ISIC industry.*

This page has been left blank intentionally.

Detailed analysis of gross credit and counterparty exposures by industry

At 31 March US$'000	Agriculture, forestry and fishing	Construction	Households	Real estate activities	Financial and Insurance activities	Wholesale and retail trade	Manufacturing
2019							
On-balance sheet exposures	**17 259**	**71 036**	**26 164**	**217 213**	**989 629**	**32 556**	**5 681**
Other debt securities	–	–	–	–	25 085	–	–
Bank debt securities	–	–	–	–	88 672	–	–
Sovereign debt securities	–	–	–	–	20 575	–	–
Bank placements	–	–	–	–	417 094	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	50 033	–	–
Gross core loans and advances to customers	17 259	71 036	26 164	217 213	388 170	32 556	5 681
Off-balance sheet exposures	**–**	**47 787**	**5 495**	**41 497**	**117 508**	**–**	**5 000**
Guarantees	–	–	847	1 642	–	–	–
Committed facilities	–	47 787	4 648	39 855	117 508	–	5 000
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**17 259**	**118 823**	**31 659**	**258 709**	**1 107 136**	**32 556**	**10 681**
2018							
On-balance sheet exposures	**–**	**132 110**	**31 333**	**180 826**	**1 073 669**	**9 954**	**17 880**
Other debt securities	–	–	–	–	30 172	–	–
Bank debt securities	–	–	–	–	137 604	–	–
Bank placements	–	–	–	–	460 049	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	50 097	–	–
Gross core loans and advances to customers	–	132 110	31 333	180 826	395 747	9 954	17 880
Off-balance sheet exposures	**–**	**71 839**	**461**	**50 246**	**50 877**	**5 051**	**–**
Guarantees	–	3 977	–	2 994	–	–	–
Committed facilities	–	67 862	461	47 252	50 877	5 051	–
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**–**	**203 949**	**31 794**	**231 072**	**1 124 546**	**15 005**	**17 880**
2017							
On-balance sheet exposures	**2 003**	**221 178**	**30 097**	**122 373**	**1 290 585**	**–**	**14 861**
Other debt securities	–	–	–	–	84 154	–	–
Bank debt securities	–	–	–	–	108 399	–	–
Sovereign debt securities	–	–	–	–	22 214	–	–
Bank placements	–	–	–	–	810 317	–	–
Derivative financial instruments	–	–	1	–	–	–	–
Gross core loans and advances to customers	2 003	221 178	30 096	122 373	265 501	–	14 861
Off-balance sheet exposures	**–**	**67 706**	**864**	**38 321**	**39 817**	**–**	**653**
Guarantees	–	1 419	–	3 435	–	–	–
Committed facilities	–	66 287	864	34 886	39 817	–	653
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**2 003**	**288 884**	**30 961**	**160 694**	**1 330 402**	**–**	**15 514**

	Transporta-tion and storage	Accommo-dation and food service activities	Electricity, gas, steam and air conditioning supply	Information and com-munication	Administra-tive and support service activities	Human health and social work activities	Mining and Quarrying	Entertain-ment	Other entities	**Total**
	108 032	**1 321**	**48 908**	**56 028**	**18 931**	**33 443**	**6 822**	**–**	**9 584**	**1 642 607**
	–	–	–	–	–	–	–	–	–	25 085
	–	–	–	–	–	–	–	–	–	88 672
	–	–	–	–	–	–	–	–	–	20 575
	–	–	–	–	–	–	–	–	–	417 093
	–	–	–	–	–	–	–	–	–	50 033
	108 032	1 321	48 908	56 028	18 931	33 443	6 822	–	9 584	1 041 148
	8 123	**24**	**1 603**	**5 751**	**–**	**2 112**	**–**	**–**	**10 488**	**245 387**
	3 606	–	–	–	–	–	–	–	–	6 095
	4 517	24	1 603	5 751	–	2 112	–	–	10 488	239 293
	116 156	**1 345**	**50 511**	**61 779**	**18 931**	**35 555**	**6 822**	**–**	**20 072**	**1 887 995**
	139 720	**13 940**	**2 403**	**20 270**	**461**	**10 880**	**–**	**105**	**9 058**	**1 642 608**
	–	–	–	–	–	–	–	–	–	30 172
	–	–	–	–	–	–	–	–	–	137 604
	–	–	–	–	–	–	–	–	–	460 049
	–	–	–	–	–	–	–	–	–	50 097
	139 720	13 940	2 403	20 270	461	10 880	–	105	9 058	964 687
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7 068**	**185 542**
	–	–	–	–	–				446	7 417
	–	–	–	–	–	–	–	–	6 622	178 125
	139 720	**13 940**	**2 403**	**20 270**	**461**	**10 880**	**–**	**105**	**16 126**	**1 828 150**
	164 444	**15 419**	**40 005**	**30 460**	**151**	**–**	**–**	**–**	**31 347**	**1 962 923**
	–	–	–	16 048	–	–	–	–	–	100 202
	–	–	–	–	–	–	–	–	–	108 399
	–	–	–	–	–	–	–	–	–	22 214
	–	–	–	–	–	–	–	–	–	810 317
	–	–	–	–	–	–	–	–	–	1
	164 444	15 419	40 005	14 412	151	–	–	–	31 347	921 790
	–	**–**	**1 259**	**5 750**	**–**	**–**	**–**	**–**	**7 470**	**161 840**
	–	–	–	–	–	–	–	–	–	4 854
	–	–	1 259	5 750	–	–	–	–	7 470	156 986
	164 444	**15 419**	**41 264**	**36 210**	**151**	**–**	**–**	**–**	**38 817**	**2 124 763**

Asset quality and impairments

Core loans and advances to customers

The tables that follows provide information with respect to the asset quality of our core loans and advances to customers

At 31 March US$'000	2019	2018	2017
Gross core loans and advances to customers subject to ECL	**1 041 148**	**964 687**	**921 790**
Stage 1	976 572	–	–
Stage 2	26 505	–	–
Stage 3	38 071	–	–
Gross core loans and advances to customers subject to ECL (%)	**100%**		
Stage 1	93,8%	–	–
Stage 2	2.5%	–	–
Stage 3	3.7%	–	–
Expected credit loss	**(6 879)**	**–**	**–**
Stage 1	(2 411)	–	–
Stage 2	(571)	–	–
Stage 3	(3 897)	–	–
ECL coverage ratio (%)			
Stage 1	0.2%	–	–
Stage 2	2.2%	–	–
Stage 3	10.2%	–	–
Total impairments	**–**	**(12 050)**	**(7 795)**
Portfolio	–	(7 174)	(7 142)
Specific	–	(4 876)	(653)
Net core loans and advances to customers	**1 034 269**	**952 637**	**913 995**
Average gross core loans and advances to customers	**1 002 917**	**943 238**	**909 789**
Current loans and advances to customers	973 716	905 709	863 381
Past due loans and advances to customers (1 – 60 days)	2 206	30 863	1 456
Special mention loans and advances to customers	52 721	14 563	28 008
Default loans and advances to customers	12 505	13 552	28 945
Gross Core loans and advances to customers	**1 041 148**	**964 687**	**921 790**
Current loans and advances to customers	1 026 035	905 917	880 729
Gross core loans and advances to customers that are past due but not impaired	4 857	46 134	16 844
Gross core loans and advances to customers that are impaired	10 256	12 635	24 217
Gross Core loans and advances to customers	**1 041 148**	**964 687**	**921 790**
ECL impairment reversal on loans and advances	**2 720**	**–**	**–**
Impairment losses on loans and advances	**–**	**(3 214)**	**(3 535)**
Stage 3 loans net of ECL	**34 175**	**–**	**–**
Gross default loans and advances to customers	12 506	13 552	28 945
Expected credit loss	(6 879)	–	–
Specific impairments	–	(4 876)	(653)
Portfolio impairments	–	(7 174)	(7 142)
Defaults net of impairments	**5 627**	**1 502**	**21 150**
Collateral and other credit enhancements	32 714	10 535	40 326
Net default loans and advances to customers (limited to zero)	**–**	**–**	**–**
Ratios:			
Total impairments as a % of gross core loans and advances to customers	0.66%	1.25%	0.85%
Total impairments as a % of gross default loans	55.00%	88.92%	26.93%
Gross defaults as a % of gross core loans and advances to customers	1.20%	1.40%	3.14%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.54%	0.16%	2.31%
Net defaults as a % of gross core loans and advances to customers	0.00%	0.00%	0.00%
Credit loss ratio (i.e: income statement as a % of average gross core loans and advances)	(0.27%)	0.34%	0.39%

Stage 1: 93.8% of gross exposure subject to ECL is in Stage 1 and has not experienced a significant increase in credit risk since origination. ECL is calculated based on a 12-month expected loss. Coverage for these performing, non-deteriorated assets is 0.2%.

Stage 2: 5.0% of gross exposure is in Stage 2 and has seen a significant increase in credit risk since origination. These assets require a lifetime expected loss to be held. An asset reported in Stage 2 does not imply we expect a loss on these assets. Stage 2 assets are assessed relative to their expected performance at the point of origination. While assets may underperform original expectations, the level of ECL indicates that our expected losses from these positions remain low at a coverage ratio of 1.1%.

Stage 3: 1.2% of gross exposure is in Stage 3 which is made up of assets that are credit impaired. The coverage ratio totals 32.3% and the remaining net exposure is considered well covered by collateral.

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

At 31 March US$'000	2019	2018	2017
Watchlist loans neither past due nor impaired	52 319	208	17 348
1 – 60 days	2 206	45 218	19 968
61 – 90 days	631	–	286
91 – 180 days	–	–	16 212
181 – 365 days	384	–	4 595
> 365 days	11 892	13 552	–
Past due and default core loans and advances to customers (actual capital exposure)	**67 432**	**58 978**	**58 409**
1 – 60 days	26	28 815	8 038
61 – 90 days	246	–	16
91 – 180 days	–	–	1 602
181 – 365 days	384	–	256
> 365 days	11 892	13 029	–
Past due and default loans and advances to customers (actual amount in arrears)	**12 548**	**41 844**	**9 912**

A further age analysis of watchlist and 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**
2019							
Watchlist loans							
Total capital exposure	52 319	–	–	–	–	–	52 319
Amount in arrears	–	–	–	–	–	–	–
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	2 206	402	–	384	1 865	4 857
Amount in arrears	–	26	17	–	384	1 865	2 292
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	–	229	–	–	10 027	10 256
Amount in arrears	–	–	229	–	–	10 027	10 256
2018							
Watchlist loans							
Total capital exposure	208	–	–	–	–	–	208
Amount in arrears	–	–	–	–	–	–	–
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	45 218	–	–	–	916	46 134
Amount in arrears	–	28 815	–	–	–	393	29 208
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	–	–	–	–	12 636	12 636
Amount in arrears	–	–	–	–	–	12 636	12 636
2017							
Watchlist loans							
Total capital exposure	17 348	–	–	–	–	–	17 348
Amount in arrears	–	–	–	–	–	–	–
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	16 558	286	–	–	–	16 844
Amount in arrears	–	4 628	16	–	–	–	4 644
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	3 410	–	16 212	4 595	–	24 217
Amount in arrears	–	3 410	–	1 602	256	–	5 268

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 2019 was US$10.0 million (2018: US$95.5 million and 2017: US$35.2 million).

A further age analysis based of gross non-current and watchlist core loans and advances to customers as at 31 March 2019 (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)	**–**	**2 206**	**–**	**–**	**–**	**–**	**2 206**
Special mention	**52 319**	**–**	**402**	**–**	**–**	**–**	**52 721**
Special mention (61 – 90 days and item well secured)	–	–	402	–	–	–	402
Special mention – current	52 319	–	–	–	–	–	52 319
Default	**–**	**–**	**229**	**–**	**384**	**11 892**	**12 505**
Sub-standard	–	–		–	–	–	–
Doubtful	–	–	229	–	384	–	613
Loss	–	–	–	–	–	11 892	11 892
Total	**52 319**	**2 206**	**631**	**–**	**384**	**11 892**	**67 432**

A further age analysis based of gross non-current and watchlist core loans and advances to customers as at 31 March 2019 (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)	**–**	**26**	**–**	**–**	**–**	**–**	**26**
Special mention	**–**	**–**	**17**	**–**	**–**	**–**	**17**
Special mention (1 – 90 days and management concerned)	–	–	17	–	–	–	17
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–
Special mention – current	–	–	–	–	–	–	–
Default	**–**	**–**	**229**	**–**	**384**	**11 892**	**12 505**
Sub-standard	–	–	–	–	–	–	–
Doubtful	–	–	229	–	384	–	613
Loss	–	–	–	–	–	11 892	11 892
Total	**–**	**26**	**246**	**–**	**384**	**11 892**	**12 548**

A further age analysis based of gross non-current and watchlist core loans and advances to customers as at 31 March 2018 (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)	**–**	**30 863**	**–**	**–**	**–**	**–**	**30 863**
Special mention	**208**	**14 355**	**–**	**–**	**–**	**–**	**14 563**
Special mention (1 – 90 days and management concerned)	–	14 355	–	–	–	–	14 355
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–
Special mention – current	208	–	–	–	–	–	208
Default	**–**	**–**	**–**	**–**	**–**	**13 552**	**13 552**
Sub-standard	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–
Loss	–	–	–	–	–	13 552	13 552
Total	**208**	**45 218**	**–**	**–**	**–**	**13 552**	**58 978**

A further age analysis based of gross non-current and watchlist core loans and advances to customers as at 31 March 2018 (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)	**–**	**28 165**	**–**	**–**	**–**	**–**	**28 165**
Special mention	**–**	**650**	**–**	**–**	**–**	**–**	**650**
Special mention (1 – 90 days and management concerned)	–	650	–	–	–	–	650
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–
Special mention – current	–	–	–	–	–	–	–
Default	**–**	**–**	**–**	**–**	**–**	**13 029**	**13 029**
Sub-standard	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–
Loss	–	–	–	–	–	13 029	13 029
Total	**–**	**28 815**	**–**	**–**	**–**	**13 029**	**41 844**

A further age analysis based of gross non-current and watchlist core loans and advances to customers as at 31 March 2017 (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)	**–**	**1 456**	**–**	**–**	**–**	**–**	**1 456**
Special mention	**17 348**	**10 374**	**286**	**–**	**–**	**–**	**28 008**
Special mention (1 – 90 days and management concerned)	–	10 374	–	–	–	–	10 374
Special mention (61 – 90 days and item well secured)	–	–	286	–	–	–	286
Special mention – current	17 348	–	–	–	–	–	17 348
Default	**–**	**8 138**	**–**	**16 212**	**4 595**	**–**	**28 945**
Sub-standard	–	4 728	–	–	–	–	4 728
Doubtful	–	3 410	–	16 212	4 595	–	24 217
Total	**17 348**	**19 968**	**286**	**16 212**	**4 595**	**–**	**58 409**

A further age analysis based of gross non-current core and watchlist loans and advances to customers as at 31 March 2017 (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)	**–**	**13**	**–**	**–**	**–**	**–**	**13**
Special mention	**–**	**358**	**16**	**–**	**–**	**–**	**374**
Special mention (1 – 90 days and management concerned)	–	358	–	–	–	–	358
Special mention (61 – 90 days and item well secured)	–	–	16	–	–	–	16
Special mention – current	–	–	–	–	–	–	–
Default	**–**	**7 667**	**–**	**1 602**	**256**	**–**	**9 525**
Sub-standard	–	4 257	–	–	–	–	4 257
Doubtful	–	3 410	–	1 602	256	–	5 268
Total	**–**	**8 038**	**16**	**1 602**	**256**	**–**	**9 912**

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)**	Expected credit loss	Specific impairments	Portfolio impairments	**Total net core loans and advances (actual capital exposure)**	Actual amount in arrears
2019									
Current core loans and advances	**973 716**	**–**	**–**	**973 716**	**(3 023)**	**–**	**–**	**970 693**	**–**
Past due (1 – 60 days)	**–**	**2 206**	**–**	**2 206**	**(7)**	**–**	**–**	**2 199**	**26**
Special mention	**52 319**	**402**	**–**	**52 721**	**(164)**	**–**	**–**	**52 557**	**17**
Special mention (61 – 90 days and item well secured)	–	402	–	402	(2)	–	–	400	17
Special mention – current	52 319	–		52 319	(162)	–	–	52 157	–
Default	**–**	**2 249**	**10 256**	**12 505**	**(3 686)**	**–**	**(39)**	**8 820**	**12 505**
Doubtful	–	384	229	613	(46)	–	–	567	613
Loss	–	1 865	10 027	11 892	(3 640)	–	–	8 252	11 892
Total	**1 026 035**	**4 857**	**10 256**	**1 041 148**	**(6 879)**	**–**	**–**	**1 034 269**	**12 549**
2018									
Current core loans and advances	**905 709**	**–**	**–**	**905 709**	**–**	**–**	**(6 818)**	**898 891**	**–**
Past due (1 – 60 days)	**–**	**30 863**	**–**	**30 863**	**–**	**–**	**(230)**	**30 633**	**28 165**
Special mention	**208**	**14 355**	**–**	**14 563**	**–**	**–**	**(109)**	**14 455**	**650**
Special mention (1 – 90 days)	–	14 355	–	14 355	–	–	(107)	14 248	650
Special mention (61 – 90 days and item well secured)	–	–	–	–	–	–	–	–	–
Special mention – current	208	–		208	–	–	(2)	206	–
Default	**–**	**916**	**12 635**	**13 552**	**–**	**(4 876)**	**(7)**	**8 669**	**13 029**
Sub-standard	–	–	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–	–	–
Loss	–	916	12 635	13 552	–	(4 876)	(7)	8 669	13 029
Total	**905 917**	**46 134**	**12 635**	**964 687**	**–**	**(4 876)**	**(7 174)**	**952 636**	**41 844**
2017									
Current core loans and advances	**863 381**	**–**	**–**	**863 381**	**–**	**–**	**(6 852)**	**856 529**	**–**
Past due (1 – 60 days)	**–**	**1 456**	**–**	**1 456**	**–**	**–**	**(12)**	**1 444**	**13**
Special mention	**17 348**	**10 660**	**–**	**28 008**	**–**	**–**	**(216)**	**27 792**	**374**
Special mention (1 – 90 days)	–	10 374	–	10 374	–	–	(80)	10 294	358
Special mention (61 – 90 days and item well secured)	–	286	–	286	–	–	(2)	284	16
Special mention – current	17 348	–	–	17 348	–	–	(134)	17 214	–
Default	**–**	**4 728**	**24 217**	**28 945**	**–**	**(653)**	**(62)**	**28 230**	**9 525**
Sub-standard	–	4 728	–	4 728	–	–	(62)	4 666	4 257
Doubtful	–	–	24 217	24 217	–	(653)	–	23 564	5 268
Loss	–	–	–	–	–	–	–	–	–
Total	**880 729**	**16 844**	**24 217**	**921 790**	**–**	**(653)**	**(7 142)**	**913 995**	**9 912**

This page has been left blank intentionally.

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)	Special mention (1 – 90 days and items well secured)
2019				
Agriculture, forestry and fishing	17 259	–	–	–
Construction	71 036	–	–	–
Households	21 480	2 206	–	–
Real estate activities	170 348	–	42 411	–
Financial and Insurance activities	388 170	–	–	–
Wholesale and retail trade	32 556	–	–	–
Manufacturing	5 681	–	–	–
Transportation and storage	93 113	–	9 907	–
Accommodation and food service activities	759	–	–	–
Electricity, gas, steam and air conditioning supply	48 908	–	–	–
Information and communication	55 627	–	–	402
Administrative and support service activities	18 931	–	–	–
Human health and social work activities	33 443			
Mining and Quarrying	6 822			
Other entities	9 584	–	–	–
Total gross core loans and advances to customers	**973 717**	**2 206**	**52 318**	**402**
2018				
Construction	103 539	28 571	–	–
Households	29 041	2 292	–	–
Real estate activities	174 393	–	–	–
Financial and Insurance activities	395 747	–	–	–
Wholesale and retail trade	9 954	–	–	–
Manufacturing	17 880	–	–	–
Transportation and storage	118 850	–	14 355	–
Accommodation and food service activities	13 129	–	–	–
Electricity, gas, steam and air conditioning supply	2 403	–	–	–
Information and communication	20 270	–	–	–
Administrative and support service activities	461	–	–	–
Human health and social work activities	10 880			
Mining and Quarrying	–			
Entertainment	105			
Other entities	9 058	–	–	–
Total gross core loans and advances to customers	**905 710**	**30 863**	**14 355**	**–**
2017				
Agriculture, forestry and fishing	2 003	–	–	–
Construction	221 178	–	–	–
Households	28 641	1 456	–	–
Real estate activities	114 711	–	–	–
Financial and insurance activities	265 215	–	–	286
Wholesale and retail trade	–	–	–	–
Manufacturing	14 861	–	–	–
Transportation and storage	116 705	–	10 374	–
Accommodation and food service activities	14 153	–	–	–
Electricity, gas, steam and air conditioning supply	40 005	–	–	–
Information and communication	14 412	–	–	–
Administrative and support service activities	151	–	–	–
Other entities	31 347	–	–	–
Total gross core loans and advances to customers	**863 382**	**1 456**	**10 374**	**286**

Special mention – current	Sub-standard	Doubtful	Loss	**Total gross core loans and advances to customers**	Expected credit loss	Portfolio impairments	Specific impairments	**Total impairments**
–	–	–	–	17 259	(53)	–	–	(53)
–	–	–	–	71 036	(220)	–	–	(220)
–	–	613	1 865	26 164	(125)	–	–	(125)
–	–	–	4 453	217 213	(2 036)	–	–	(2 036)
–	–	–	–	388 170	(1 201)	–	–	(1 201)
–	–	–	–	32 556	(100)	–	–	(100)
–	–	–	–	5 681	(18)	–	–	(18)
–	–	–	5 012	108 032	(2 021)	–	–	(2 021)
–	–	–	562	1 321	(568)	–	–	(568)
–	–	–	–	48 908	(151)	–	–	(151)
–	–	–	–	56 028	(173)	–	–	(173)
–	–	–		18 931	(59)	–	–	(59)
				33 443	(103)	–		(103)
				6 822	(21)	–		(21)
–	–	–	–	9 584	(30)	–	–	(30)
–	**–**	**613**	**11 892**	**1 041 148**	**(6 879)**	**–**	**–**	**(6 879)**
–	–	–	–	132 110	–	(978)	–	(978)
–	–	–	–	31 330	–	(232)	–	(232)
–	–	–	6 434	180 826	–	(1 353)	(2 050)	(3 403)
–	–	–	–	395 747	–	(2 928)	–	(2 928)
–	–	–	–	9 954	–	(74)	–	(74)
–	–	–	–	17 880	–	(132)	–	(132)
–	–	–	6 514	139 720	–	(1 055)	(2 826)	(3 881)
208	–	–	604	13 940	–	(103)	–	(103)
–	–	–	–	2 403	–	(18)	–	(18)
–	–	–	–	20 270	–	(150)	–	(150)
–	–	–		461	–	(3)	–	(3)
				10 880	–	(81)		(81)
				–	–	–		–
				105	–	(1)		(1)
–	–	–	–	9 058	–	(67)	–	(67)
208	**–**	**–**	**13 552**	**964 687**	**–**	**(7 174)**	**(4 876)**	**(12 050)**
–	–	–	–	2 003	–	(16)	–	(16)
–	–	–	–	221 178	–	(1 712)	–	(1 712)
–	–	–	–	30 096	–	(233)	–	(233)
–	4 252	3 410	–	122 373	–	(950)	(462)	(1 412)
–	–	–	–	265 501	–	(2 056)	–	(2 056)
–	–	–	–	–	–	–	–	–
–	–	–	–	14 861	–	(115)	–	(115)
17 348	–	20 017	–	164 444	–	(1 275)	(191)	(1 466)
–	476	790	–	15 419	–	(119)	–	(119)
–	–	–	–	40 005	–	(310)	–	(310)
–	–	–	–	14 412	–	(112)	–	(112)
–	–	–	–	151	–	(1)	–	(1)
–	–	–	–	31 347	–	(243)	–	(243)
17 348	**4 728**	**24 217**	**–**	**921 790**	–	**(7 142)**	**(653)**	**(7 795)**

Collateral

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

At 31 March US$'000	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
2019			
Eligible financial collateral	**128 017**	**1 190**	**129 207**
Listed shares	115 858	–	115 858
Cash**	12 159	1 190	13 349
Mortgage bonds	**1 046 544**	**1 356**	**1 047 901**
Residential mortgages	403 344	1 356	404 700
Commercial property developments	625 090	–	625 090
Commercial property investments	18 110	–	18 110
Other collateral	**1 050 171**	**9 418**	**1 059 589**
Unlisted shares	262 240	–	262 240
Charges other than property	248 263	8 878	257 141
Asset backed lending	522 080	540	522 621
Guarantees	17 587	–	17 587
Total collateral	**2 224 732**	**11 965**	**2 236 697**
2018			
Eligible financial collateral	**16 753**	**1 920**	**18 673**
Cash**	16 753	1 920	18 673
Mortgage bonds	**1 073 872**	**4 170**	**1 078 042**
Residential mortgages	279 468	–	279 468
Commercial property developments	585 222	4 170	589 392
Commercial property investments	209 182	–	209 182
Other collateral	**685 437**	**4**	**685 441**
Unlisted shares	186 407	–	186 407
Charges other than property	288 443	–	288 443
Asset backed lending	192 657	4	192 661
Guarantees	17 930	–	17 930
Total collateral	**1 776 062**	**6 094**	**1 782 156**

Collateral *(continued)*

At 31 March US$'000	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
2017			
Eligible financial collateral	**6 186**	**1 040**	**7 226**
Cash**	6 186	1 040	7 226
Mortgage bonds	**1 472 845**	**7 414**	**1 480 259**
Residential mortgages	241 163	1 084	242 247
Commercial property developments	1 044 278	6 330	1 050 608
Commercial property investments	187 404	–	187 404
Other collateral	**970 234**	**1 642**	**971 876**
Unlisted shares	254 175	1 642	255 817
Charges other than property	392 381	–	392 381
Asset-backed lending	293 482	–	293 482
Guarantees	30 196	–	30 196
Other	–	–	–
Total collateral	**2 449 265**	**10 096**	**2 459 361**

* *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$12.2 million (2018: US$16.8 million and 2017: US$6.2 million) with regard to loans and advances of US$54.9 million (2018: US$135.8 million and 2017: US$111.8 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 'Customer accounts (deposits)'. The effect of offsetting the above financial instruments would have resulted in net balances for loans and advances of US$42.7 million (2018: US$119.0 million and 2017: US$106.0 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 seeks reviews the performance of the investment portfolio at least once a month and reports its findings to the board every quarter.

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 2019	Valuation change stress test* 2019	On balance sheet value of investments 2018	Valuation change stress test* 2018	On balance sheet value of investments 2017	Valuation change stress test* 2017
Unlisted investments	2 250	337	12 984	1 948	14 450	2 168
Listed equities	3 195	799	9	2	23	6
Equity derivatives	12 018	4 206	16 106	5 637	14 102	4 936
Total	**17 463**	**5 343**	**29 099**	**7 587**	**28 575**	**7 110**

* *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 2019, indicates that the bank could have a US$5.3 million reversal in investment income. 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 bank 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 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 analysis. 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 prepayment 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 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.

This combination of measures provides senior management and the Asset Liability Committee (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 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 2019 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	584	–	–	–	–	–	584
Investment/trading assets	94	27	11	3	–	22	157
Advances	916	15	52	51	–	–	1 034
Other assets	–	–	–	–	–	5	5
Assets	**1 594**	**42**	**63**	**54**	**–**	**27**	**1 780**
Deposits – non-banks	(922)	(29)	(86)	–	–	–	(1 037)
Securities sold under repurchase agreement	(77)	–	–	–	–	–	(77)
Other liabilities	–	–	–	–	–	(22)	(22)
Liabilities	**(999)**	**(29)**	**(86)**	**–**	**–**	**(22)**	**(1 136)**
Intercompany loans	(242)	(26)	(11)	–	–	–	(279)
Shareholders' funds	–	–	–	–	–	(368)	(368)
Balance sheet	**353**	**(13)**	**(34)**	**54**	**–**	**(363)**	**(647)**
Off-balance sheet	77	(6)	(46)	(22)	–	–	3
Repricing gap	**430**	**(19)**	**(80)**	**32**	**–**	**(363)**	**–**
Cumulative repricing gap	430	411	331	363	363	–	–

At 31 March 2018 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	536	–	–	–	–	–	536
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 March 2017 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	810	–	–	–	–	–	810
Investment/trading assets	8	52	20	129	16	39	264
Advances	796	18	16	84	–	–	914
Other assets	–	–	–	–	–	5	5
Assets	**1 614**	**70**	**36**	**213**	**16**	**44**	**1 993**
Deposits – non-banks	(1 106)	(21)	(69)	(6)	–	–	(1 202)
Securities sold under repurchase agreement	(102)	–	–	–	–	–	(102)
Other liabilities	–	–	–	–	–	(62)	(62)
Liabilities	**(1 208)**	**(21)**	**(69)**	**(6)**	**–**	**(62)**	**(1 366)**
Intercompany loans	(94)	(44)	(18)	(86)	–	–	(242)
Shareholders' funds	–	–	–	–	–	(388)	(388)
Balance sheet	**312**	**5**	**(51)**	**121**	**16**	**(406)**	**(3)**
Off-balance sheet	145	(9)	5	(122)	(16)	–	3
Repricing gap	**457**	**(4)**	**(46)**	**(1)**	**–**	**(406)**	**–**
Cumulative repricing gap	457	453	407	406	406	–	–

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.

	Sensitivity to the following interest rates (expressed in original currencies)					
At 31 March million	ZAR	GBP	USD	EUR	AUD	**All (USD)**
2019						
200bp down	(0.01)	0.18	0.41	0.13	0.20	1.63
200bp up	0.01	(0.18)	(0.41)	(0.13)	(0.20)	(1.63)
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
2017						
200bp down	(0.65)	1.45	(2.38)	0.27	(0.08)	(0.39)
200bp up	0.68	(1.35)	2.10	(0.26)	0.08	0.25

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 forecast 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
- Basel standards for liquidity measurement: while not having been enforced in Mauritius, the bank monitors the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) required by Basel III.

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 2019 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	383	175	26	–	–	–	–	584
Investment/trading assets	8	–	71	27	11	3	37	157
Advances	31	38	95	115	170	519	66	1 034
Other assets	–	–	–	5	–	–	–	5
Assets	**422**	**213**	**192**	**147**	**181**	**522**	**103**	**1 780**
Deposits – non-banks	(721)	(122)	(79)	(24)	(86)	(5)	–	(1 037)
Securities sold under repurchase agreement	9	–	(49)	(25)	(11)	–	–	(77)
Other liabilities	–	–	–	(22)	–	–	–	(22)
Liabilities	**(712)**	**(122)**	**(128)**	**(71)**	**(97)**	**(5)**	**–**	**(1 136)**
Intercompany loans	(6)	–	(50)	(26)	(11)	(185)	–	(279)
Shareholders' funds	–	–	–	–	–	–	(368)	(368)
Balance sheet	**(295)**	**91**	**13**	**49**	**73**	**332**	**(265)**	**(3)**
Off-balance sheet	–	4	–	–	–	(1)	–	3
Contractual liquidity gap	**(295)**	**95**	**13**	**49**	**73**	**331**	**(265)**	**–**
Cumulative liquidity gap	(295)	(200)	(187)	(138)	(65)	265	–	

At 31 March 2018 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	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	–	

Contractual liquidity *(continued)*

At 31 March 2017 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	620	190	–	–	–	–	–	810
Investment/trading assets	–	–	1	53	21	147	42	264
Advances	14	34	20	127	182	423	114	914
Other assets	–	–	–	–	–	–	5	5
Assets	**634**	**224**	**21**	**180**	**203**	**570**	**161**	**1 993**
Deposits – non-banks	(940)	(61)	(104)	(21)	(70)	(6)	–	(1 202)
Securities sold under repurchase agreement	–	–	–	–	(17)	(85)	–	(102)
Other liabilities	(57)	–	–	(5)	–	–	–	(62)
Liabilities	**(997)**	**(61)**	**(104)**	**(26)**	**(87)**	**(91)**	**–**	**(1 366)**
Intercompany loans	8	–	–	–	–	(205)	(45)	(242)
Shareholders' funds	–	–	–	–	–	–	(388)	(388)
Balance sheet	**355**	**163**	**(83)**	**154**	**116**	**274**	**(272)**	**(3)**
Off-balance sheet	1	(2)	–	–	–	3	1	3
Contractual liquidity gap	**(354)**	**161**	**(83)**	**154**	**116**	**277**	**(271)**	**–**
Cumulative liquidity gap	(354)	(193)	(276)	(122)	(6)	271	–	–

Behavioural liquidity

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
2019								
Behavioural liquidity gap	**295**	**36**	**1**	**(64)**	**(1)**	**(248)**	**(18)**	**–**
Cumulative	295	331	332	268	267	19	–	–
2018								
Behavioural liquidity gap	**158**	**143**	**86**	**39**	**210**	**9**	**(644)**	**–**
Cumulative	158	301	387	425	635	644	–	–
2017								
Behavioural liquidity gap	**514**	**138**	**(69)**	**111**	**278**	**(123)**	**(849)**	**–**
Cumulative	514	652	583	694	972	849	–	–

Net Stable Funding Ratio (NSFR)

The bank's NSFR stood at 122% as at 31 March 2019 (March 2018: 137%).

Liquidity Coverage Ratio (LCR)

The bank monitors the LCR as required by Basel III and the Guideline on Liquidity Risk Management issued by the Bank of Mauritius. The LCR is applicable since 30 November 2017 with transitional arrangements which require the bank to maintain a minimum ratio of 80% as from 31 January 2019 and to 100% as from 31 January 2020.

As at 31 March 2019, the bank's LCR stood at 91% (March 2018: 116%), well above regulatory requirements.

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.

					Other currencies		
At 31 March US$'000	**% change in currency rate**	**EUR**	**GBP**	**MUR**	**Long**	**Short**	**Aggregate net open foreign exchange position**
Open position							
2019							
Long/(short) position		6 550	3 537	(216)	405	(1 625)	10 491
Sensitivity on net	+5	328	177	(11)	20	(81)	525
income and equity	**-5**	**(328)**	**(177)**	**11**	**(20)**	**81**	**(525)**
2018							
Long/(short) position		1 579	1 917	(1 179)	1 265	(4 798)	(5 977)
Sensitivity on net	+5	79	96	(59)	63	(240)	(299)
income and equity	**-5**	**(79)**	**(96)**	**59**	**(63)**	**240**	**299**
2017							
Long/(short) position		667	1 960	(273)	624	(2 453)	3 251
Sensitivity on net	+5	33	98	(14)	31	(123)	163
income and equity	**-5**	**(33)**	**(98)**	**14**	**(31)**	**123**	**(163)**

Operational risk management

Operational risk definition

Operational risk is defined as the potential or actual impact to the bank as a result of failures relating to internal processes, people and systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

Operational risk is an inherent risk in the operations of the bank. The bank aims to appropriately identify and manage operational risk within acceptable levels by adopting sound operational risk management practices which are fit for purpose.

Governance

The governance structure adopted to manage operational risk within the bank operates in terms of a level of defence model and includes principles relating to combined assurance. The level of defence model is applied as follows:

- Level 1 – Business line management: responsible for identifying and managing risks inherent in the products, activities, processes and systems for which it is accountable;
- Level 2 – Independent corporate operational risk function: key function is to challenge the business lines' inputs to, and outputs from, the bank's risk management, risk measurement and reporting systems;
- Level 3 – Independent review and challenge: required to review and challenge the bank's operational risk management controls, processes and systems.

Risk appetite

Operational risk appetite is defined as the level of risk exposure that is acceptable to the board in order to achieve its business and strategic objectives. The board is responsible for setting and regularly reviewing risk appetite.

The Operational Risk Tolerance policy defines the amount of operational risk exposure, or potential adverse impact of a risk event, that the bank is willing to accept. 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. All exceptions and breaches of thresholds are reported to the relevant operational risk governance forums and the GRCC who are responsible for escalation to the BRCC as appropriate.

Operational risk management framework

The bank applies the standardised approach (TSA) for regulatory capital purposes in the assessment of operational risk.

The changing regulatory landscape includes The Basel Committee on Banking Supervision (BCBS) proposing reforms on how banks calculate operational risk capital. The bank continues to work closely with regulators and industry bodies to remain cognisant of reforms.

The framework is embedded at all levels of the group, supported by the risk culture and enhanced on a continual basis as the discipline matures and in line with regulatory developments.

The operational risk management framework is supported by practices and processes which facilitate the identification, assessment and mitigation of operational risk. Practices consist of the following:

Risk and control assessment	**Internal risk events**	**External risk events**	**Key risk indicators**	**Scenarios and capital calculation**	**Reporting**
Forward looking qualitative assessments performed on key business processes, are used to identify, manage and monitor operational risks and controls	Internal risk events are analysed to enable business to identify trends in risk events and address control weaknesses	An external data service is used to analyse operational risk events from other organisations. This provides insight into possible emerging risks and input into the scenarios analysis	Metrics are used to monitor risk exposures against identified thresholds. The output assist in predictive capability and assessing the risk profile of the business	Extreme yet plausible scenarios are used to analyse and manage significant operational risk which have the potential of materially affecting the group's operations and financial stability. The output of this evaluation is used to determine internal operational risk capital requirements	Ongoing monitoring and reporting of the operational risk profile supports decision-making

Looking forward

Key operational risk considerations for the year ahead:

DEFINITION OF RISK	MANAGEMENT, MITIGATION APPROACH AND PRIORITIES FOR 2019/2020
Business resilience	
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes	• Maintain business operations during adverse events, through appropriate continuity capabilities that minimise impact to clients and the broader financial system • Establish fit-for-purpose resilience strategies including, but not limited to, relocating impacted businesses to alternate processing sites, implementation of high availability technology solutions, and ensuring physical resilience for critical infrastructure components • Conduct validation of recovery strategies at least annually to ensure they remain effective and appropriate • Enhance the global resilience capability through a team of dedicated resources and robust governance processes • Participate in regulatory and financial industry resilience activities to collaboratively minimise national systemic continuity risks
Cyber security	
Risk associated with cyber-attacks which can interrupt client services or business processes, or result in financial losses	• Maintain a risk-based strategy to ensure the group is adequately protected against advanced cyber-attacks, incorporating prediction, prevention, detection and response capabilities • Manage an adaptive cyber security architecture, ensuring consistent coverage of baseline cyber controls, with continual monitoring for visibility and proactive response to evolving cyber threats • Enhance cyber resilience by aligning security incident response with crisis management and business resilience processes • Validate the effectiveness of cyber controls through regular penetration testing and targeted attack simulations, run both internally and in conjunction with independent external specialists • Embed secure software development and testing practices to ensure IT systems are secure by design • Provide ongoing security training to staff to ensure high levels of awareness and vigilance

DEFINITION OF RISK	MANAGEMENT, MITIGATION APPROACH AND PRIORITIES FOR 2019/2020
Anti-Money Laundering (AML), Terrorist Financing and Sanctions	
Risk associated with money laundering, terrorist financing, bribery and tax evasion	• Continuous enhancement of AML and Sanctions control systems across the group • Refinement of risk management methodology with the aim to risk rate clients better allowing more effective resource allocation based on the risk posed to the group • Further enhancing the Transaction Monitoring environments with an aim to detect AML related activities • Continuous monitoring of adherence to AML policies and legislative requirements • AML awareness remains a key component of the control environment. The awareness is supported by mandatory training for all staff and specialist training for AML roles • Participate at industry bodies to manage legislative requirements through engagements with regulators
Fraud	
Risk associated with fraud, corruption, theft, forgery and integrity misconduct by staff, clients, suppliers and other stakeholders	• Enhance the group's global approach to fraud management through a holistic framework and consistent policies, standards and methodologies • Maintain an independent integrity line to ensure staff is able to report regulatory breaches, allegations of fraud, bribery and corruption, and non-compliance with policies • Proactive monitoring of adherence to fraud prevention policies and embedding of practices which comply with updated regulations, industry guidance and best practice • Continue to focus on training staff, educating clients and intermediaries on fraud prevention and detection • Participate in industry working groups to gain an understanding of current trends in order to enhance the control environment
Information security	
Risk associated with the compromise of information assets which can impact their confidentiality, integrity, or availability	• Identify high-value information assets based on confidentiality and business criticality • Manage role-based access to business systems and data, in support of least-privilege and segregation of duty principles • Implement strong security controls to protect information against unauthorised access or disclosure, and reduce opportunity for data compromise • Maintain safeguards to protect confidential physical documents and facilitate secure destruction • Develop mechanisms to monitor for and respond to data breaches in line with relevant privacy laws • Protect and monitor internal and external information flows to ensure data completeness and integrity • Develop data retention and destruction processes based on business needs, whilst meeting applicable regulatory compliance obligations
Outsourcing and third party	
Risk associated with the reliance on, and use of a service provider to provide services to the group	• Governance structures are in place to approve outsource and third-party arrangements • Policies and practices include adequate guidance over the assessment, selection, suitability and oversight of the outsource and third party providers • Continue to strengthen governance processes and relevant policies relating to how we identify, assess, mitigate and manage risks across the range of outsource and third party providers • Repeatable processes to facilitate both upfront and periodic evaluation based on the size, materiality, security, and service provision of the third party
Process failure	
Risk associated with inadequate internal processes, including human errors and control failures within the business. This includes process origination, execution and operations	• Proactive assessment relating to new products and projects to implement adequate and effective controls including the management of change • Address human errors through training, improvement of processes and controls, including automation of processes where possible • Segregation of duties and appropriate authorisation controls • Causal analysis is used to identify weaknesses in controls following the occurrence of risk events • Risk and performance indicators are used to monitor the effectiveness of controls across business units • Thematic reviews across business units to ensure consistent and efficient application of controls

DEFINITION OF RISK	MANAGEMENT, MITIGATION APPROACH AND PRIORITIES FOR 2019/2020
Regulatory compliance	
Risk associated with identification, implementation and monitoring of compliance with regulations	• Group Compliance and Group Legal assist in the management of regulatory and compliance risk which includes the identification and adherence to legal and regulatory requirements • Align regulatory and compliance approach to reflect new regulatory landscapes particularly the change of regulatory structures • Manage business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments (Refer to the Compliance section page 53) • Monitoring remains focused appropriately as areas of conduct and regulatory risk develop • Ensure that the business is appropriately positioned to cope with the regulatory changes resulting from geopolitical risk (e.g. Brexit)
Technology	
Risk associated with the disruptions to the IT systems which underpin our critical business processes and client services	• Continue to align IT architecture and standards across the group, to reduce technical complexity and leverage common functions and services • Further enhance IT operational processes, including management of IT changes to minimise adverse impact, and response to IT incidents for swift resolution and root cause analysis • Drive automation to reduce human error whilst enhancing efficiency • Implement strategic infrastructure and application roadmaps, leveraging new technologies to enhance capacity, scalability, security, and reduce reliance on legacy IT systems • Establish effective, proactive monitoring of the technology environment, providing continual visibility of the health and performance of IT systems and processes • Maintain and test IT resilience capabilities to withstand failures and minimise service disruptions

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 risk 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.

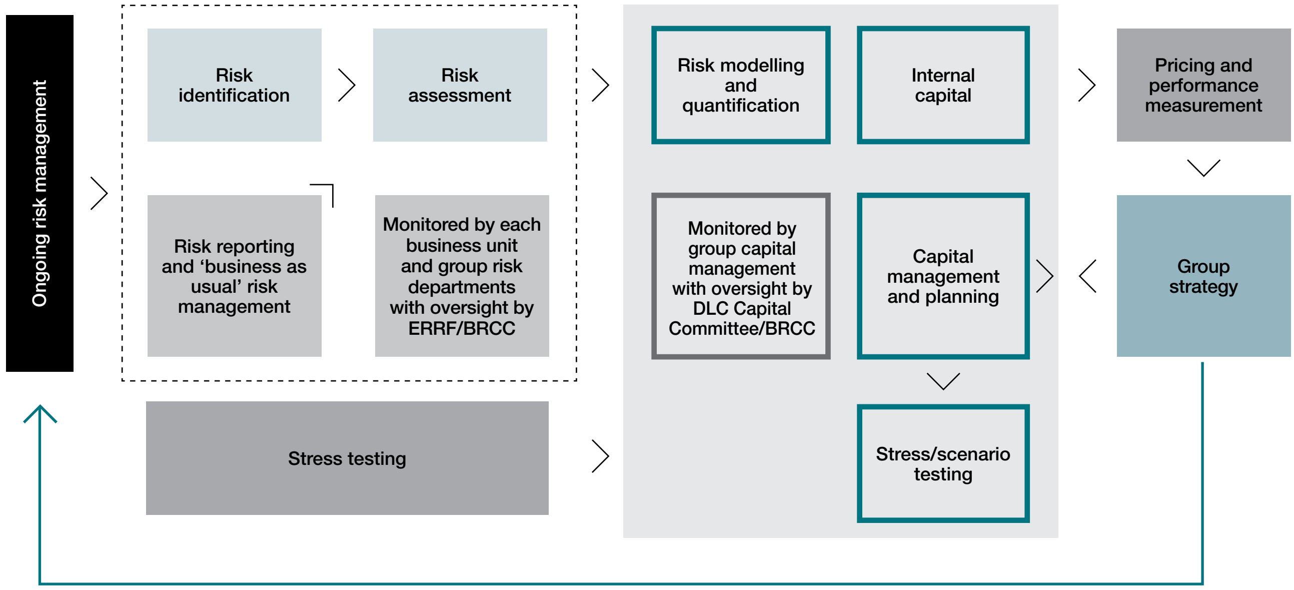
Reputational risk

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 15%.

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
- 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.

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 portfolio
- 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.

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 January 2016	1 January 2017	1 January 2018	**1 January 2019**	1 January 2020
Minimum common equity tier 1 CAR	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	6.5%	7.125%	7.75%	8.375%	9.0%
Phase-in of deductions from CAT 1*	50%	50%	80%	100%	100%
Minimum tier 1 CAR	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum total CAR	10.0%	10.0%	10.0%	10.0%	10.0%
Minimum total CAR plus Capital Conservation Buffer	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

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

	Group			Bank		
as at 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Common equity tier 1 capital: instruments and reserves						
Ordinary shares (paid-up) capital	56 478	56 478	56 478	56 478	56 478	56 478
Retained earnings	236 501	298 346	265 260	236 267	298 533	265 695
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surpluses on land and building assets)	56 289	56 174	55 949	56 290	56 174	55 949
Common equity tier 1 capital before regulatory adjustments	**349 268**	**410 998**	**377 687**	**349 035**	**411 185**	**378 122**
Deferred tax asset	(297)	(438)	(357)	(295)	(437)	(305)
Total regulatory adjustments to common equity tier 1 capital	**(297)**	**(438)**	**(357)**	**(295)**	**(437)**	**(305)**
Common equity tier 1 capital (CET1)	**348 971**	**410 560**	**377 330**	**348 740**	**410 748**	**377 817**
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)	17 260	16 153	16 934	17 260	16 153	16 953
Tier 2 capital (T2)	**17 260**	**16 153**	**16 934**	**17 260**	**16 153**	**16 953**
Total capital (capital base) (TC = T1 + T2)	**366 231**	**426 713**	**394 264**	**366 000**	**426 901**	**394 770**
Risk-weighted assets						
Risk-weighted on balance sheet assets	1 267 828	1 204 838	1 256 567	1 269 010	1 206 017	1 258 083
Non-market-related off balance sheet risk-weighted assets	93 518	83 925	91 219	93 518	83 925	91 219
Market-related off balance sheet risk-weighted assets	18 300	4 748	6 973	18 300	4 748	6 973
Operational risk	75 925	79 118	87 146	75 925	79 118	87 146
Aggregate net open foreign exchange position	10 491	5 977	3 251	10 491	5 977	3 251
Total risk-weighted assets	**1 466 062**	**1 378 606**	**1 445 156**	**1 467 244**	**1 379 783**	**1 446 672**
Capital adequacy %						
Total capital ratio	**25.0%**	**30.9%**	**27.2%**	**24.9%**	**30.9%**	**27.2%**
of which tier 1 capital ratio	**23.8%**	**29.8%**	**26.0%**	**23.8%**	**29.8%**	**26.0%**

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

	Group		Bank	
as at 31 March 2019 US$'000	Balance sheet amount	Amounts included for regulatory purposes	Balance sheet amount	Amounts included for regulatory purposes
Common Equity Tier 1 capital: instruments and reserves				
Ordinary shares (paid-up) capital	56 478	56 478	56 478	56 478
Retained earnings	236 501	236 501	236 267	236 267
Other reserves	75 109	56 289	75 109	56 290
Common Equity Tier 1 capital before regulatory adjustments	**368 088**	**349 268**	**367 854**	**349 035**
Deferred tax asset		(297)		(295)
Common Equity Tier 1 capital (CET1)	**368 088**	**348 971**	**367 854**	**348 740**
Tier 2 capital (T2)	**–**	**17 260**	**–**	**17 260**
Total capital (capital base) (TC = T1 + T2)	**368 088**	**366 231**	**367 854**	**366 000**

Risk-weighted on balance sheet assets (the group)

31 March US$'000	2019 Total on-balance sheet amount	2019 Risk-weights %	2019 Risk-weighted asset	2018 Risk-weighted asset	2017 Risk-weighted asset
Cash items	5	0%	–	–	–
Claims on sovereigns	44 712	0%-50%	37 561	28 753	28 442
Claims on central banks and international institutions	89 711	0%-50%	5 117	18 011	5 494
Claims on banks[1]	528 908	20%-100%	160 857	139 098	231 699
Claims on corporates	855 616	20%-100%	808 209	789 797	725 024
Claims secured by residential property	33 585	35%-125%	32 174	30 350	25 253
Claims secured by commercial real estate	188 268	100%-125%	192 876	165 419	148 786
Past due claims	8 853	100%-150%	9 230	7 989	40 934
Other assets	21 804	100%	21 804	25 421	23 737
Total on-balance sheet credit risk-weighted exposures			**1 267 828**	**1 204 838**	**1 256 567**

Risk-weighted on balance sheet assets (bank)

31 March US$'000	2019 Total on-balance sheet amount	2019 Risk-weights %	2019 Risk-weighted asset	2018 Risk-weighted asset	2017 Risk-weighted asset
Cash items	5	0%	–	–	–
Claims on sovereigns	44 712	0%-50%	37 561	28 753	28 442
Claims on central banks and international institutions	89 711	0%-50%	5 117	18 011	5 494
Claims on banks[1]	528 908	20%-100%	160 857	139 098	231 699
Claims on corporates	855 616	20%-100%	808 209	789 806	725 372
Claims secured by residential property	33 585	35%-125%	32 174	30 350	25 253
Claims secured by commercial real estate	188 268	100%-125%	192 876	165 419	148 786
Past due claims	8 853	100%-150%	9 230	7 989	40 934
Other assets	22 986	100%	22 986	26 591	24 905
Total on-balance sheet credit risk-weighted exposures			**1 269 010**	**1 206 017**	**1 258 083**

Risk-weighted non-market-related off balance sheet assets (group and bank)

31 March US$'000	2019 Notional principal amount	2019 Credit conversion factor %	2019 Credit equivalent amount	2019 Risk-weighted asset	2018 Risk-weighted asset	2017 Risk-weighted asset
Direct credit substitutes	5 198	100	5 198	4 664	4 839	4 267
Transaction-related contingent items	1 644	50	822	822	1 235	233
Trade-related contingencies	–	20	–	–	89	–
Total other commitments	246 955		240 229	88 032	77 762	86 719
Total non-market-related off balance sheet risk-weighted credit exposures				**93 518**	**83 925**	**91 219**

Risk-weighted non-market-related off balance sheet assets (group and bank)

31 March US$'000	2019 Notional principal amount	2019 Potential future exposure	2019 Current exposure	2019 Credit equivalent amount	2019 Risk-weighted asset	2018 Risk-weighted asset	2017 Risk-weighted asset
Interest rate contracts	100 772	240	168	408	407	771	815
Foreign exchange contracts	473 196	5 430	4 875	10 304	5 875	3 531	4 847
Other market-related contracts	–	–	12 018	12 018	12 018	446	1 311
Total market-related off balance sheet risk-weighted credit exposures					**18 300**	**4 748**	**6 973**

Financial Reporting

Process

The chairman of the audit committee is pleased to present the report for the financial year ended 31 March 2019.

The audit committee complied with all legal and regulatory requirements as necessary under the Mauritian legislation and executed its duties during the last financial year in accordance with its terms of reference, the Companies Act 2001, Guideline on Corporate Governance, National Code on Corporate Governance, King Report on Governance for South Africa and the JSE Listings Requirements, where applicable.

Functions of the audit committee

The audit committee is part of the risk management and corporate governance processes and procedures of the bank which provides oversight and monitoring of the:

- financial reporting process and risk management;
- fraud and IT risks as they relate to financial reporting;
- the effectiveness of the internal controls, internal audit and risk management systems;
- the statutory audit and annual financial statements;
- the independence and performance of the statutory and internal auditor and appropriateness of the statutory auditor's provision of non-audit services.

At each audit committee meeting, the chief executive officer, the chief operating officer, the head of finance and the head of compliance provide an in-depth assessment of their current risk-related concerns and the processes and procedures implemented by management to control and/or mitigate these risks.

Following each audit committee meeting, the chairman of the committee provides feedback to the board of directors highlighting the matters which the audit committee believes the board should be aware of. A written report of the chairman of the IBM audit committee on the audit matters relating to the bank is also provided to the group's audit committee.

The chairman of the audit committee has regular meetings with the head of internal audit as well as the lead external audit partner without management being present to gain a better understanding of the bank's operations and the risks and challenges it faces.

The chairman also has regular meetings with the head of finance to discuss issues relating to the finance function of the bank and to ensure the adequacy of the required expertise, resources and experience of the company's finance function. The chairman also has regular meetings with the other members of the management team.

The audit committee is satisfied that it carried out its audit committee functions in an appropriate and satisfactory manner.

External audit

The audit committee has the responsibility for reviewing the relationship with the external auditors, including considering audit fees, non-audit services and the independence and objectivity of the external auditors.

The audit committee confirms its satisfaction with the performance and quality of external audit, the external auditors and the lead partner.

Auditor appointment, independence and objectivity

The audit committee has satisfied itself that the external auditors are independent, experienced in the audit of financial institutions and have the necessary resources to undertake audits of financial institutions.

The audit committee considers the reappointment of the external audit firm and its individual partners each year before making a recommendation to the board and the shareholder and it assesses the independence of the external auditors on an ongoing basis.

In terms of the section 39 of the Banking Act 2004, the external audit firm is required to rotate every five years. KPMG replaced EY as statutory auditors effective from the 2018 financial year.

In terms of the amended JSE Listings Requirements, external audit partner accreditation, which was previously done by the Independent Regulatory Board for Auditors (IRBA), is henceforth the responsibility of the audit committee, together with a specific responsibility around audit quality. Effective from 15 October 2017, the JSE will continue to accredit audit firms, however, individual auditors will have to be assessed by the audit committee before being appointed. This imposes a responsibility on the audit committee to assess the suitability of the firm and the individual auditor for appointment.

The audit committee assessed the suitability of the firm and its individual audit partner for re-appointment after reviewing the minimum documentation requirements that the auditor needs to provide to the audit committee in order to facilitate a robust assessment of the suitability of the firm and individual auditor for appointment.

Working with the external auditor

The audit committee meets the external auditor to review the scope of the external audit plan, budgets, the extent of non-audit services rendered and all other audit related matters. The external auditor is invited to attend audit committee meetings and has access to the audit committee chairman on an ongoing basis. John Chung is the engagement partner from KPMG responsible for the statutory audit.

The audit committee also evaluates the effectiveness of the auditors, the audit partners, audit team and the audit approach during their presentation at audit committee meetings and at ad hoc meetings held with the auditors throughout the year.

Significant audit matters

The audit committee has considered the appropriateness of the key audit matters reported in the external audit opinion. The audit committee also considered the significant audit matters relating to the annual financial statements and how these were addressed by the committee:

Significant audit matter	*How the audit committee addressed the matter*
The allowance for impairment of loans and advances is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management.	The audit committee reviewed the level and appropriateness of impairments, provisioning methodologies and related key judgements in determining the impairment amounts.
	The committee was satisfied that the impairment provisions were appropriate.

Non-audit services

The bank may engage the firm responsible for its audit to provide non-audit services. This may be done with the prior approval of the audit committee which ensures that the non-audit work does not entail any conflict with the audit work. Furthermore, the firm's partner responsible for non-audit work should have no responsibility for the audit of the bank.

During the year under review, there were no non-audit services provided by the external auditor.

Financial statements, accounting practices and internal financial controls

The audit committee was satisfied that the financial statements for the bank were prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Mauritius Companies Act, Financial Reporting Act 2004,the Banking Act 2004 and the various Bank of Mauritius guidelines. The audit committee has examined and reviewed the financial statements to ensure that they fairly represent the financial position at the end of the financial year and the results of the operations and cash flows for the 2019 financial year.

Combined assurance

The audit committee has satisfied itself that a combined assurance model is applied which incorporates and optimises the various occurrence, services and practices so that, taken as a whole, these support the objectives for assurance. The audit committee assesses the output of the bank's combined assurance with objectivity and professional scepticism, and applies an enquiring mind, form their own opinion on the integrity of the information and reports, and the degree to which the effective control environment has been achieved.

Key focus areas

- IT risk and cyber security
- Business continuity
- Implementation of IFRS
- Audit quality
- Auditor independence
- Monitoring and closing of audit findings

Internal controls

The audit committee has responsibility for assessing the adequacy of internal controls. The audit committee was satisfied that internal financial controls were put in place and were effective.

To fulfil this responsibility, the audit committee received a written opinion from internal audit on the risk management framework, internal controls and internal financial controls.

Internal audit

The audit committee also reviewed the Internal audit function (including the process for evaluating the control environment), approved the Internal audit plan and considered the various internal audit reports.

The audit committee established processes to allow for the review and appropriate handling of any concerns and complaints relating to reporting and other practices of the company.

No matters of significance were raised in the past financial year.

Peter RS Thomas
Chairman audit committee

18 June 2019

Chairman's introduction

I am pleased to present the annual corporate governance report for the year ended 31 March 2019 which describes our approach to corporate governance.

Investec plc and Investec Limited, together with their subsidiaries, are managed as a single economic enterprise as a result of the Dual Listed companies (DLC) structure.

Investec Bank (Mauritius) Limited is a subsidiary of Investec Bank Limited and due to the DLC operational structure, compliance with specific corporate governance requirements is at the group DLC level.

We encourage all our stakeholders to read this corporate governance report which provides a more detailed review of the governance framework including the functions of the different board committees.

Regulatory context

The board, management and employees of the bank are committed and aligned to the principles of sound corporate governance, transparency, accountability and integrity which are inherent in the rules, requirements of the regulators of the bank and requirements of the National Code of Corporate Governance for Mauritius (the Code). This will assure all stakeholders that the bank is managed ethically and properly in compliance with the latest legislation, regulations and best practices.

Our culture, values and philosophy

Sound corporate governance depends upon much more than processes and procedures, it fundamentally depends upon the people and the culture within the organisation.

At Investec, sound corporate governance is embedded in our values, culture, processes, functions and organisational structure.

Our values require that directors and employees behave with integrity, displaying consistent and uncompromising moral strength in order to promote and maintain trust. The board sets the tone from the top in the manner in which it conducts itself and oversees the structures and the framework for corporate governance. Each business area and each employee of the bank is responsible for acting in accordance with our values and philosophies and we conduct our business and measure behaviour and practices against them so as to ensure that we demonstrate the characteristics of good governance.

Our culture and values have always been at the heart of how we operate, and we believe the strength with which these are embedded and live throughout the organisation distinguishes Investec from others.

Safeguarding our culture to ensure good conduct and ethical practice will promote delivery of our long-term success and will remain a key focus of the board.

Board effectiveness

We recognise that an effective and efficient governance framework provides a solid structure for transparent decision making and reflects the importance that we place on honesty, integrity, quality and trust.

The board continues to be committed to regularly evaluating its own effectiveness and that of its committees. In this light, the board undertakes an annual evaluation of its performance and every two years that of its committees and individual directors.

No material issues were identified in this process.

Strategic initiatives

The board has continued to exercise leadership, integrity and judgement in pursuit of the bank's strategic goals and objectives. In terms of positioning for future opportunities a particular focus has been the continued investment in infrastructure and people necessary to deliver an out of the ordinary client experience and the incorporation of new technologies into our core strategic planning.

Conclusion

The new governance framework and structures that are in place ensure that the bank is able to maintain the highest standards of corporate governance. Some key aspects of the framework are described in greater detail below.

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. The board recognises that practices and procedures can always be improved. Accordingly, the Corporate Governance Framework is kept under regular review to take into account changing standards and regulations.

David M Lawrence
Chairman, board of directors

18 June 2019

Governance framework

At Investec Bank (Mauritius) Limited (the bank), we recognise that an effective and efficient governance framework provides a solid basis for transparent decision making which reflects the importance that we place on honesty, integrity, quality and trust. The bank operates within a clearly defined governance framework which provides for delegation of authority with clear lines of responsibility while retaining effective control. The board is collectively responsible for the performance, reputation and governance of the bank.

The board of directors of the bank considers that it has applied in all material respects, the eight principles of corporate governance of the National Code on Corporate Governance throughout the financial reporting period. The following describes how the eight principles have been applied.

Principle 1: Governance Structure

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 Investec group's governance framework. 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 and its yearly budget
- acts as focal point for, and custodian of corporate governance
- provides effective leadership on an ethical foundation
- ensures that the bank is and is seen to be a responsible corporate citizen
- is responsible for the governance of risk including that of Information Technology
- ensures that the bank complies with the applicable laws and considers adherence to non-binding rules and standards

The board acknowledges that there may be certain recommended or prescribed corporate governance principles that could not be applied from time to time, but that the necessary disclosure and explanation is provided in the annual report. At all times, the board endeavours to adopt best practice or the stricter approach, considering its structure, culture and values.

To apply the above principle, the board of directors of the bank has developed, approved and implemented the following documents:-

Board charter

The board charter sets out the objectives, roles and responsibilities and composition of the board of directors of the bank. The board charter is reviewed and approved by the board on an annual basis and is posted on the bank's website.

A code of ethics

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.

The bank is a member of the Mauritius Bankers Association (MBA), which published its first Code of Ethics in 2013. The bank not only subscribes to the MBAs Code of Ethics, it embraces it.

The bank operates in a regulated environment and as such there are continuing obligations on it to conduct itself with integrity. The legislation the bank adheres to, regulate, amongst other things, the following:

- Anti-bribery and corruption
- Personal Account dealing
- Training and competence
- Responsible lending
- Whistleblowing
- Anti-money laundering and financial crime prevention
- Treating customers fairly
- Data Protection

That being said, the bank's client-centric philosophy has always spurred it on to be proactive in doing the right thing even in the absence of legislation governing a particular situation. One of its core values is acting with cast iron integrity and this value finds application in everything that it does and that it stands for.

The bank's website includes the following documents which have been reviewed and approved by its board:

- The organisation's constitution;
- The board's charter;
- The organisation's code of ethics;
- Position statements of the chairperson of the board and board committees, CEO and company secretary; and
- An organisational chart and major accountabilities within the organisation.

Principle 2: The Structure of the board and its committees

The bank is a public interest entity as defined in the National Code of Corporate Governance for Mauritius and is led and controlled by a unitary board of directors.

In accordance with the Code of Corporate Governance for Mauritius and the Bank of Mauritius Guideline 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 handling the affairs of the bank.

The board comprises five members: the bank's chief executive officer, one independent non-executive director and three non-executive directors. Out of the three non-executive directors, two directors are also members (one non-executive director and one independent non-executive director) of the parent company's board. Three directors are resident of Mauritius and the other two directors reside in South Africa. Twenty percent of the board of directors are of the female gender. The board is of the opinion that there is an appropriate balance of skills and experience and knowledge of the organisation to enable the directors to discharge their respective duties and responsibilities effectively.

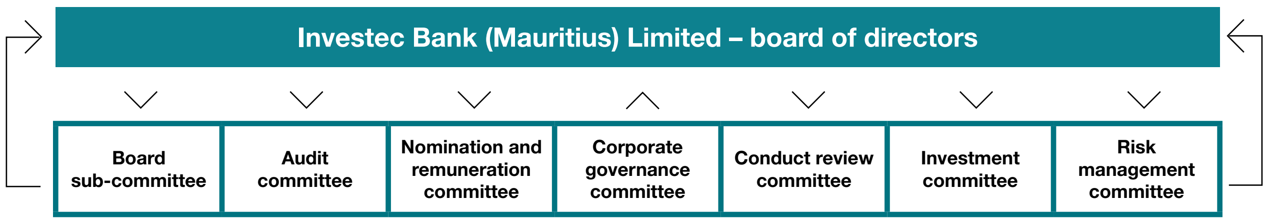
During the financial year two new non-executive (one independent) directors were appointed. One of the existing non-executive directors who was a member of the board for several years resigned during the financial year and another non-executive director who was also a member of the board for several years resigned subsequent to the financial year-end.

The board is of the opinion that independence cannot be indifferently determined solely and arbitrarily on the basis of time. One of the outside non-executive directors who has been a member of the board for several years has been able to develop over time, insights and knowledge of the bank's business and therefore provides valuable contribution to the board and the bank's operations. A director's contribution in terms of experience, expertise, objectivity and independent judgement in engaging and challenging the management in the interest of the bank as he performs his duties is the likely yardstick to measure his independence irrespective of the number of years he/she has been appointed as a director.

The board also takes the view that one of the newly appointed non-executive directors who is an independent non-executive director on the parent company's board cannot be considered as not being independent simply because she is a nominated director representing the sole shareholder of the bank. The bank's board of directors believes that the non-executive director will exercise the same independence in character and judgement as she has been doing as a member of the parent company's board and as the chairperson of the group audit committee.

The board is also of the opinion that given the size and scale of the bank's operations, the appointment of a second executive director at this stage is not warranted. Furthermore, the chief operating officer of the bank is a permanent invitee to the board meetings.

The following committees have been established by the board of Investec Bank (Mauritius) Limited to promote the highest level of corporate governance:



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.

The committee has all the powers other than the powers provided for under any of the following sections which are listed in the Seventh Schedule to the Companies Act 2001 and under section 23.2(a) of the bank's constitution:

(i) Issue of other shares
(ii) Consideration for issue of shares
(iii) Shares not paid for in cash
(iv) Board may authorise distribution
(v) Shares in lieu of dividends
(vi) Shareholder discounts
(vii) Purchase of own shares
(viii) Redemption at option of company
(ix) Restrictions on giving financial assistance
(x) Change of registered office
(xi) Approval of amalgamation proposal
(xii) Short-form amalgamation.

The committee met twice during the financial year.

Audit committee

The audit committee comprises three members; one independent non-executive director and two non-executive directors. The non-executive chairperson is also an independent non-executive director on the parent company's board. The chief executive officer, the chief operating officer, the head of finance, the head of treasury, the head of legal, the head of compliance, the group head of internal audit, the group compliance officer and the external auditors are invitees to the audit committee.

This committee examines and reviews the findings of all internal and external audits conducted at the bank by the duly appointed external auditors and the group internal auditors respectively. The committee also reviews and oversees that the findings raised by the regulators in their respective management letters are duly attended to.

The bank's internal audit function is outsourced to Investec 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 responsibilities of the audit committee includes the following:

(i) approve the audit plans (external and internal) to ensure that these are risk-based and address all activities over a measurable cycle, and that the work of external and internal auditors is coordinated;

(ii) recommend to the board and the shareholder the appointment, removal, and remuneration of external auditors; It also approves the engagement letter setting out the scope and terms of external audit;

(iii) assess periodically the skills, resources, and independence of the external audit firm, its partners and its practices for quality control;

(iv) assess whether the accounting practices of the bank are appropriate and within the bounds of acceptable practice;

(v) ensure that there is appropriate structure in place for identifying, monitoring, and managing compliance risk as well as a reporting system to advise the committee and the board of instances of non-compliance on a timely basis;

(vi) discuss with senior management and external auditors the overall results of the audit, the quality of financial statements and any concerns raised by external auditors. This includes:

- key areas of risk of misinformation in the financial statements, including critical accounting policies, accounting estimates and financial statement disclosures;
- changes in audit scope;
- whether the external auditor considers the estimates used as aggressive or conservative within an acceptable range;
- significant or unusual transactions; and
- internal control deficiencies identified during the course of the audit.

(vii) Further responsibilities of the audit committee includes:

- review of the audited financial statements for adequacy before their approval by the board;
- assessment of whether the institution has implemented adequate internal control and financial disclosure procedures;
- review of any transactions brought to its attention by auditors or any officers of the bank, or that might otherwise come to its attention, which might adversely affect the financial condition of the bank;
- report to the board on the conduct of its responsibilities in frequency specified by the board, with particular reference to section 39 of the Banking Act 2004; and
- ensures that management is taking appropriate corrective action in response to deficiencies identified by the auditors, including internal control weaknesses and any instances of non-compliance with laws.

The committee met four times during the financial year.

Nomination and remuneration committee

The nomination and remuneration committee (NARC) comprises three members who are all non-executive directors, with the chief executive officer, the chief operating officer and the head of group HR being the invitees. The committee reviews the salaries and bonuses of senior employees and senior management based on key performance indicators.

The nomination and remuneration committee operates within the following mandate:

- recommend to the board candidates for board positions, including the chair of the board and chairs of the board committees;
- recommend criteria for the selection of board members and criteria for the evaluation of their performance;
- prepare for approval of the board the remuneration and compensation package for directors, senior managers, and other key personnel, considering the soundness of risk taking and risk outcomes as well as any relevant information available on industry norms;
- recommend to the board an incentive package, as necessary, to enhance staff performance, while ensuring that incentives embedded within remuneration structures do not incentivise staff to take excessive risk;
- recommend nominees for board committees; and
- comment on the contribution of individual directors to the achievement of corporate objectives as well as on the regularity of their attendance at the board and committee meetings.

The committee met twice during the financial year.

Corporate governance committee

The corporate governance committee comprises three members with the chairman being an independent non-executive 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 regard 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.

The corporate governance committee carries the following activities:

- advise the board on all aspects of corporate governance and recommend the adoption of best practices as appropriate;
- determine, agree and develop the bank's general policy on corporate governance in accordance with the Code of Corporate Governance for Mauritius and the Bank of Mauritius Guideline;
- approve the corporate governance report to be published in the bank's annual report; and
- ensure that all reporting requirements and disclosures made in the annual report are in compliance with the disclosure provisions in the Code of Corporate Governance and the Bank of Mauritius Guideline.

The committee met once during the financial year.

Conduct review committee

The conduct review committee comprises three members: the chairman being an external non-executive director, the chairman of the board and one independent non-executive director. The committee monitors and reviews all the related party transactions and ensures that market-based terms and conditions are applied to all the related party transactions.

The responsibilities of the conduct review committee, as specified in the Guideline on related party transactions issued by the Bank of Mauritius, include the following:

- require the management of the bank to establish policies and procedures to comply with the requirements of the Guideline on related party transactions;
- review the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the bank;
- review and approve each credit exposure to related parties;
- ensure that market terms and conditions are applied to all related party transactions;
- review the practices of the bank to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the financial institution is identified and dealt with in a timely manner; and
- report periodically and in any case not less frequently than on a quarterly basis to the board of directors on matters reviewed by it, including exceptions to policies, processes and limits.

The committee met four times during the financial year and did not note any breach of the requirements of the Guideline on related party transactions issued by the Bank of Mauritius.

Investment committee

The investment committee comprises as members the chief executive officer who is the chairman of the committee, the chairman of the board and one external non-executive director. The committee is responsible for the review and management of the bank's investment portfolio and the review of any new investment proposals.

The investment committee meets on an ad hoc basis as circumstances dictate in order to conduct its affairs with respect investment decisions. The credit committee reviews all the new investment proposals and makes its recommendation known to the Investment committee. The investment committee then reviews all the new investment proposals and makes its determination known to the group investment committee. All investment proposals require the sanction of the group investment committee.

The committee met nine times during the financial year.

Risk management committee

The risk management committee comprises three members. The chairman of the committee is an external non-executive director and the other two members are the chairman of the board and the chief executive officer.

The objectives of the committee are to:

- advise the board on the bank's overall current and future risk appetite;
- oversee senior management's implementation of the risk appetite framework; and
- report on the state of risk culture in the bank.

Four risk management committee meetings were held during the financial year.

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

	Meetings attendance							
Directors	Board	Audit committee	Board sub-committee	Nomination and remuneration committee	Conduct review committee	Corporate governance committee	Investment committee	Risk management committee
David M Lawrence	4/4		2/2	2/2	4/4	1/1	9/9	4/4
Craig C McKenzie	4/4		2/2				9/9	4/4
Pierre de Chasteigner du Mée	4/4	4/4	2/2	2/2	4/4		9/9	4/4
Angelique A Desvaux de Marigny*	4/4	4/4				1/1		
Peter RS Thomas**	4/4	4/4		1/2	4/4	1/1		
Zarina Bibi Mahomed Bassa***								
Ramdeo Erriah***								

* *Resigned on 25 March 2019*
** *Resigned on 18 June 2019*
*** *Appointed on 21 February 2019*

Principle 3: Director Appointment procedures

Directors' appointment as per the constitution of the company

1. Appointment by notice

The directors shall be the persons appointed from time to time as directors by a notice in writing signed by the holders of the majority of the ordinary shares and who have not resigned or been removed or disqualified from office under the constitution of the bank. A director shall hold office until his resignation, disqualification or removal in accordance with the constitution.

2. Appointment by resolution

A person may be appointed as a director of the bank by an ordinary resolution passed in a meeting of shareholders.

A resolution to appoint two or more directors may be voted on one resolution without each appointment being voted individually.

3. Appointment to fill casual vacancy

The board of directors of the bank shall have power at any time and from time to time, to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors so that the total number of directors shall not at any time exceed the number fixed in accordance with the constitution.

A director holds office until the following annual meeting and is eligible for re-election. Each director is re-elected by a separate resolution.

Nomination and appointment process

1. The responsibility of the NARC is to identify suitable candidates based on the requirements of the position and the skills and expertise required; whether the potential candidates are fit and proper and are not disqualified from being directors.
2. The NARC carries out interviews of the potential candidates before short-listing those candidates who best meet the required criteria.
3. The NARC then proposes the short-listed candidates with brief biographical details to the board for review and approval.
4. Once the board has reviewed and is satisfied with the profile of the candidates, the board then shall:
   - Either appoint a director to fill a casual vacancy or as an addition to the existing directors until the next annual meeting of shareholders; or
   - Shall propose the election of the potential candidate(s) by way of an ordinary resolution(s) in a special meeting of shareholders with notice duly sent to all shareholders.
5. Reappointment of a director at the end of his/her mandate shall be based on the recommendation of the NARC and subject to approval from the board of directors and to election by the shareholders in the annual meeting of shareholders.
6. A letter of appointment stipulating the terms and conditions of the engagement is remitted to the new directors.
7. A notice of appointment of a new director is delivered to the Registrar of Companies within 28 days of the appointment. Notices are also given to other relevant authorities.
8. The new director undergoes an induction and orientation process which enables him/her to integrate into the organisation and make the maximum contribution as quickly as possible. Two new directors were appointed during the financial year and both went through an induction and orientation process.

Director biographies

Biographies of the current directors are outlined below including their relevant skills and experience, other principal appointments.

David M Lawrence

Non-executive director

Age: 68

Qualifications: *BA(Econ) (Hons), MCom*

Relevant skills and experience
David's early career was spent as an Economist at the Chamber of Mines (South Africa), subsequently working for the office of the Economic Advisor to the Prime Minister. He joined CitiBank (South Africa) in 1977 eventually becoming chairman and managing director. In 1987, First National Bank acquired CitiBank's business and it became FirstCorp Merchant Bank where David held the position of managing director. David joined Investec in 1996 as managing director, Corporate and Investment Banking.

Other principal appointments
Other directorships include Investec Bank Limited and a number of outside companies including JSE Limited.

Committees
David is also a member of the board sub-committee (chairman), nomination and remuneration committee (chairman), conduct review committee, corporate governance committee, investment committee and risk management committee of the bank.

Date of appointment
03 October 1997

Pierre de Chasteigner du Mée

Non-executive director

Age: 66

Qualifications: *ACEA, FBIM, FMAAT*

Relevant skills and experience
Pierre, a stockbroker on the Stock Exchange of Mauritius Ltd, a Sworn Broker and Company Secretary, is the director and secretary of MUA Stockbroking Ltd (formerly Associated Brokers Ltd). He was Finance Director of the Constance Group of Companies for 15 years, during which time he also occupied the position of Managing Director of the Constance Hotels in order to carry out the complete restructure of the Group's Hospitality Business. Thereafter, he was nominated Estate General Manager within the Constance Group, during the following 20 years until reaching retirement.

Other principal appointments
Pierre is a director of the National Pensions Fund for Mauritius, National Pension/National Savings Fund's investment committee and vice-president of P.O.L.I.C.Y. Limited an investment company listed on the Stock Exchange of Mauritius, a director of Investec Wealth & Investment (Mauritius) Limited and of various public and private companies in Mauritius.

Committees
Pierre is a member of the board sub-committee, audit committee, nomination and remuneration committee, conduct review committee (chairman), investment committee and risk management committee (chairman) of the bank.

Date of appointment
04 June 1999

Craig C McKenzie

Executive director

Age: 58

Qualifications: *Bsc, Msc (Agric Economics), CFA*

Relevant skills and experience
Craig is the chief executive officer of the bank with 30 years of banking experience.

Other principal appointments
Craig is the chairman of the board of directors of Investec Wealth & Investment (Mauritius) Limited and a director of Dolphin Coast Marina Estate Ltd, La Balise Gym and Spa Ltd, Mauritius Bankers Association Ltd and in other private companies.

Committees
He is also a member of board sub-committee, Investment committee (chairman) and risk management committee of the bank.

Date of appointment
25 February 2000

Zarina BM Bassa

Non-executive director

Age: 55

Qualifications: *BAcc, DipAcc, CA(SA)*

Relevant skills and experience
Zarina is a former partner of Ernst & Young Inc. She joined the Absa Group in 2002, as managing executive of Retail Banking and was thereafter appointed as an executive director and a member of the group's executive committee, with accountability for private banking. She has previously chaired the South African Public Accountants' and Auditors' Board and the South African Auditing Standards Board, has been a member of the Accounting Standards Board, the JSE GAAP Monitoring Panel and the Financial Service Board. Zarina has previously served as a non-executive director of Kumba Iron Ore Limited, Vodacom SA and Sun International Limited amongst others.

Other principal appointments
Zarina is a director of Oceana Group Limited, YeboYethu Limited and Woolworths Holdings Limited and various Investec subsidiaries including Investec Bank Limited, Investec Bank plc and Investec Life Limited.

Zarina was appointed as the senior independent director (SID) of Investec plc and Investec Limited effective from 1 April 2018.

Committees
She is a member of the audit committee (chairperson), nomination and remuneration committee and corporate governance committee of the bank.

Date of appointment
21 February 2019

Ramdeo (Dev) Erriah

Independent non-executive director

Age: 60

Qualifications: *LLB, LLM, TEP, Barrister-at-Law (Gray's Inn)*

Relevant skills and experience

Ramdeo (Dev) Erriah, barrister at Law (Gray's Inn), head of Erriah Chambers, graduated in the UK and holds LLB, LLM, TEP in International Tax Law, Company Law, Law of International Finance and International Trusts Law from the prestigious University of London. Ramdeo Erriah was the first Chairman of STEP Mauritius (Society of Trust and Estate Practitioners). He is also a member of the International Bar Association and forms part of Committees N (TAX) and E (Banking). Dev specialises in all aspect of offshore business laws namely Mergers & Acquisition Finance/Banking, Investment Management, Lease and Transportation Finance, Private Equity and Venture Capital, Structured Finance, Aircraft Finance and leasing; Project Finance, securities, capital markets practices, regulatory compliance, antitrust and competition, corporate law and corporate governance, setting up of offshore companies, offshore fund and Collective Investment Scheme, international banking and privatisation, International tax and trust structuring, implementation of international transactions, negotiation, drafting of transaction documents and review of all legal documentation inclusive of trusts deeds, corporate constitutive documents, credit facility documents etc, International Arbitration & Cross-Border litigation, International litigation such as international bankruptcy, enforcement of international creditor's claim, money laundering Mauritius and at international level. As regards banking he has been advising banks locally and internationally for the last 20 years.

Other principal appointments

Dev is a director of Tropical Ocean Corporate & Secretarial Services Ltd, F3 Global Info Tech Limited, SavSam Property Holding Ltd, Vanilla Cruise (Mauritius) Limited, Vanilla Cruise Ticketing & Services Limited and Vanilla Cruise Holding Ltd

Committees

Dev is a member of the audit committee, corporate governance committee (chairman) and conduct review committee of the bank.

Date of appointment

21 February 2019

Peter RS Thomas

Non-executive director

Age: 74

Qualifications: *CA(SA)*

Relevant skills and experience

Peter served as the managing director of The Unisec Group Limited. Peter has broad experience in finance and has been a director of numerous industrial companies. He also has an extensive background in commercial accounting. Currently, the chairman of the audit committee of the bank.

Other principal appointments

Other directorships include: Investec Bank Limited, Boschendal Proprietary Limited (chairman), Boschendal Investment Company Proprietary Limited, JCI Limited, and various unlisted companies.

Committees

Peter was a member of the audit committee, nomination and remuneration committee, conduct review committee and corporate governance committee of the bank.

Date of appointment

13 May 2005

Date of resignation

18 June 2019

Angelique Anne Desvaux de Marigny

Non-executive director

Age: 43

Qualifications: *LLB, Maitrise en Droit Privé, barrister-at-law, called at the English and Mauritian Bars, (King's College London, Université de Paris I-Panthéon-Sorbonne)*

Relevant skills and experience

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.

Other principal appointments

Angelique was recently appointed as the Vice Chairperson of the National Adoption Council, which operates under the aegis of the Ministry of Gender Equality, Child Development and Family Welfare.

She is a member of the Ethics Committee of the Mauritius Bar Association.

She has also sat on the Advisory Panel on Family Law, which operated under the aegis of the Mauritius Law Reform Commission.

She is a member of the Editorial Board of the New Bar Chronicle.

She is a member of the Commission on Sustainability and Inclusive Growth of Business Mauritius

Committees

Angelique was a member of the audit committee and corporate governance committee of the bank.

Date of appointment

12 August 2005

Date of resignation

25 March 2019

Secretary Biography

Company secretary
Prithiviraj Jeewooth, FCCA is the company secretary of Investec Bank (Mauritius) Limited. Prithiviraj is a professional qualified accountant and has experience gained over a number of years. The company's secretary services are evaluated by board members during the annual board evaluation process.

The company secretary is responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the company secretary, whose appointment and removal are a board matter.

The board has considered and is satisfied that the company secretary is competent, and has the relevant qualifications and experience and maintains an arm's-length relationship with the board. In evaluating these qualities, the board has considered the prescribed role and duties pursuant to the requirements codified in the Companies Act and the listings and governance requirements as applicable.

Principle 4: Director Duties, Remuneration and Performance

Legal duties

The directors of the bank are aware of their legal duties and are required to act in good faith and in the best interests of the company. They must accordingly:

(i) exercise their powers in accordance with the Companies Act and the company's constitution;

(ii) obtain the authorisation of a meeting of shareholders before doing any act for which such authorisation is required;

(iii) exercise their powers honestly in good faith in the best interests of the company;

(iv) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;

(v) account to the company for any monetary gain obtained in their capacity as directors;

(vi) unless authorised by the company, not make use of or disclose any confidential information acquired by way of their position as directors of the company, or compete with the company;

(vii) disclose to the board of the company any transactions involving self-interest unless the transactions are in the ordinary course of business and on usual terms and conditions;

(viii) not use any assets of the company for any illegal purpose;

(ix) transfer immediately to the company all cash or assets acquired on its behalf;

(x) attend meetings of the directors of the company with reasonable regularity; and

(xi) keep proper accounting records and make such records available for inspection.

A director shall, after becoming aware of the fact that he/she is interested in a transaction with the company, disclose to the board of the company the nature and monetary value of that interest or where the monetary value of the director's interest cannot be quantified, the nature and extent of that interest, unless the transaction is in the ordinary course of business and on usual terms and conditions.

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 committee's evaluation

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 two 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. The chairman meets with directors to discuss the results of the formal and informal evaluations and, in particular, to seek comments on strengths and developmental areas of the members, the chairman and the board as a whole.

Performance evaluation of the board as well as training and development of directors are matters that are often raised at the board.

Ongoing training and development

Board members receive formal presentations on regulatory and governance matters as well as on the business and support functions.

The company secretary liaises with directors to source relevant seminars and conferences which directors could attend, funded by Investec.

Individual training and development needs are discussed with each board member and any requests for training are communicated to the company secretary for implementation. Directors are encouraged to request for specific training of interest in fulfilment of their duties as directors.

During the period under review, three training sessions for directors were 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$1 034 820 for the year under review (2018: US$1 587 472)).

The remuneration of directors has not been disclosed on an individual basis due to commercial sensitivity. The parent company, being the sole shareholder, has the detailed remuneration information and has consented to the disclosure on an aggregated basis.

Directors' service contracts and terms of employment

The chief executive officer, who is the only executive director of the bank, has a permanent 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 and participate in the group share incentive scheme, the amount of which is determined at the discretion of the nomination and 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 arranges for the appropriate insurance cover in respect of any legal action against its directors and officers.

Related Party Transactions Policy

Refer to the section on related party transactions, policies and practices on page 18 and note 39 of the annual report.

Conflict of interest

Directors must, as far as possible, avoid conflicts and where a conflict or potential conflict arises, the same must be disclosed and all procedures for dealing with such cases must be strictly adhered to. Directors who are conflicted regarding a particular issue should not participate in the related discussions and decision-making.

A conflict of interest may occur when:

(i) A director's personal interest is adverse to or may seem to be adverse to the interests of the Company.

(ii) A director, or a member of his or her immediate family, receives improper personal benefits as a result of his/her position in the Company.

Some of the common conflicts directors should avoid are listed below:

(i) Personal benefits received from a person/ company seeking to do business or to retain the services of the company.

(ii) Gifts which are not customary in normal business relationships should not be accepted nor given to any person/company seeking to do business or to retain the services of the company.

(iii) Engaging in any outside business, professional or other activities that would directly or indirectly adversely affect the company.

The bank has implemented a conflict of interest policy to adequately manage and mitigate conflict of interest. A copy of the policy is published on the bank's website.

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.

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 30 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).

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.

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.

The information, information technology and information security policies

The board oversees information governance within the bank and ensures that information technology leads to business benefits and creates value.

The group-wide vision of Investec is to continuously deliver efficient and effective information technology that enables business and excellent client service, within acceptable risk tolerance.

Investec continues to build information security and risk management capabilities across the group while promoting the responsible handling of personal data. Our strategy is to enable business and protect information assets by proactively identifying and mitigating threats to our people, processes, technology and data. This approach is underpinned by three core security principles: defence in depth, security by design and role-based access. Emphasis is placed on group-wide coordination and efficiency, enabled by a group target architecture. Investec runs campaigns to raise and maintain staff awareness of information security risks and responsibilities.

The bank, through its board and its committees, ensures that all IT risks are identified in a timely manner and addressed through risk management, monitoring and assurance processes.

In that respect the bank has adopted the following Investec group information technology policies:

1. Access Management Policy
2. Application Development Policy
3. Business Resilience Policy
4. End User Computing (EUC) Policy
5. Incident and Breach Management policy
6. Information Classification and Protection Policy
7. Information Systems security Policy
8. IT Operations Policy
9. Mobile Device Policy
10. Secure and Acceptable Usage Policy
11. Third Party Management Policy

These policies are reviewed on an annual basis and are approved by the board.

These policies are made available to all employees for consultation and compliance through the bank's intranet.

Principle 5: Risk Governance and Internal Control

The board is responsible for the governance of risk and for determining the nature and extent of the principal risks that the bank is willing to take in achieving its strategic objectives. The board through its various sub-committees has developed and implemented appropriate frameworks and effective processes for the sound management of risks.

Risk Management

Managing risk remains integral to generating sustainable shareholder and stakeholder value.

Refer to pages 14 to 58 of section 2 of the annual report for an overview of the key risks and controls.

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

Internal controls

Internal control is the process designed and implemented by the management of the bank and approved by the board to ensure the following:

(i) the effectiveness and efficiency of its operations

(ii) that instructions and directional guidelines fixed by management are adhered to

(iii) applicable laws and regulations are complied with

(iv) appropriate controls are in place to safeguard its assets, and

(v) financial information is complete and reliable

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.

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 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 internal audit and 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.

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 compliance officer of the bank.

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.

Whistle blowing policy

One of Investec's values requires employees to "conduct all internal and external dealings with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust". Integrity and confidence are critical to our reputation and sustainability.

The bank has adopted Investec's group whistle-blowing policy which forms part of its Financial Crime policy. The purpose of the policy is to encourage employees to raise concerns about workplace malpractice without fear of victimisation or reprisal. The policy sets up clear procedures and guidances for employees to follow in respect to whistle-blowing.

Principle 6: Reporting with Integrity

The board is responsible for the preparation of annual financial statements that fairly present the state of affairs of the bank and the results of its operations and that comply with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), the Companies Act, the Banking Act and the Financial Reporting Act. The board is also responsible for selecting appropriate accounting policies based on reasonable and prudent judgements.

Our culture, values and philosophy

Refer to the chairman's report on page 61 for our culture, values and philosophy.

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 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. The bank's financial statements are prepared on a going concern basis. 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.

Occupational health and safety

The board of directors acknowledges its statutory and moral responsibility to employees and the public to comply with occupational health and safety standards. The board is responsible for ensuring the adequacy and effectiveness of the application of the overall health, safety and environmental policies of the bank.

The bank strives to make available and maintain a safe working environment that is free from hazards and risk of injury to the employees. The bank complies with the Occupational Safety and Health Act 2005 and other health and safety related legislations.

A Health and Safety working committee (HSWC) has been established by the bank and consists of representatives from Operational risk, Human Resource, Information technology, executive management namely the COO and the OHS officer. An incident reporting process is put in place by the bank as recommended by the Occupational Safety and Health Act 2005.

No major incident was reported during the reporting period.

Annual report

The Annual report is published in full on the bank's website and also available on request.

A comprehensive report on risk management is presented under the section 2 – Management discussion and analysis and is set on pages 10 to 79 of the Annual Report.

The financial statements are set out on pages 80 to 185 in the section 3 of the Annual Report.

Principle 7: Audit

Directors' responsibilities

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

In preparing the financial statements, the directors are responsible for assessing the bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

External Audit

As from April 2017, KPMG have been appointed as the external auditors following the change in the Banking Act which requires banks to rotate audit firms every five years.

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.

Internal audit

Internal audit function is managed at a 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. 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.

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.

Principle 8: Relations with Shareholders and Other Key Stakeholders

Shareholding structure

Investec Bank (Mauritius) Limited is a wholly owned subsidiary of Investec Bank Limited which is 100% owned by Investec Limited, a company listed on the Johannesburg Stock exchange.

Dividend Policy

Although the bank does not have a formal dividend policy, dividends are paid to the sole shareholder subject to profitability and subject to the approval from the Bank of Mauritius after having satisfied the solvency test required under section 61(2) of the Companies Act 2001 of Mauritius.

A dividend amounting to US$87.1 million was paid during the year (2018 & 2017: nil).

Donations

Any donations provided by the bank are made as part of the bank's corporate social and business responsibility.

No political donations were made.

No donations were made to any related parties.

Communication and stakeholder engagement

Building trust and credibility among our stakeholders is vital to good business.

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to the primary stakeholders. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions.

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.

Sustainability

The bank believes in making a positive contribution to the society and the environment in which it operates. Our Corporate Social Investment (CSI) strategy is to focus on projects and initiatives in the following areas:

- Education
- Environment
- Sports development.
- Ad hoc Donations

The bank looks to spend 30% of its budget in each of the above areas. The remaining 10% of the annual budget is allocated to discretionary philanthropic donations; while it may fall out of the bank's focus areas, it allows us to make small but meaningful donations to worthwhile causes.

Moreover, 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 Segment A chargeable income to CSR-approved NGOs or projects. The bank will remit 50% of its CSR Funds to the Mauritius Revenue Authority (MRA), in accordance with the Income Tax Act. Segment B profits pertaining to offshore income derived by banks is, however, exempt. Notwithstanding this, the bank has chosen to contribute an additional 0.25% of the average previous three years Segment B chargeable income to Corporate Social Investment. In line with the government's focus on poverty alleviation, the bank's CSI projects are directed at communities or beneficiaries that are financially disadvantaged. Its 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.

The bank's 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.

In terms of ad hoc donations, Investec Bank Mauritius donated US$7 809 towards "Link to life", an NGO which supports cancer patients by providing psychological assistance, early detection screening and cancer awareness.

Moreover, the bank encourages its staff to contribute and participate in its CSI programme, whereby in December 2018, 70% of staff participated in the Santa shoebox volunteer drive by providing Christmas and grocery boxes for communities in need from Solitude.

Staff participated actively in the Beach Clean Up Event held by Investec Bank Mauritius to commemorate World Clean Up day in September 2018. Two bin bags were collected with the aid of 200 participants of the nine NGOs the bank has been funding.

Projects supported by Investec Bank Mauritius

Education

The bank believes that education is key to empower disadvantaged communities, enabling individuals to make a better life for themselves. The focus is to support children in difficulty in developing their full potential with the use of interactive pedagogy techniques. The bank has donated US$14 314 for the educational sector.

The bank has funded and worked along with Terrain for Interactive Pedagogy through Arts (TIPA) for the past five years. TIPA is an NGO that runs an educational programme working with pupils, teachers and parents through Arts, Interactive Pedagogy and Life skills. Consequently, they assist in parental participation in their children's education, known as, "Club de Parents". The bank sponsors monthly meetings of parents and school representatives. The club supports CPE exams and uses this forum as an opportunity to upgrade and enhance the skills of parents.

The bank supports Education for Sustainability (EFS) at Loretto College Curepipe. 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 environment. The EFS programme embeds the ecosystems education into the curriculum. The project is a partnership between the Bureau de l'Education Catholique and Earth wise centre, an entity focusing on education, training and consulting for sustainability.

Furthermore, the bank, in collaboration with Curtin Mauritius University, has created an Investec Bursary Program which will commence in July 2019. The purpose of the bursary is to provide the opportunity to a needy student to complete a Curtin degree in Banking and Finance at Curtin Mauritius over three years.

Environment

The bank believes that the natural heritage of Mauritius is a critical resource to the country and needs to be respected and protected. In the environmental sector, the bank donated US$18 880 of its CSI funds.

The bank supports the Mauritian Wildlife Foundation, a highly successful Mauritian non-governmental conservation organisation. IBM funds the project – Learning with Nature which involves conserving the fauna and flora wildlife of Mauritius and Rodrigues.

The bank funds Ecole Pere Henri Souchon and Animaterra in their Vegetable Farming Project. The project teaches pupils basic crop cultivation skills in a sustainable manner using principles of biological farming and no chemical pesticides. The vocational school caters for pupils who are unable to continue in the mainstream governmental 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. This year, they introduced agricultural learning which enhances their practical skills.

Sports development

The bank believes that aside from the importance of physical exercise, sport also teaches discipline, perseverance, teamwork and develops self-esteem. US$12 532 has been allocated to the sports development sector which includes the following sport development projects:

Tranquebar Dalton Football Club (TFC)

TFC consists of residents of the Port Louis area. The club serves to discipline young underprivileged adults by focusing on a healthier lifestyle.

The bank has been sponsoring the Tranquebar Dalton Football Club for the past five years. The team has reached the Super League Regional of the capital of Mauritius, Port Louis and are currently training for the international games of “Trophee de la Jeunesse” which started in May 2019.

Tranquebar Black Rangers Women’s Volleyball Club (TVC)

The bank has been sponsoring TVC for the past ten years. The club consists of 45 members and is made up of a strong first team with a junior development team. The team has been playing in numerous tournaments and where ranked in first place in the nationals. Consequently, they have been qualified to play in the Coupe des Clubs Champion de l'Ocean Indien Zone 7 (CCZ7) international competition.

Tranquebar Boxing Club (TBC)

The bank has been sponsoring the Tranquebar Boxing Club for the past five years in renewing their equipment and providing them with adequate training. The team competes at national and international level.

Environmental footprint

The bank environmental footprint measures its use of energy, paper and water. The bank continues to work towards reducing its overall energy and resource usage opting for an environmentally friendly no plastic approach. Going forward, the bank will initiate a sustainable project which will endeavour to decrease the carbon footprint in Mauritius.

Statement of compliance

(Section 75(3) of the Financial Reporting Act 2004)

The Code of Corporate Governance

We, the directors of Investec Bank (Mauritius) Limited confirm that to the best of our knowledge the bank has complied with all of its obligations and requirements under the National Code of Corporate Governance.

David M Lawrence
Chairman, board of directors

Craig C McKenzie
Chief executive officer

18 June 2019

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 2019
Annual meeting of shareholders	June 2019

The shareholder will be provided with notice of meeting and proxy form.

Signed on behalf of the board

David M Lawrence
Chairman

Craig C McKenzie
Chief executive officer

18 June 2019

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 applied the King IV principles laid out below.

King IV Principles

Leadership, Ethics and Corporate Citizen

Principle 1 – The governing body should lead ethically and effectively

The board is the governing body of the bank and committed to the good corporate governance principles as set out in King IV, the JSE Listings Requirements, the Companies Act 2001, the Banking Act 2004 and the National Code on Corporate Governance (the Code). Investec's values of commitment, integrity, responsibility and innovation guide the behaviour of the bank and the fulfilment of its daily responsibilities and duties. The chairman oversees this process on an ongoing basis.

The board members are collectively and individually accountable for their ethical and effective leadership and are required to conduct themselves in accordance with their legal duties as company directors under the Companies Acts.

The board charter sets out the objectives, roles and responsibilities and compositions of the board of directors of the bank. The board charter is reviewed and approved by the board on a yearly basis and is posted on the bank's website.

Principle 2 – The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

The board sets the tone from the top in the way it conducts itself and oversees the governance framework and structures. Investec operates under a DLC structure and therefore considers the corporate governance principles and regulations of both the United Kingdom and South Africa and the other jurisdictions in which it operates, through subsidiaries by adopting the appropriate standard for the group.

Investec's code of ethics and business conduct guides the ethical behaviour of all Investec employees and directors. The code of ethic is published on the Investec website, and incorporated by reference in employee contracts, employee induction and training programmes.

Principle 3 – The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen

The corporate social investment committee has been tasked with the responsibility for monitoring the overall responsible corporate citizenship performance of the bank.

The board approves the strategy and priorities of the bank in accordance with its role of overseeing Investec's conduct as a responsible corporate citizen. The board oversees and monitors how operations and activities of the bank affect its status as a responsible corporate citizen.

Strategy, Performance and Reporting

Principle 4 – The governing body should appreciate that the organisations core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

The board has delegated to management the detailed formulation and implementation of the board's approved strategy and the realisation of the expected returns. The bank's management present its strategy to the board and Investec group's management which the board and Investec group's management in turn challenge and interrogate.

The monitoring and evaluation of the strategy is done on a regular basis. A review of performance against strategic objectives is included in the board pack for review and discussion at each meeting and also monitored constantly by management.

The directors are satisfied that the bank has adequate resources to continue in business for the foreseeable future and that it is adequately capitalised and is supported by a strong liquidity position.

More details on the liquidity risk management (pages 46 to 48) and capital management (pages 53 to 58) are provided in the annual report.

Principle 5 – The governing body should ensure that reports issued by the organisation enables stakeholders to make informed assessments of the organisations performance and its short-, medium- and long-term prospects

The bank publishes its full annual report on its website and printed copies are also available on request.

The board ensures that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosures to stakeholders and monitors communication with all stakeholders and disclosures made to ensure transparent and effective communication.

The board, assisted by the audit committee, ensures that the annual report taken as a whole is fair, balanced, and comprehensive and provides the information necessary for the shareholder and the other key stakeholders to assess the bank's position, performance and outlook.

Governing Structures and Delegation

Principle 6 – The governing body should serve as the focal point and custodian of corporate governance in the organisation

The board sets the tone from the top in the manner in which it conducts itself and oversees the governance framework and structures. The board approved bank's charter and the constitution details the board's role, matters specifically reserved for the board, delegation to the CEO, membership requirements and procedural conduct at board meetings, amongst other things.

Details on the attendance at the board and board committees meetings held during the financial year are shown on page 66 of the annual report.

Principle 7 – The governing body should comprise the appropriate balance of knowledge, skills experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

The board comprises five members: the bank's chief executive officer, one independent non-executive director and three non-executive directors. Out of the three non-executive directors, two directors are also members (one non-executive director and one independent non-executive director) of the parent company's board. Three directors are resident of Mauritius and the other two directors reside in South Africa. Twenty percent of the board of directors are of the female gender.

The board is of the opinion that there is an appropriate balance of skills and experience and knowledge of the organization to enable the directors to discharge their respective duties and responsibilities effectively.

The chief executive officer is a member of the board. A majority of the board members are non-executive directors.

Directors are required to disclosure any actual or potential conflict for consideration.

More details are provided on the page 66 of the annual report on the nomination and appointment process of directors and the board approved mandate of the nomination and remuneration committee, a sub-committee of the board.

Principle 8 – The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties

The board has retained specific matters for decision-making by the board, as per the bank's constitution. To achieve its objectives, the board, in terms of defined terms of reference, has delegated certain of its duties and functions to various committees, group forums and the CEO.

More details are provided on pages 62 to 65 and page 187 of the annual report on the structure of the board and its sub-committees.

Principle 9 – The Governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness

The board continues to be committed to regularly evaluating its own effectiveness and that of its committees. The board undertakes an evaluation of its performance and that of its committees and directors, every two year.

The company secretary's performance is evaluated annually to ensure that there is an arm's length relationship with the board. The board is satisfied that the company secretary and the function that he oversees is performing well.

Principle 10 – The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities

The board appoints the CEO who has the necessary powers and mandate to manage the bank and conduct the affairs of the bank in his discretion and as he deems fit, save for matters specifically reserved to the board, as per the constitution or agreed by the board from time to time, dealt with and provided for in the formally adopted terms of reference of a board committee or other recognised forum.

The board ensures that key management functions are led by competent and appropriately authorised individuals and are adequately resourced.

The CEO is a regular invitee at the nomination and remuneration committee. Any professional positions are discussed with the Chairman and at the nomination and remuneration committee.

Details on the company secretary are provided on page 69 of the annual report.

Governance Functional Areas

Principle 11 – The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives

The board is cognisant of the importance of risk management as it is linked to the strategy, performance and sustainability of the bank. Risk management is embedded into day-to-day operations and culture. The board ensures that all decisions of the board on risk management policies and procedures are implemented and monitored.

Independent risk management, compliance and financial control functions, supplemented by internal audit, which reports independently to the audit committee, ensures the management of risk.

Details on the various key risks and how they are managed/mitigated are provided under the risk management section of the annual report.

Principle 12 – The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

The board is aware of the importance of technology and information in the achievement of the bank's strategy. The board has delegated the responsibility to management and it exercises oversight and monitors progress. The board ensures that the opportunities derived from the use of the latest technology and information are maximized.

The bank has adopted a set of Investec group's information, information technology and information security policies. More details on the policies are provided on page 71 of the annual report.

Both internal and external auditors perform assessments as part of their audit of technology and information management and governance. All significant technology and information-related audit findings are reported to the risk management committee and the audit committee, which ensure that these are addressed accordingly.

Principle 13 – The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and good corporate citizen

The board ensures that the bank complies with the applicable laws, non-binding rules, codes and standards. The board has delegated the responsibility for implementing compliance to management.

There were no regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations imposed on the bank.

Principle 14 – The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term

The nomination and remuneration committee assumes responsibility for the governance of remuneration and sets the direction regarding how remuneration should be approached. The bank's overarching remuneration philosophy remains focused on employing and retaining the highest calibre individuals through the payment of industry competitive packages and long-term share awards, which ensure alignment with key stakeholders in our business.

Refer to page 71 of the annual report for more details on human resources and remuneration policy.

Principle 15 – The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports

Representation from external audit, internal audit, compliance and operational risk at the audit committee enables an effective internal control environment to support the integrity of information used for internal decision-making and support the integrity of external reports. A combined assurance framework includes both coverage of significant risks and reporting of any issues raised relating to these risks.

An internal audit plan is presented for approval annually to the audit committee. The internal audit charter is reviewed every year. This charter defines the role and associated responsibilities and authority of internal audit, including addressing its role within combined assurance and the internal audit standards to be adopted.

Refer to page 73 of the annual report for more details on external and internal audit.

Stakeholders Relations

Principle 16 – In its execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time

The board is responsible for the governance of stakeholder relationships. The bank continually seeks to achieve an appropriate balance between risk and reward in its business, taking cognisance of all stakeholders' interests.

The board, together with management, understands and responds to the needs of the various stakeholder groups which include the shareholder, the employees, the regulators, the government, the clients, the suppliers and the community in which the bank operates.

The bank publishes its full annual reports and its interim financial results on its website to ensure effective communication and to enable the various stakeholders to make informed decisions.

Refer to the pages 73 to 76 for more details on relations with shareholders and other key stakeholders.

3 ANNUAL FINANCIAL STATEMENTS

Directors' responsibilities

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 Mauritius Companies Act, Financial Reporting Act and Banking Act 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, risk management 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, KPMG, 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.

Directors' compliance

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the bank. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the bank will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the bank and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001. They are also responsible for safeguarding the assets of the bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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

18 June 2019

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

18 June 2019

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Investec Bank (Mauritius) Limited (the Group and the Bank), which comprise the balance sheets as at 31 March 2019, the income statements, statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 86 to 185, and the specified disclosures within the risk management section that are marked as audited.

In our opinion, these consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Investec Bank (Mauritius) Limited as at 31 March 2019 and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act, Banking Act and Financial Reporting Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Bank in accordance with International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses (ECL) for loans and advances to customers

This key audit matter is applicable to both the Group and the Bank.

Refer to the following notes in the financial statements:

- Note 2.2 – Significant accounting judgements and estimates: Expected credit loss (ECL)/impairment charge
- Note 2.4 – Impairment of financial assets held at amortised cost or FVOCI
- Note 24 – Loans and advances to customers

Key audit matter	*How the matter was addressed in our audit*
The Group's and the Bank's gross loans and advances to customers amount to US$ 1,041.1 million as at 31 March 2019 and allowances for losses on loans and advances to customers for the year amount to US$ 6.9 million at 31 March 2019. On 1 April 2018, the Group and the Bank adopted IFRS 9: Financial Instruments (IFRS 9). Management exercised significant judgement, using assumptions and complex models, when determining both the timing and the amounts of the expected credit losses (ECL) for loans and advances (credit impairment) to customers in line with IFRS 9. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weighting to be applied to economic scenarios. Allowances for expected credit losses on loans and advances to customers (exposures) are determined on a portfolio basis (portfolio impairment) or at an individual financial instrument level (specific impairment). The Bank follows a three stage approach and apply staging methodologies to the recognition of credit impairments. Due to the significance of loans and advances to customers and the significant estimates and judgement applied in the determination of expected credit losses for loans and advances to customers, this was considered to be a key audit matter.	Our audit procedures included the following: • We obtained an understanding of the Group and the Bank's credit risk management process and tested the design and operating effectiveness of controls over credit origination, credit monitoring and credit remediation. • We assessed the appropriateness of the accounting policies and loan impairment methodologies applied by management by comparing these to the requirements of IFRS 9. • We evaluated the adequacy of the financial statement disclosures in accordance with IFRS 9, including disclosures of: – key assumptions, judgments and sensitivities relating to loans and advances to customers and their classification and measurement thereof; and – the impact of the transition to IFRS 9 on classification and measurement of the opening balances relating to loans and advances to customers and retained earnings. **Portfolio impairment:** Where credit losses were calculated on a portfolio basis we performed the following audit procedures for the whole loan population, in conjunction with our credit risk specialists: • Critically assessed the expected credit losses (ECL) modelling methodology applied by Management to determine the PD, LGD, and EAD used to compute the collective ECL allowances against the requirements of IFRS 9 and the Group's and Bank's internal policies. • Reperformed model calculations to evaluate the risk parameter inputs used by management. • Performed sensitivity analyses on the forecasts and assessed the impacts on the ECL and compared it to management's ECL estimate. • Challenged the parameters and significant assumptions applied in the calculation models by benchmarking these against external data. • Performed an independent ECL estimate based on the input parameters using a challenger model and compared the ECL output to the Group's and Bank's ECL models. **Specific impairment:** Where credit losses were calculated on an individual basis, our procedures included the following: • We challenged the valuation of credit losses for all loans and advances that had been incurred, including developing our own expectation of the amount of the expected credit losses and compared it to management's calculation. • Where stage 3 credit losses have been raised, we considered the impairment indicators, uncertainties and assumptions applied by Management. In addition, we considered Management's assessment of the recoverability of the exposure and supporting collateral with reference to current economic performance, assumptions most commonly used in the industry and comparison with external evidence and historical trends. • We assessed collateral valuation techniques applied against the Group's and Bank's policy and industry standards.

Other information

The directors are responsible for the other information. The other information is all information included in the Annual Report. The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act, Banking Act and Financial Reporting Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

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

Report on other legal and regulatory requirements

Mauritius Companies Act

We have no relationship with or interests in the Group and the Bank other than in our capacity as auditors.

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

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

Banking Act

In our opinion, the consolidated and separate financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Banking Act 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 Group and the Bank were satisfactory.

Financial Reporting Act

Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Group and the Bank have, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

KPMG
Ebène, Mauritius

John Chung, BSc FCA
Licensed by FRC

18 June 2019

INCOME STATEMENTS

For the year to 31 March US$'000	Notes	Group 2019	Group 2018	Group 2017	Bank 2019	Bank 2018	Bank 2017
Interest income	3	73 546	69 538	62 509	73 549	69 571	62 530
Interest income calculated using effective interest rate		63 155	^	^	63 158	^	^
Other interest income		10 391	^	^	10 391	^	^
Interest expense	3	(30 773)	(26 469)	(21 009)	(30 784)	(26 483)	(21 009)
Net interest income		**42 773**	**43 069**	**41 500**	**42 765**	**43 088**	**41 521**
Fee income	4	7 476	10 372	8 191	6 678	9 256	7 609
Fee expense	4	(2 157)	(1 434)	(1 781)	(2 143)	(1 434)	(1 781)
Net fee income		**5 319**	**8 938**	**6 410**	**4 535**	**7 822**	**5 828**
Investment loss	5	(1 407)	(1 678)	(5 151)	(1 407)	(1 678)	(5 151)
Net trading (loss)/income	6	(278)	369	1 045	(274)	321	1 048
Total operating income before impairment		**46 407**	**50 698**	**43 804**	**45 619**	**49 553**	**43 246**
Expected credit loss impairment reversals*	7	2 219	–	–	2 219	–	–
Impairment losses on loans and advances*	7	–	(3 214)	(3 535)	–	(3 214)	(3 535)
Operating income		**48 626**	**47 484**	**40 269**	**47 838**	**46 339**	**39 711**
Operating costs	8	(13 307)	(14 018)	(12 897)	(13 028)	(13 172)	(12 291)
Operating profit		**35 319**	**33 466**	**27 372**	**34 810**	**33 167**	**27 420**
Share of profit in associate	25	144	138	448	144	138	448
Profit before taxation		**35 463**	**33 604**	**27 820**	**34 954**	**33 305**	**27 868**
Taxation	10	(1 895)	(1 904)	(1 883)	(1 807)	(1 853)	(1 935)
Profit after taxation		**33 568**	**31 700**	**25 937**	**33 147**	**31 452**	**25 933**
Analysed as follows:							
Transfer to/(from) regulatory general risk reserve		9 869	(1 386)	4 095	9 869	(1 386)	4 095
Transfer to retained income		23 699	33 086	21 842	23 278	32 838	21 838
Profit attributable to equity holder of the bank		**33 568**	**31 700**	**25 937**	**33 147**	**31 452**	**25 933**

^ *As permitted by IFRS 9, the group has elected not to restate comparative annual financial Statements*
* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March US$'000	Notes	Group 2019	Group 2018	Group 2017	Bank 2019	Bank 2018	Bank 2017
Profit after taxation		33 568	31 700	25 937	33 147	31 452	25 933
Other comprehensive income net of tax:							
Items that may be reclassified to the income statement							
Fair value movements on debt instruments at FVOCI/ available-for-sale assets taken directly to other comprehensive income	34	37	(75)	2 229	37	(75)	2 229
Gain on realisation of available-for-sale assets recycled through the income statement	5	–	–	(26)	–	–	(26)
Foreign currency adjustments on translating associated undertaking	25	(107)	300	(8)	(107)	300	(8)
Other comprehensive income		(27)	36	–	(27)	36	–
Total comprehensive income		**(97)**	**261**	**2 195**	**(97)**	**261**	**2 195**
Total comprehensive income attributable to equity holder of the bank		**33 471**	**31 961**	**28 132**	**33 050**	**31 713**	**28 128**

		Group			Bank		
As at 31 March US$'000	Notes	**2019**	2018	2017	**2019**	2018	2017
Assets							
Cash and balances at central bank	16	14 143	16 695	13 715	14 143	16 695	13 715
Due from banks	17	494 313	459 119	812 376	494 313	459 119	812 376
Reverse repurchase agreements	18	75 555	75 186	–	75 555	75 186	–
Sovereign debt securities	19	20 575	–	22 214	20 575	–	22 214
Bank debt securities	20	88 612	137 604	108 399	88 612	137 604	108 399
Other debt securities	21	24 978	30 172	100 202	24 978	30 172	100 202
Derivative financial instruments	22	17 061	17 437	21 804	17 061	17 437	21 804
Investment portfolio	23	5 445	12 993	14 473	5 445	12 993	14 473
Loans and advances to customers	24	1 034 269	952 637	913 995	1 034 269	952 637	913 995
Investment in associate	25	4 635	4 598	4 160	4 635	4 598	4 160
Deferred taxation asset	26	297	438	357	295	437	305
Other assets	27	4 300	7 203	4 521	4 128	7 137	4 520
Equipment	28	354	395	294	353	394	294
Amount due from group companies	29	1 010	3 366	3 698	1 016	3 365	4 040
Investment in subsidiary	30	–	–	–	467	467	467
		1 785 547	**1 717 843**	**2 020 208**	**1 785 845**	**1 718 241**	**2 020 964**
Liabilities							
Derivative financial instruments	22	1 672	3 508	4 542	1 672	3 508	4 542
Repurchase agreements	18	76 963	101 924	101 645	76 963	101 924	101 645
Customer deposits	31	1 036 836	893 397	1 202 181	1 037 608	893 717	1 202 181
Debt securities in issue	32	252 866	258 563	249 879	252 866	258 563	249 879
Amount due to group companies	29	26 713	32 030	11 887	26 643	32 024	12 318
Current taxation liabilities	10	573	1 020	950	508	1 020	950
Other liabilities	33	21 836	7 425	61 109	21 731	7 322	60 999
		1 417 459	**1 297 867**	**1 632 193**	**1 417 991**	**1 298 078**	**1 632 514**
Equity							
Ordinary share capital	34	56 478	56 478	56 478	56 478	56 478	56 478
Other reserves		75 109	65 152	66 277	75 109	65 152	66 277
Retained income		236 501	298 346	265 260	236 267	298 533	265 695
		368 088	**419 976**	**388 015**	**367 854**	**420 163**	**388 450**
Total liabilities and equity		**1 785 547**	**1 717 843**	**2 020 208**	**1 785 845**	**1 718 241**	**2 020 964**

Signed on behalf of the board

David M Lawrence
Chairman

Pierre de Chasteigner du Mée
Director

Craig C McKenzie
Chief executive officer

18 June 2019

STATEMENTS OF CHANGES IN EQUITY

US$'000	Ordinary share capital	Other reserves				Retained income	Total equity
		Foreign currency reserves	Fair value reserve/ available-for-sale reserve	Regulatory general risk reserve	Statutory reserve		
Group							
At 1 April 2016	**56 478**	**(411)**	**(2 313)**	**6 233**	**56 478**	**243 418**	**359 883**
Movement in reserves 1 April 2016 – 31 March 2017							
Profit after taxation	–	–	–	–	–	25 937	25 937
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	2 229	–	–	–	2 229
Gain on realisation of available-for-sale assets recycled through the income statement	–	–	(26)	–	–	–	(26)
Foreign currency adjustments on translating associated undertakings	–	(8)	–	–	–	–	(8)
Total comprehensive income	**–**	**(8)**	**2 203**	**–**	**–**	**25 937**	**28 132**
Transfer to regulatory general risk reserve	–	–	–	4 095	–	(4 095)	–
At 31 March 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	**–**	**300**	**(75)**	**36**	**–**	**31 700**	**31 961**
Transfer from regulatory general risk reserve	–	–	–	(1 386)	–	1 386	–
At 31 March 2018	**56 478**	**(119)**	**(185)**	**8 978**	**56 478**	**298 346**	**419 976**
IFRS 9 transitional adjustment	–	–	–	–	–	1 741	1 741
Movement in reserves 1 April 2018 – 31 March 2019							
Profit after taxation	–	–	–	–	–	33 568	33 568
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	222	–	–	(185)	37
Foreign currency adjustments on translating associated undertakings	–	(107)	–	–	–	–	(107)
Other comprehensive income	–	–	–	(27)	–	–	(27)
Total comprehensive income	**–**	**(107)**	**222**	**(27)**	**–**	**33 383**	**33 471**
Transfer to regulatory general risk reserve	–	–	–	9 869	–	(9 869)	–
Ordinary dividend paid	–	–	–	–	–	(87 100)	(87 100)
At 31 March 2019	**56 478**	**(226)**	**37**	**18 820**	**56 478**	**236 501**	**368 088**

US$'000	Ordinary share capital	Other reserves: Foreign currency reserves	Other reserves: Fair value reserve/ available-for-sale reserve	Other reserves: Regulatory general risk reserve	Statutory reserve	Retained income	**Total equity**
Bank							
At 1 April 2016	**56 478**	**(411)**	**(2 313)**	**6 233**	**56 478**	**243 857**	**360 322**
Movement in reserves 1 April 2016 – 31 March 2017							
Profit after taxation	–	–	–	–	–	25 933	25 933
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	2 229	–	–	–	2 229
Gains on realisation of available-for-sale assets recycled through the income statement	–	–	(26)	–	–	–	(26)
Foreign currency adjustments on translating associated undertakings	–	(8)	–	–	–	–	(8)
Total comprehensive income	**–**	**(8)**	**2 203**	**–**	**–**	**25 933**	**28 128**
Transfer to regulatory general risk reserve	–	–	–	4 095	–	(4 095)	–
At 31 March 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 undertakings	–	300	–	–	–	–	300
Other comprehensive income	–	–	–	36	–	–	36
Total comprehensive income	**–**	**300**	**(75)**	**36**	**–**	**31 452**	**31 713**
Transfer from regulatory general risk reserve	–	–	–	(1 386)	–	1 386	–
At 31 March 2018	**56 478**	**(119)**	**(185)**	**8 978**	**56 478**	**298 533**	**420 163**
IFRS 9 transitional adjustment	–	–	–	–	–	1 741	1 741
Movement in reserves 1 April 2018 – 31 March 2019							
Profit after taxation	–	–	–	–	–	33 147	33 147
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	222	–	–	(185)	37
Foreign currency adjustments on translating associated undertakings	–	(107)	–	–	–	–	(107)
Other comprehensive loss	–	–	–	(27)	–	–	(27)
Total comprehensive income	**–**	**(107)**	**222**	**(27)**	**–**	**32 962**	**33 050**
Transfer to regulatory general risk reserve	–	–	–	9 869	–	(9 869)	–
Ordinary dividend paid	–	–	–	–	–	(87 100)	(87 100)
At 31 March 2019	**56 478**	**(226)**	**37**	**18 820**	**56 478**	**236 267**	**367 854**

CASH FLOW STATEMENTS

For the year ended 31 March US$'000	Notes	Group 2019	Group 2018	Group 2017	Bank 2019	Bank 2018	Bank 2017
Cash flows from operating activities							
Profit before taxation adjusted for non-cash items	35	26 535	37 066	44 957	26 026	36 768	45 005
Taxation paid	8	(2 201)	(1 915)	(1 507)	(2 176)	(1 915)	(1 507)
Increase in operating assets	35	(70 938)	(35 523)	(32 825)	(70 840)	(35 116)	(32 744)
Increase/(decrease) in operating liabilities	35	150 698	(343 365)	157 964	151 084	(343 475)	158 285
Net cash inflow/(outflow) from operating activities		**104 094**	**(343 737)**	**168 589**	**104 094**	**(343 738)**	**169 039**
Cash flows from investing activities							
Purchase of investment securities		(22 520)	(45 000)	(37 468)	(22 520)	(45 000)	(37 468)
Proceeds from disposal of investment securities		55 257	93 348	4 299	55 257	93 348	4 299
Cash flow on acquisition of equipment		(65)	(213)	(79)	(65)	(212)	(79)
Cash flow on additional investment in subsidiary		–	–	–	–	–	(450)
Net cash inflow/(outflow) from investing activities		**32 672**	**48 135**	**(33 248)**	**32 672**	**48 136**	**(33 698)**
Cash flows from financing activities							
Dividends paid to ordinary shareholders		(87 100)	–	–	(87 100)	–	–
Reverse repurchase agreement		–	(75 087)	–	–	(75 087)	–
Repurchase agreement		(18 400)	–	–	(18 400)	–	–
Net cash outflow from financing activities		**(105 500)**	**(75 087)**	**–**	**(105 500)**	**(75 087)**	**–**
Effects of exchange rates on cash and cash equivalents		**4 138**	**21 864**	**(6 320)**	**4 138**	**21 864**	**(6 320)**
Net increase/(decrease) in cash and cash equivalents		**35 404**	**(348 825)**	**129 021**	**35 404**	**(348 825)**	**129 021**
Cash and cash equivalents at the beginning of the year		467 245	816 070	687 049	467 245	816 070	687 049
Cash and cash equivalents at the end of the year		**502 649**	**467 245**	**816 070**	**502 649**	**467 245**	**816 070**
Cash and cash equivalents is defined as including:							
Cash in hand	16	5	4	9	5	4	9
Cash and balances at central banks-unrestricted	16	8 320	8 122	3 685	8 320	8 122	3 685
Due from banks	17	494 313	459 119	812 376	494 313	459 119	812 376
Expected credit loss on cash and cash equivalents	17	11	–	–	11	–	–
Cash and cash equivalents at the end of the year		**502 649**	**467 245**	**816 070**	**502 649**	**467 245**	**816 070**

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 2019 were authorised for issue in accordance with a resolution of the directors on 18 June 2019.

2. Accounting policies

The accounting policies are both for the group and bank (the group unless specifically noted otherwise).

2.1 *Basis of preparation*

The consolidated and separate financial statements of the group have been prepared on a historical cost basis, except for derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss (FVTPL) 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 and separate financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the requirements of the Mauritius Companies Act, Banking Act and Financial Reporting Act.

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 14 to 58 in sections marked as audited.

Going concern

The group's management has made an assessment of the group'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 group'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 group'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 on 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 14 to the financial statements.

Expected credit loss (ECL)/impairment charge

The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at FVOCI involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weighting to be applied to economic scenarios.

2.3 *Change in accounting policies*

The accounting policies adopted on these financial statements are consistent with those of the previous financial year except with the following exceptions caused by the adoption of the following standards on 1 April 2018:

Amendments	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018

The accounting policies adopted by the group have significantly changed as a result of the adoption of IFRS 9: Financial Instruments (IFRS 9) and IFRS 15 Revenue from contracts with customers.

On 1 April 2018 the group adopted IFRS 9 'Financial Instruments' which replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IFRS 9) and sets out the new requirements for the recognition and measurement of financial instruments. These requirements focus primarily on the classification and measurement of financial instruments and measurement of impairment losses based on an ECL model as opposed to an incurred loss methodology under IAS 39. IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting, which is not applicable to the bank.

2. Accounting policies *(continued)*

2.3 *Change in accounting policies* (continued)

Disclosure related to the initial application and the impact of the transition from IAS 39 to IFRS 9 is included in note 43 to the financial statements.

Additionally, on 1 April 2018 the group adopted IFRS 15 'Revenue from contracts with customers' which replaced IAS 18 'Revenue'. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for obligations as they are satisfied. It applies to all contracts with customers except leases, financial instruments and insurance contracts.

The bank's measurement and recognition principles were aligned to the new standard and hence there has been no material impact on measurement and recognition principles or on disclosure.

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 group'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 at the spot 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 spot exchange rates as at the dates of the recognition.

Non–monetary items measured at fair value in a foreign currency are translated using the spot 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 2019. The bank uses the direct method of consolidation.

The bank consolidates a subsidiary when it controls it. 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 re-assesses 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. 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 income statement
- Reclassifies the parent's share of components previously recognised in other comprehensive income to 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 profit or loss.

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.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs.

A transfer is made between the hierarchy levels when the inputs have changed or there has been a change in the valuation method. Transfers are deemed to occur at the end of each semi-annual reporting period.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement. All other transaction costs are recorded in the income statement immediately. Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the timeframe established by market convention are recorded at trade date.

Business model assessment

For financial assets, IFRS 9 requires that a business model assessment is carried out which reflects how the group manages the assets in order to generate cash flows. The assessment is at a portfolio level, being the level at which the portfolio is managed. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported and how risks are assessed and managed.

The standard sets out different types of business model:

- Hold to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity to achieve the objectives of the business model. These assets are accounted for at FVOCI.
- Hold to sell/managed on a fair value basis: the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

However, the group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The classification into one of these categories is based on the entity's business model for managing the assets and the contractual cash flow characteristics of the assets.

2. Accounting policies *(continued)*

Solely payment of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets and liabilities measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost.

The group may commit to provide a loan which has not yet been drawn. When the loan that arises from the lending commitment is expected to meet the criteria to be measured at amortised cost the undrawn commitment is also considered to be and is included in the impairment calculation below.

The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. If the initial fair vale are lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan is credit impaired.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. They are recognised on the trade date when the group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed.

They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses arising from derecognition of debt instruments measured at fair value through other comprehensive income'.

Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

Impairment of financial assets held at amortised cost or FVOCI

At each balance sheet date each financial asset or portfolio of advances categorised at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is measured for ECL impairment. Loss allowances are forward-looking, based on 12-month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, credit losses are rebased from 12-month to lifetime expectations. A change in credit risk is typically but not necessarily associated with a change in the expected cash flows.

The costs of loss allowances on assets held at amortised cost are presented as impairments in the income statement. Allowances in respect of financial guarantees and loan commitments are presented as other liabilities and charges recorded within income statement impairments. Financial assets held at amortised cost are presented net of allowances except where the asset has been wholly or partially written off.

Financial assets where 12-month ECL is recognised are considered to be 'stage 1', financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2', and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit-impaired are in 'stage 3'.

Financial assets and liabilities held at fair value through profit or loss

Financial instruments held at fair value through profit or loss include all instruments classified as those instruments designated as held at fair value through profit or loss and those financial assets which do not meet the criteria for amortised cost or FVOCI.

Financial instruments classified as FVPL are initially recorded at fair value on the balance sheet with changes in fair value subsequently recognised in the income statement. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- they eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or both financial assets and financial liabilities is managed and its performances evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel; or
- a financial liability contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

Own credit risk on financial liabilities designated at fair value is recognised in other comprehensive income.

Day-one profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately 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, when the instrument is derecognised or over the life of the transaction.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either: (a) the group has transferred substantially all the risks and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets.

The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends upon whether the modification is done for commercial reasons, in which case if they are significant the old asset is derecognised and a new asset recognised, or because of financial difficulties of the borrower.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

Financial assets are only reclassified where there has been a change in business model. Financial liabilities cannot be reclassified.

Derivative instruments

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities, respectively.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit or losses arising on derivatives are recognised in the income statement as part of trading income.

Credit derivatives are entered into for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through the income statement, based on the current market price or remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

Embedded derivatives

To the extent that a derivative may be embedded in a hybrid contract and the hybrid contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

2. Accounting policies *(continued)*

Issued debt financial instruments

Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Sale and repurchase agreements (including securities borrowing and lending)

Securities sold subject to a commitment to repurchase, at a fixed price or a selling price plus a lender's return, remain on balance sheet. Proceeds received are recorded as a liability on the balance sheet under 'repurchase agreements and cash collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

Securities borrowing transactions that are not cash collateralised are not included on the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

The cash collateral from agency-based scrip lending transactions are disclosed on a net basis, in accordance with master netting agreements and the intention to settle net.

Financial guarantees

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement, all changes in the balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset/assets, even if that right is not explicitly specified in an arrangement.

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where the group is the lessor and included in liabilities where the group is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to the income statement in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/credited in the income statement on a straight-line basis over the lease term. Contingent rentals are accrued to the income statement when incurred.

Repurchase agreements

Securities sold under agreements to repurchase at a specified future date (repos) 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 on the balance sheet as '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 effective interest rate (EIR). When the counterparty has the right to sell or re-pledge the securities, the bank reclassifies those securities in its balance sheet to 'reverse repurchase agreement'.

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 '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 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 on 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'.

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 consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities and other operating income.

Revenue is recognised in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price, allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

Interest income is recognised in the income statement using the effective interest rate method. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instruments yield, premiums or discounts on acquisition or issue, early redemption fees and transactions costs.

The effective interest method is based on the estimated life of the underlying instrument and, where this estimate is not readily available, the contractual life.

Fee income includes fees earned from providing advisory services as well as portfolio management. Investment advisory and management fees are earned over the period in which the services are provided. Performance fees can be variable and are recognised when all uncertainties are resolved and the services related to the transactions have been completed under the terms of the engagement.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains or losses arising from balance sheet management.

Trading profit includes the unrealised profit on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the group's right to receive payment is established.

Operating costs associated with these investments are included in operating costs in the income statement.

2. Accounting policies *(continued)*

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 group and bank have also equity accounted its interests in associated undertaking.

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 impairment is calculated 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 initially and subsequently measured 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 depreciation 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 the income statement in 'investment income' 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 group 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 group 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 to sell 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 to sell, 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 note 37 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 group receive remuneration in the form of share-based payment transactions which can only be settled in equity (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value of the shares or share options at the grant date.

The cost is expensed in personnel expenses over the period until the vesting date in note 8.

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.

2. Accounting policies *(continued)*

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 and 50% payable to the Mauritius Revenue Authority (MRA).

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 3.4% 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 statement of financial position include:

- 'Statutory reserve' which represents 15% of the net profit transferred in accordance with the Banking Act 2004 until the amount equals the stated capital of the bank; and
- 'Regulatory general risks reserves' which comprises:

(i) the difference between the expected credit loss and the statutory general provision of 1% and the provision computed under the Prudential Norm which are both 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 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.

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.

Standards issued but not yet effective

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

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

	Effective for accounting period beginning on or after
IFRS 16 Leases	1 January 2019

IFRS 16 Leases – 1 January 2019

In January 2016, the IASB issued IFRS 16 Leases. The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases.

Lessees will be required to recognise a lease liability measured at the present value of remaining cash flows and a right of use (ROU) asset measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received. Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset will amortise to the income statement over the life of the lease.

As permitted by the standard the group has applied IFRS 16 on a modified retrospective basis without restating prior years. The group has elected to take advantage of the following transition options on transition at 1 April 2019:

- apply IFRS 16 to contracts previously identified as leases by IAS 17
- calculate the right of use asset equal to the lease liability, adjusted for prepaid or accrued payments
- use the incremental borrowing rate as the discount rate for property leases
- not apply IFRS 16 to operating leases with a remaining lease term of less than 12 months
- rely on the assessment of whether the lease contract is onerous under IAS 37 at 31 March 2019 as an alternative to performing an impairment review of the right use of assets crated on 1 April 2019. Where this is the case the carrying amount of the assets will be adjusted by the onerous lease provision.

The expected impact of adopting IFRS 16 is an increase in assets of US$1.8 million, an increase in liabilities of US$1.8 million.

3. Net interest income

For the year to 31 March US$'000	Notes	Group 2019 Balance sheet value	Group 2019 Interest income
Cash, bank debt and sovereign debt securities*	1	693 198	13 389
Loans and advances*	2	1 034 269	47 440
Other debt securities*		24 978	2 326
Interest income on derivative financial instruments	4	17 061	10 391
Total interest-earning assets/interest income		**1 769 506**	**73 546**

* *Interest income calculated using effective interest rate.*

For the year to 31 March US$'000	Notes	Group 2019 Balance sheet value	Group 2019 Interest expense
Debt related securities	3	329 829	(10 341)
Customer deposits		1 036 836	(15 668)
Other interest-bearing liabilities	5	26 713	(1 846)
Interest expense on derivative financial instruments	4	1 672	(2 918)
Total interest-bearing liabilities/interest expense		**1 395 050**	**(30 773)**
Net interest income			**42 773**

1. *Comprises (as per the balance sheet) cash and balances at central banks, due from banks, reverse repurchase agreement, sovereign and bank debt securities*
2. *Comprises (as per the balance sheet) loans and advances to customers*
3. *Comprises (as per the balance sheet) debt securities in issue and repurchase agreements*
4. *Comprises (as per the balance sheet) derivative assets and liabilities*
5. *Comprises (as per the balance sheet) amount due to group companies*

Group				Bank					
2018		2017		2019		2018		2017	
Balance sheet value	Interest income	Balance sheet value	Interest income	**Balance sheet value**	**Interest income**	Balance sheet value	Interest income	Balance sheet value	Interest income
691 970	14 538	960 402	10 159	693 198	13 392	691 969	14 571	960 744	10 180
952 637	45 741	913 995	44 048	1 034 269	47 440	952 637	45 741	913 995	44 048
30 172	472	100 202	3 525	24 978	2 326	30 172	472	100 202	3 525
17 437	8 787	21 804	4 777	17 061	10 391	17 437	8 787	21 804	4 777
1 692 216	**69 538**	**1 996 403**	**62 509**	**1 769 506**	**73 549**	**1 692 215**	**69 571**	**1 996 745**	**62 530**

Group				Bank					
2018		2017		2019		2018		2017	
Balance sheet value	Interest expense	Balance sheet value	Interest expense	**Balance sheet value**	**Interest expense**	Balance sheet value	Interest expense	Balance sheet value	Interest expense
360 487	(8 729)	351 524	(7 629)	329 829	(10 341)	360 487	(8 729)	351 524	(7 629)
893 397	(11 138)	1 202 181	(6 892)	1 037 608	(15 668)	893 717	(11 138)	1 202 181	(6 892)
32 030	(983)	11 887	(12)	26 643	(1 857)	32 024	(997)	12 318	(12)
3 508	(5 619)	4 542	(6 476)	1 672	(2 918)	3 508	(5 619)	4 542	(6 476)
1 289 422	**(26 469)**	**1 570 134**	**(21 009)**	**1 395 752**	**(30 784)**	**1 289 736**	**(26 483)**	**1 570 565**	**(21 009)**
	43 069		**41 500**		**42 765**		**43 088**		**41 521**

4. Net fee income

For the year to 31 March US$'000	Group 2019	Group 2018	Group 2017	Bank 2019	Bank 2018	Bank 2017
Fee income						
Credit related fees	4 433	5 527	4 039	4 433	5 527	4 039
Foreign exchange dealings	1 186	1 757	1 606	1 186	1 757	1 606
Client transactions and maintenance fees	1 059	1 972	1 964	1 059	1 972	1 964
Wealth management fees	798	1 116	582	–	–	–
	7 476	**10 372**	**8 191**	**6 678**	**9 256**	**7 609**
Fee expense						
Credit related fees paid	(2 143)	(1 426)	(1 752)	(2 143)	(1 426)	(1 752)
Other fees paid	(14)	(8)	(29)	–	(8)	(29)
	(2 157)	**(1 434)**	**(1 781)**	**(2 143)**	**(1 434)**	**(1 781)**
Net fee income	**5 319**	**8 938**	**6 410**	**4 535**	**7 822**	**5 828**

5. Investment loss

For the year to 31 March US$'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Other asset categories**	Total
Group and Bank				
2019				
Realised***	(4 240)	109	2 692	(1 438)
Unrealised	(3 194)	–	3 224	30
	(7 434)	**109**	**5 916**	**(1 407)**
2018				
Realised***	–	1 364	(3)	1 361
Unrealised	(3 039)	–	–	(3 039)
	(3 039)	**1 364**	**(3)**	**(1 678)**
2017				
Realised***	–	26	–	26
Unrealised	(5 177)	–	–	(5 177)
	(5 177)	**26**	**–**	**(5 151)**

* *Including embedded derivatives.*
** *Including profit share on financial assets at fair value through profit or loss.*
*** *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the realised item.*

6. Net trading (loss)/income

For the year to 31 March US$'000	Group 2019	Group 2018	Group 2017	Bank 2019	Bank 2018	Bank 2017
Changes in fair value of derivative financial instruments	(495)	559	1 601	(494)	559	1 601
Net foreign exchange gain/(loss)	217	(190)	(556)	220	(238)	(553)
	(278)	**369**	**1 045**	**(274)**	**321**	**1 048**

Included in "changes in fair value of derivative financial instruments" are gains and losses from spot and forward contracts and other derivatives.

7. Expected credit loss/impairments

For the year to 31 March US$'000	Group and Bank 2019	Group and Bank 2018	Group and Bank 2017
Expected credit loss impairment recognised on the following assets:			
Loans and advances to customers	2 720	–	–
Other balance sheet assets	(197)	–	–
Off-balance sheet commitments and guarantees	(304)	–	–
	2 219	**–**	**–**
Expected credit loss impairment reversals comprise:			
Stage 1	359	–	–
Stage 2	1 649	–	–
Stage 3	211	–	–
	2 219	–	–

For the year to 31 March US$'000	Group and Bank 2019	Group and Bank 2018	Group and Bank 2017
Impairment losses on loans and advances			
Specific impairment charges in income statement	–	(3 026)	(3 083)
Portfolio impairment charges in income statement	–	(188)	(452)
	–	(3 214)	(3 535)

8. Operating costs

For the year to 31 March US$'000	Group 2019	Group 2018	Group 2017	Bank 2019	Bank 2018	Bank 2017
Staff costs	6 455	7 105	6 813	6 230	6 322	6 262
– Salaries and wages (including directors' remuneration*)	5 392	6 168	5 689	5 192	5 453	5 304
– Training and other costs	140	85	98	140	85	97
– Share-based payments expense	785	730	854	762	663	696
– Pension fund contributions	138	122	172	136	121	165
Premises expenses	571	567	539	569	563	535
Equipment expenses	3 530	3 248	2 913	3 529	3 247	2 909
Business expenses**	2 303	2 805	2 191	2 254	2 754	2 145
Marketing expenses	123	184	334	121	177	333
Depreciation on equipment	105	109	107	105	109	107
Special levy	220	–	–	220	–	–
	13 307	**14 018**	**12 897**	**13 028**	**13 172**	**12 291**
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 accounts	190	180	212	180	170	207
Audit related assurance services	–	–	24	–	–	24
Tax compliance services***	–	–	23	–	–	23
	190	**180**	**259**	**180**	**170**	**254**
Minimum operating lease payments recognised in operating costs	**373**	**383**	**356**	**373**	**383**	**356**

* *Details of the directors' emoluments, pensions and their interests are disclosed in the corporate governance report on page 70.*
** *Business expenses mainly comprise insurance costs, consulting and professional fees, subscriptions and IT costs.*
*** *Tax compliance services are payable to Ernst & Young.*

8. Operating costs *(continued)*

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$ 137 848 (2018: US$ 121 506 and 2017: US$ 172 403) represents contributions payable to these plans by the group at rates specified in the rules of the plan.

The defined contribution made by the group in respect of key management personnel amounts to US$ 56 826 (2018: US$ 49 860 and 2017: US$ 52 813).

9. Share-based payments

The group operates share option and long-term share incentive plans for employees the majority of which are on an equity 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		
For the year to 31 March	**2019**	2018	2017	**2019**	2018	2017
Share-based payment expense charged to the income statement (US$'000)	**785**	730	854	**762**	693	696
Fair value of share options at grant date (R'000)	**11 017**	1 563	22 510	**10 091**	1 563	22 510

	Group			Bank		
For the year to 31 March Number of share options	**2019**	2018	2017	**2019**	2018	2017
Details of share options outstanding during the year						
Outstanding at the beginning of the year	385 771	699 395	543 555	379 834	559 064	396 277
Relocation of employees during the year	–	(97 252)	31 791	–	30 026	9 888
Granted during the year	119 040	16 065	239 080	109 040	16 065	239 080
Exercised during the year^	(106 188)	(160 122)	(99 281)	(101 388)	(153 006)	(80 431)
Lapsed during the year	(7 040)	(72 315)	(15 750)	(7 040)	(72 315)	(5 750)
Outstanding at the end of the year	**391 583**	**385 771**	**699 395**	**380 446**	**379 834**	**559 064**
Exercisable at the end of the year	**–**	**–**	**–**	**–**	**–**	**–**

^ *The weighted average exercise price during the year was Rnil (2018 and 2017: Rnil).*

9. Share-based payments *(continued)*

	Group			Bank		
For the year to 31 March	**2019**	2018	2017	**2019**	2018	2017
The exercise price range and weighted average remaining contractual life for the share options outstanding were as follows:						
Long-term incentive grants & long-term share awards with no strike price						
Exercise price range	Rnil	Rnil	Rnil	Rnil	Rnil	Rnil
Weighted average remaining contractual life	1.94 years	1.98 years	2.08 years	1.92 years	2.00 years	2.28 years
The fair values of share options granted where calculated using a Black-Scholes option pricing model.						
For share options granted during the year, the inputs into the model were as follows:						
– Share price at date of grant	R90.96 – R92.55	R94.94 – R97.45	R89.97 – R105.30	R90.96 – R92.55	R94.94 – R97.45	R89.97 – R105.30
– Exercise price	R nil	R nil	R nil	R nil	R nil	R nil
– Expected volatility	n/a	n/a	n/a	n/a	n/a	n/a
– Option life	4.75 Years	4.75 Years	4.75 – 5 Years	4.75 Years	4.75 Years	4.75 – 5 Years
– Expected dividend yields	n/a	n/a	n/a	n/a	n/a	n/a
– Risk-free rate	n/a	n/a	n/a	n/a	n/a	n/a

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.

10. Taxation

For the year to 31 March US$'000	Group 2019	Group 2018	Group 2017	Bank 2019	Bank 2018	Bank 2017
Income tax liability						
Current year	7 496	8 595	7 850	7 406	8 595	7 850
Tax credit	(5 713)	(6 485)	(5 759)	(5 713)	(6 485)	(5 759)
Tax paid under Advance Payment Scheme	(1 210)	(1 090)	(1 141)	(1 185)	(1 090)	(1 141)
	573	**1 020**	**950**	**508**	**1 020**	**950**
Income statement tax charge						
Taxation on income	**1 895**	**1 904**	**1 883**	**1 807**	**1 853**	**1 935**
– Current taxation	2 036	1 985	2 124	1 949	1 985	2 124
in respect of the current year	2 023	2 110	2 112	1 935	2 110	2 112
in respect of prior year adjustments	13	(125)	12	14	(125)	12
– Deferred taxation	(141)	(81)	(241)	(142)	(132)	(189)
Total taxation charge as per income statement	**1 895**	**1 904**	**1 883**	**1 807**	**1 853**	**1 935**
Tax rate reconciliation:						
Profit before taxation as per income statement	**35 463**	**33 604**	**27 820**	**34 954**	**33 305**	**27 868**
Total taxation charge as per income statement	**1 895**	**1 904**	**1 883**	**1 807**	**1 853**	**1 935**
Effective rate of taxation	5%	6%	7%	5%	6%	7%
At statutory income tax rate of 15% (2018 and 2017: 15%)	5 320	5 041	4 173	5 243	4 996	4 180
Adjustment in respect of current income tax of prior years	14	(125)	12	14	(125)	12
Special levy	–	495	527	–	495	527
Corporate social responsibility	–	36	24	–	36	24
Other deductible items*	(17)	(168)	(369)	(17)	(174)	(324)
Non-deductible expenses**	2 500	425	1 808	2 489	425	1 808
Foreign tax credit	(5 906)	(3 766)	(4 292)	(5 906)	(3 766)	(4 292)
Deferred tax						
– Adjustment in respect of deferred tax of prior years	(16)	(34)	–	(16)	(34)	–
Income tax expense reported in the income statement	**1 895**	**1 904**	**1 883**	**1 807**	**1 853**	**1 935**

* *Other deductible items include share of profit in associate and movement in provisions.*

** *Non-deductible items include gain on revaluation of financial instruments, mark-to-market adjustments and share of profit from associate.*

10. Taxation *(continued)*

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.

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 till the financial year ended 31 March 2018

Following changes to the Finance Act 2018, the special levy is calculated at 5.5% of leviable income derived from resident sources in accordance with section 53J Liability to special levy of the VAT Act 2018 and is reflected as part of operating costs (See note 8).

11. Dividends

	Group			Bank		
For the year to 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Ordinary dividend						
Declared and paid during the year						
Equity dividends on ordinary shares	**87 100**	**–**	**–**	**87 100**	**–**	**–**

Dividend of US$ 1.5 per share was declared and paid to the ordinary shareholder in respect of the financial year ended 31 March 2019 (2018: nil and 2017: nil).

12. Analysis of income and impairments by category of financial instruments

For the year to 31 March Group	**At fair value through profit or loss**		**At fair value through OCI**			
US$'000	Trading	Designated at initial recognition	Debt instruments with a dual business model	Amortised cost	Other fee income	**Total**
2019						
Net interest income	7 473	805	2 010	32 485	–	42 773
Fee income	–	–	–	6 678	798	7 476
Fee expense	–	–	–	(2 143)	(14)	(2 157)
Investment (loss)/income	–	(1 407)	–	–	–	(1 407)
Net trading income/(loss)	590	–	–	(868)	–	(278)
Total operating income/(loss) before impairment	**8 063**	**(602)**	**2 010**	**36 152**	**784**	**46 407**
Expected credit loss impairment reversals	–	–	360	1 859	–	2 219
Operating income/(loss)	**8 063**	**(602)**	**2 370**	**38 011**	**784**	**48 626**

12. Analysis of income and impairments by category of financial instruments *(continued)*

	At fair value through profit or loss		At fair value through OCI					
US$'000	Trading	Designated at inception	Available-for-sale	Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Other fee income	**Total**
2018								
Net interest income	3 961	–	3 894	5 237	49 277	(19 300)	–	43 069
Fee income	1 757	–	–	–	6 643	1 972	–	10 372
Fee expense	–	–	–	–	(1 434)	–	–	(1 434)
Investment (loss)/income	–	(3 042)	1 364	–	–	–	–	(1 678)
Net trading income/(loss)	607	–	–	–	(238)	–	–	369
Total operating income/(loss) before impairment	**6 325**	**(3 042)**	**5 258**	**5 237**	**54 248**	**(17 328)**		**50 698**
Impairment losses on loans and advances	–	–	–	–	(3 214)	–	–	(3 214)
Operating income/(loss)	**6 325**	**(3 042)**	**5 258**	**5 237**	**51 034**	**(17 328)**		**47 484**
2017								
Net interest (expense)/income	(1 699)	164	2 681	6 617	48 270	(14 533)	–	41 500
Fee income	1 606	–	–	–	4 414	1 965	206	8 191
Fee expense	–	–	–	–	(1 781)	–	–	(1 781)
Investment loss	–	(5 151)	–	–	–	–	–	(5 151)
Net trading income/(loss)	1 599	–	–	–	(554)	–	–	1 045
Total operating income/(loss) before impairment	**1 506**	**(4 987)**	**2 681**	**6 617**	**50 349**	**(12 568)**	**206**	**43 804**
Impairment losses on loans and advances	–	–	–	–	(3 535)	–	–	(3 535)
Operating income/(loss)	**1 506**	**(4 987)**	**2 681**	**6 617**	**46 814**	**(12 568)**	**206**	**40 269**

12. Analysis of income and impairments by category of financial instruments *(continued)*

For the year to 31 March
Bank

US$'000	At fair value through profit or loss		At fair value through OCI			
	Trading	Designated at initial recognition	Debt instruments with a dual business model	Amortised cost	Other fee income	Total
2019						
Net interest income	7 473	805	2 010	32 485	–	42 765
Fee income	–	–	–	6 678	–	6 678
Fee expense	–	–	–	(2 143)	–	(2 143)
Investment (loss)/income	–	(1 407)	–	–	–	(1 407)
Net trading income/(loss)	593	–	–	(867)	–	(274)
Total operating income/(loss) before impairment	**8 066**	**(602)**	**2 010**	**36 153**	**–**	**45 619**
Expected credit loss impairment reversals	–	–	360	1 859	–	2 219
Operating income/(loss)	**8 066**	**(602)**	**2 370**	**38 012**	**–**	**47 838**

US$'000	At fair value through profit or loss		At fair value through OCI					
	Trading	Designated at inception	Available-for-sale	Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Other fee income	Total
2018								
Net interest income	3 961		3 894	5 237	49 296	(19 300)	–	43 088
Fee income	1 757	–	–	–	5 527	1 972	–	9 256
Fee expense	–	–	–	–	(1 434)	–	–	(1 434)
Investment (loss)/income	–	(3 042)	1 364	–	–	–	–	(1 678)
Net trading income/(loss)	559	–	–	–	(238)	–	–	321
Total operating income/(loss) before impairment	**6 277**	**(3 042)**	**5 258**	**5 237**	**53 151**	**(17 328)**	**–**	**49 553**
Impairment losses on loans and advances	–	–	–	–	(3 214)	–	–	(3 214)
Operating income/(loss)	**6 277**	**(3 042)**	**5 258**	**5 237**	**49 937**	**(17 328)**	**–**	**46 339**
2017								
Net interest (expense)/income	(1 699)	164	2 681	6 617	48 291	(14 533)	–	41 521
Fee income	1 605	–	–	–	4 039	1 965	–	7 609
Fee expense	–	–	–	–	(1 781)	–	–	(1 781)
Investment loss	–	(5 151)	–	–	–	–	–	(5 151)
Net trading income/(loss)	1 602	–	–	–	(554)	–	–	1 048
Total operating income/(loss) before impairment	**1 508**	**(4 987)**	**2 681**	**6 617**	**49 995**	**(12 568)**	**–**	**43 246**
Impairment losses on loans and advances	–	–	–	–	(3 535)	–	–	(3 535)
Operating income/(loss)	**1 508**	**(4 987)**	**2 681**	**6 617**	**46 460**	**(12 568)**	**–**	**39 711**

13. Analysis of financial assets and liabilities by category of financial instrument

As at 31 March Group	At fair value through profit or loss		At fair value through OCI				
US$'000	Trading	Designated at initial recognition	Debt instruments with a dual business model	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments**	**Total**
2019							
Assets							
Cash and balances at central banks	–	–	–	–	14 143	–	14 143
Due from banks	–	–	–	–	494 313	–	494 313
Reverse repurchase agreements	–	–	–	–	75 555	–	75 555
Sovereign debt securities	–	–	20 575	20 575	–	–	20 575
Bank debt securities	–	–	–	–	88 612	–	88 612
Other debt securities	–	–	–	–	24 978	–	24 978
Derivative financial instruments	17 061	–	–	17 061	–	–	17 061
Investment portfolio	–	5 445	–	5 445	–	–	5 445
Loans and advances to customers	–	34 265	–	34 265	1 000 004	–	1 034 269
Interests in associated undertaking	–	–	–	–	–	4 635	4 635
Deferred taxation assets	–	–	–	–	–	297	297
Other assets	–	–	–	–	208	4 092	4 300
Equipment	–	–	–	–	–	354	354
Amount due from group companies	–	–	–	–	1 010	–	1 010
	17 061	**39 710**	**20 575**	**77 346**	**1 698 823**	**9 378**	**1 785 547**
Liabilities							
Derivative financial instruments	1 672	–	–	1 672	–	–	1 672
Repurchase agreements	–	–	–	–	76 963	–	76 963
Customer deposits	–	–	–	–	1 036 836	–	1 036 836
Debt securities in issue	–	–	–	–	252 866	–	252 866
Amount due to group companies	–	–	–	–	26 713	–	26 713
Current taxation liabilities	–	–	–	–	–	573	573
Other liabilities	–	–	–	–	16 976	4 860	21 836
	1 672	**–**	**–**	**1 672**	**1 410 354**	**5 433**	**1 417 459**

13. Analysis of financial assets and liabilities by category of financial instrument *(continued)*

As at 31 March Group US$'000	Trading	Designated at inception	Available-for-sale	Total instruments at fair value
2018				
Assets				
Cash and balances at central banks	–	–	–	–
Due from banks	–	–	–	–
Reverse repurchase agreements	–	–	–	–
Bank debt securities	–	–	25 069	25 069
Other debt securities	–	–	20 036	20 036
Derivative financial instruments	17 437	–	–	17 437
Investment portfolio	–	12 993	–	12 993
Loans and advances to customers	–	–	–	–
Interests in associated undertaking	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	–	–	–	–
Equipment	–	–	–	–
Amount due from group companies	–	–	–	–
	17 437	**12 993**	**45 105**	**75 535**
Liabilities				
Derivative financial instruments	3 508	–	–	3 508
Repurchase agreements	–	–	–	–
Customer deposits	–	–	–	–
Debt securities in issue	–	–	–	–
Amount due to group companies				–
Current taxation liabilities	–	–	–	–
Other liabilities	–	–	–	–
	3 508	**–**	**–**	**3 508**

	Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
	–	16 695	–	16 695	–	16 695
	–	459 119	–	459 119	–	459119
	–	75 186	–	75 186	–	75 186
	112 506	–	–	112 535	–	137 604
	7 094	3 042	–	10 136	–	30 172
	–	–	–	–	–	17 437
	–	–	–	–	–	12 993
	–	952 637	–	952 637	–	952 637
	–	–	–	–	4 598	4 598
	–	–	–	–	438	438
	–	5 744	–	5 744	1 459	7 203
	–	–	–	–	395	395
	–	3 366	–	3 366	–	3 366
	119 600	**1 515 789**	**–**	**1 635 418**	**6 890**	**1 717 843**
	–	–	–	–	–	3 508
	–	–	101 924	101 924	–	101 924
	–	–	893 397	893 397	–	893 397
	–	–	258 563	258 563	–	258 563
	–	–	32 030	32 030	–	32 030
	–	–	–	–	1 020	1 020
	–	–	2 818	2 818	4 607	7 425
	–	**–**	**1 288 732**	**1 288 732**	**5 627**	**1 297 867**

13. Analysis of financial assets and liabilities by category of financial instrument *(continued)*

As at 31 March **Group** **US$'000**	Trading	Designated at inception	Available-for-sale	**Total instruments at fair value**
2017				
Assets				
Cash and balances at central banks	–	–	–	–
Due from banks	–	–	–	–
Sovereign debt securities	–	–	22 214	22 214
Bank debt securities	–	–	–	–
Other debt securities	–	–	83 142	83 142
Derivative financial instruments	21 804	–	–	21 804
Investment portfolio	–	14 473	–	14 473
Loans and advances to customers	–	–	–	–
Interests in associated undertaking	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	–	–	–	–
Equipment	–	–	–	–
Amount due from group companies	–	–	–	–
	21 804	**14 473**	**105 356**	**141 633**
Liabilities				
Derivative financial instruments	4 542	–	–	4 542
Repurchase agreements	–	–	–	–
Customer deposits	–	–	–	–
Debt securities in issue	–	–	–	–
Amount due to group companies	–	–	–	–
Current taxation liabilities	–	–	–	–
Other liabilities	–	–	–	–
	4 542	**–**	**–**	**4 542**

Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	13 715	–	13 715	–	13 715
–	812 376	–	812 376	–	812 376
–	–	–	–	–	22 214
108 399	–	–	108 399	–	108 399
10 359	6 701	–	17 060	–	100 202
–	–	–	–	–	21 804
–	–	–	–	–	14 473
–	913 995	–	913 995	–	913 995
–	–	–	–	4 160	4 160
–	–	–	–	357	357
–	2 788	–	2 788	1 733	4 521
–	–	–	–	294	294
–	3 698	–	3 698	–	3 698
118 758	**1 753 273**	**–**	**1 872 031**	**6 544**	**2 020 208**
–	–	–	–	–	4 542
–	–	101 645	101 645	–	101 645
–	–	1 202 181	1 202 181	–	1 202 181
–	–	249 879	249 879	–	249 879
–	–	11 887	11 887	–	11 887
–	–	–	–	950	950
–	–	57 274	57 274	3 835	61 109
–	**–**	**1 622 866**	**1 622 866**	**4 785**	**1 632 193**

13. Analysis of financial assets and liabilities by category of financial instrument *(continued)*

As at 31 March
Bank

US$'000	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at initial recognition	At fair value through OCI: Debt instrument with dual business model	Total instruments at fair value	Amortised cost	Non-financial instruments	Total
2019							
Assets							
Cash and balances at central banks	–	–	–	–	14 143	–	14 143
Due from banks	–	–	–	–	494 313	–	494 313
Reverse repurchase agreements	–	–	–	–	75 555	–	75 555
Sovereign debt securities	–	–	20 575	20 575	–	–	20 575
Bank debt securities	–	–	–	–	88 612	–	88 612
Other debt securities	–	–	–	–	24 978	–	24 978
Derivative financial instruments	17 061	–	–	17 061	–	–	17 061
Investment portfolio	–	5 445	–	5 445	–	–	5 445
Loans and advances to customers	–	34 265	–	34 265	1 000 004	–	1 034 269
Interests in associated undertaking	–	–	–	–	–	4 635	4 635
Deferred taxation assets	–	–	–	–	–	295	295
Other assets	–	–	–	–	208	3 920	4 128
Equipment	–	–	–	–	–	353	353
Amount due from group companies	–	–	–	–	1 016	–	1 016
Investment in subsidiary	–	–	–	–	–	467	467
	17 061	**39 710**	**20 575**	**77 346**	**1 698 829**	**9 670**	**1 785 845**
Liabilities							
Derivative financial instruments	1 672			1 672	–	–	1 672
Repurchase agreements	–	–	–	–	76 963	–	76 963
Customer deposits	–	–	–	–	1 037 608	–	1 037 608
Debt securities in issue	–	–	–	–	252 866	–	252 866
Amount due to group companies	–	–	–	–	26 643	–	26 643
Current taxation liabilities	–	–	–	–	–	508	508
Other liabilities	–	–	–	–	16 966	4 764	21 731
	1 672	**–**	**–**	**1 672**	**1 411 046**	**5 272**	**1 417 991**

This page has been left blank intentionally

13. Analysis of financial assets and liabilities by category of financial instrument *(continued)*

As at 31 March **Bank** **US$'000**	Trading	Designated at inception	Available-for-sale	**Total instruments at fair value**
2018				
Assets				
Cash and balances at central banks	–	–	–	–
Due from banks	–	–	–	–
Reverse repurchase agreements	–	–	–	–
Bank debt securities	–	–	25 069	25 069
Other debt securities	–	–	20 036	20 036
Derivative financial instruments	17 437	–	–	17 437
Investment portfolio	–	12 993	–	12 993
Loans and advances to customers	–	–	–	–
Interests in associated undertaking	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	–	–	–	–
Equipment	–	–	–	–
Amount due from group companies	–	–	–	–
Investment in subsidiary	–	–	–	–
	17 437	**12 993**	**45 105**	**75 535**
Liabilities				
Derivative financial instruments	3 508	–	–	3 508
Repurchase agreements	–	–	–	–
Customer deposits	–	–	–	–
Debt securities in issue	–	–	–	–
Amount due to group companies	–	–	–	–
Current taxation liabilities	–	–	–	–
Other liabilities	–	–	–	–
	3 508	**–**	**–**	**3 508**

Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	16 695	–	16 695	–	16 695
–	459 119	–	459 119	–	459 119
–	75 186	–	75 186	–	75 186
112 535	–	–	112 535	–	137 604
7 094	3 042	–	10 136	–	30 172
–	–	–	–	–	17 437
–	–	–	–	–	12 993
–	952 637	–	952 637	–	952 637
–	–	–	–	4 598	4 598
–	–	–	–	437	437
–	5 738	–	5 738	1 399	7 137
–	–	–	–	394	394
–	3 365	–	3 365	–	3 365
–	–	–	–	467	467
119 629	**1 515 782**	**–**	**1 635 411**	**7 295**	**1 718 241**
–	–	–	–	–	3 508
–	–	101 924	101 924	–	101 924
–	–	893 717	893 717	–	893 717
–	–	258 563	258 563	–	258 563
–	–	32 024	32 024	–	32 024
–	–	–	–	1 020	1 020
–	–	2 808	2 808	4 514	7 322
–	**–**	**1 289 036**	**1 289 036**	**5 534**	**1 298 078**

13. Analysis of financial assets and liabilities by category of financial instrument *(continued)*

As at 31 March Bank US$'000	Trading	Designated at inception	Available-for-sale	Total instruments at fair value
2017				
Assets				
Cash and balances at central banks	–	–	–	–
Due from banks	–	–	–	–
Sovereign debt securities	–	–	22 214	22 214
Bank debt securities	–	–	–	–
Other debt securities	–	–	83 142	83 142
Derivative financial instruments	21 804	–	–	21 804
Investment portfolio	–	14 473	–	14 473
Loans and advances to customers	–	–	–	–
Interests in associated undertaking	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	–	–	–	–
Equipment	–	–	–	–
Amount due from group companies	–	–	–	–
Investment in subsidiary	–	–	–	–
	21 804	**14 473**	**105 356**	**141 633**
Liabilities				
Derivative financial instruments	4 542	–	–	4 542
Repurchase agreements	–	–	–	–
Customer deposits	–	–	–	–
Debt securities in issue	–	–	–	–
Amount due to group companies	–	–	–	–
Current taxation liabilities	–	–	–	–
Other liabilities	–	–	–	–
	4 542	**–**	**–**	**4 542**

Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	13 715	–	13 715	–	13 715
–	812 376	–	812 376	–	812 376
–	–	–	–	–	22 214
108 399	–	–	108 399	–	108 399
10 359	6 701	–	17 060	–	100 202
–	–	–	–	–	21 804
–	–	–	–	–	14 473
–	913 995	–	913 995	–	913 995
–	–	–		4 160	4 160
–	–	–		305	305
–	2 788	–	2 788	1 733	4 521
–	–	–	–	294	294
–	4 040	–	4 040	–	4 040
–	–	–	–	467	467
118 758	**1 753 615**	**–**	**1 872 372**	**6 959**	**2 020 964**
–	–	–	–	–	4 542
–	–	101 645	101 645	–	101 645
–	–	1 202 181	1 202 181	–	1 202 181
–	–	249 879	249 879	–	249 879
–	–	11 887	12 318	–	12 318
–	–	–	–	950	950
–	–	57 274	57 270	3 729	60 999
–	**–**	**1 622 866**	**1 623 293**	**4 679**	**1 632 514**

14. Financial instruments at fair value

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				
2019				
Assets				
Sovereign debt securities	20 575	20 575	–	–
Derivative financial instruments	17 061	–	17 061	–
Investment portfolio	5 445	3 195	2 250	–
Loans and advances to customers	34 265	–	–	34 265
	77 346	**23 770**	**19 311**	**34 265**
Liabilities				
Derivative financial instruments	1 672	–	1 672	–
	1 672	**–**	**1 672**	**–**
Net financial assets at fair value	**75 674**	**23 770**	**17 639**	**34 265**
2018				
Assets				
Bank debt securities	25 069	25 069	–	–
Other debt securities	20 036	20 036	–	–
Derivative financial instruments	17 437	–	17 437	–
Investment portfolio	12 993	9	12 984	–
	75 535	**45 114**	**30 421**	**–**
Liabilities				
Derivative financial instruments	3 508	–	3 508	–
	3 508	**–**	**3 508**	**–**
Net financial assets at fair value	**72 027**	**45 114**	**26 913**	**–**
2017				
Assets				
Sovereign debt securities	22 214	22 214	–	–
Other debt securities	83 142	83 142	–	–
Derivative financial instruments	21 804	–	21 804	–
Investment portfolio	14 473	23	14 450	–
	141 633	**105 379**	**36 254**	**–**
Liabilities				
Derivative financial instruments	4 542	–	4 542	–
	4 542	**–**	**4 542**	**–**
Net financial assets at fair value	**137 091**	**105 379**	**31 712**	**–**

14. Financial instruments at fair value *(continued)*

For the year to 31 March US$'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Bank				
2019				
Assets				
Sovereign debt securities	20 575	20 575	–	–
Derivative financial instruments	17 061	–	17 061	–
Investment portfolio	5 445	3 195	2 250	–
Loans and advances to customers	34 265	–	–	34 265
	77 346	**23 770**	**19 311**	**34 265**
Liabilities				
Derivative financial instruments	1 672	–	1 672	–
	1 672	**–**	**1 672**	**–**
Net financial assets at fair value	**75 764**	**23 770**	**17 639**	**34 265**
2018				
Assets				
Bank debt securities	25 069	25 069	–	–
Other debt securities	20 036	20 036	–	–
Derivative financial instruments	17 437	–	17 437	–
Investment portfolio	12 993	9	12 984	–
	75 535	**45 114**	**30 421**	**–**
Liabilities				
Derivative financial instruments	3 508	–	3 508	–
	3 508	**–**	**3 508**	**–**
Net financial assets at fair value	**72 027**	**45 114**	**26 913**	**–**
2017				
Assets				
Sovereign debt securities	22 214	22 214	–	–
Other debt securities	83 142	83 142	–	–
Derivative financial instruments	21 804	–	21 804	–
Investment portfolio	14 473	23	14 450	–
	141 633	**105 379**	**36 254**	**–**
Liabilities				
Derivative financial instruments	4 542	–	4 542	–
	4 542	**–**	**4 542**	**–**
Net financial assets at fair value	**137 091**	**105 379**	**31 712**	**–**

14. Financial instruments at fair value *(continued)*

Transfers between level 1 and level 2

During the year ended 31 March 2019, there was one financial instrument of fair value USD3.2 million as at 31 March 2019 that had been transferred from level 2 to level 1 (2018: Nil and 2017: Nil).

Level 3 instruments

During the year ended 31 March 2019, there were no movement in financial instruments at fair value for level 3 instruments as the balances were nil (2018: Nil and 2017: Nil).

Measurement of financial assets and liabilities at level 2

The table below sets out information about the valuation techniques used at the end of the reporting year in measuring financial instruments categorised as level 2 in the fair value hierarchy:

	VALUATION BASIS/TECHNIQUES	MAIN ASSUMPTIONS
Assets		
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve volatilities
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances	Discounted cash flow model	Yield curve
Liabilities		
Derivative financial instruments	Discounted cash flow model Black–Scholes	Yield curve volatilities

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.

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 15.

15. 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					
2019					
Assets					
Cash and balances at central banks	14 143	14 143	^	^	^
Due from banks	494 313	494 313	^	^	^
Reverse repurchase agreements	75 555	75 555	^	^	^
Bank debt securities	88 612	89 450	89 450	–	–
Other debt securities	24 978	25 015	–	25 015	–
Loans and advances to customers	1 000 004	1 000 677	–	–	1 000 677
Other assets	208	208	^	^	^
Amount due from group companies	1 010	1 010	^	^	^
	1 698 823	**1 700 371**			
Liabilities					
Repurchase agreements	76 963	76 963	^	^	^
Customer deposits	1 036 836	1 038 830	719 117	319 713	–
Debt securities in issue	252 866	252 866	–	252 866	–
Amount due to group companies	26 713	26 713	^	^	^
Other liabilities	16 976	16 976	^	^	^
	1 410 354	**1 412 348**			
2018					
Assets					
Cash and balances at central banks	16 695	16 695	^	^	^
Due from banks	459 119	459 119	^	^	^
Reverse repurchase agreements	75 186	75 186	^	^	^
Bank debt securities	112 535	115 575	115 575	–	–
Other debt securities	10 136	11 177	–	11 177	–
Loans and advances to customers	952 637	961 563	–	–	961 316
Other assets	3 095	3 095	^	^	^
Amount due from group companies	3 366	3 366	^	^	^
	1 632 769	**1 645 776**			
Liabilities					
Repurchase agreements	101 924	101 924	^	^	^
Customer deposits	893 397	894 648	625 556	269 092	–
Debt securities in issue	258 563	261 530	–	261 530	–
Amount due to group companies	32 030	32 030	^	^	^
Other liabilities	7 425	7 425	^	^	^
	1 293 339	**1 297 557**			
2017					
Assets					
Cash and balances at central banks	13 715	13 715	^	^	^
Due from banks	812 376	812 376	^	^	^
Bank debt securities	108 399	112 463	112 463	–	–
Other debt securities	17 060	17 819	–	17 819	–
Loans and advances to customers	913 995	922 546	–	–	922 546
Other assets	2 790	2 790	^	^	^
Amount due from group companies	3 698	3 698	^	^	^
	1 872 033	**1 885 407**			
Liabilities					
Repurchase agreements	101 645	101 645	^	^	^
Customer deposits	1 202 181	1 202 726	905 849	296 877	–
Debt securities in issue	249 879	258 063	–	258 063	–
Amount due to group companies	11 887	11 887	^	^	^
Other liabilities	57 274	57 274	^	^	^
	1 622 866	**1 631 595**			

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

15. 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
Bank					
2019					
Assets					
Cash and balances at central banks	14 143	14 143	^	^	^
Due from banks	494 313	494 313	^	^	^
Reverse repurchase agreements	75 555	75 555	^	^	^
Bank debt securities	88 612	89 450	89 450	–	–
Other debt securities	24 978	25 015	–	25 015	–
Loans and advances to customers	1 000 004	1 000 677	–	–	1 000 677
Other assets	208	208	^	^	^
Amount due from group companies	1 016	1 016	^	^	^
	1 698 829	**1 700 377**			
Liabilities					
Repurchase agreements	76 963	76 963	^	^	^
Customer deposits	1 037 608	1 038 830	719 117	319 713	–
Debt securities in issue	252 866	252 866	–	252 866	–
Amount due to group companies	26 643	26 643	^	^	^
Other liabilities	16 966	16 966	^	^	^
	1 411 046	**1 412 268**			
2018					
Assets					
Cash and balances at central banks	16 695	16 695	^	^	^
Due from banks	459 119	459 119	^	^	^
Reverse repurchase agreements	75 186	75 186	^	^	^
Bank debt securities	112 535	115 575	115 575	–	–
Other debt securities	10 136	11 177	–	11 177	–
Loans and advances to customers	952 637	961 563	–	–	961 316
Other assets	3 035	3 035	^	^	^
Amount due from group companies	3 365	3 365	^	^	^
	1 632 708	**1 645 715**			
Liabilities					
Repurchase agreements	101 924	101 924	^	^	^
Customer deposits	893 717	894 648	625 556	269 092	–
Debt securities in issue	258 563	261 530	–	261 530	–
Amount due to group companies	32 024	32 024	^	^	^
Other liabilities	3 215	3 215	^	^	^
	1 289 443	**1 293 341**			
2017					
Assets					
Cash and balances at central banks	13 715	13 715	^	^	^
Due from banks	812 376	812 376	^	^	^
Bank debt securities	108 399	112 463	112 463	–	–
Other debt securities	17 060	17 819	–	17 819	–
Loans and advances to customers	913 995	922 546	–	–	922 546
Other assets	2 847	2 847	^	^	^
Amount due from group companies	4 040	4 040	^	^	^
	1 872 432	**1 885 806**			
Liabilities					
Repurchase agreements	101 645	101 645	^	^	^
Customer deposits	1 202 181	1 202 726	905 849	296 877	–
Debt securities in issue	249 879	258 063	–	258 063	–
Amount due to group companies	12 318	12 318	^	^	^
Other liabilities	57 270	57 270	^	^	^
	1 623 293	**1 632 022**			

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

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

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 deposits and variable rate financial instruments.

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		
Other debt securities	Discounted cash flow model	Discount rates (2% – 3%)
Loans and advances to customers	Discounted cash flow model	Discount rates (2% – 3%)
Liabilities		
Customer deposits	Discounted cash flow model	Interest rate yield curve
Debt securities in issue	Discounted cash flow model	Discount rates (2% – 3%)

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.

16. Cash and balances at central bank

	Group			Bank		
As at 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Cash in hand	5	4	9	5	4	9
Cash balance with the central bank						
– Restricted*	5 818	8 569	10 021	5 818	8 569	10 021
– Unrestricted	8 320	8 122	3 685	8 320	8 122	3 685
	14 143	**16 695**	**13 715**	**14 143**	**16 695**	**13 715**

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

17. Due from banks

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Holding bank	91 368	15 762	15 765	91 368	15 762	15 765
Other banks	402 945	443 357	796 611	402 945	443 357	796 611
	494 313	**459 119**	**812 376**	**494 313**	**459 119**	**812 376**
Gross amount	494 324	459 119	812 376	494 324	459 119	812 376
Expected credit loss*	(11)	–	–	(11)	–	–
	494 313	**459 119**	**812 376**	**494 313**	**459 119**	**812 376**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

18. Repurchase and reverse repurchase agreements

At 31 March US$'000	Group 2019	Group 2018	Group 2017	Bank 2019	Bank 2018	Bank 2017
Assets						
Reverse repurchase agreements:						
Group companies	25 541	25 089	–	25 541	25 089	–
Others	50 014	50 097	–	50 014	50 097	–
	75 555	**75 186**	**–**	**75 555**	**75 186**	**–**
Gross amount	75 574	75 186	–	75 574	75 186	–
Expected credit loss*	(19)	–	–	(19)	–	–
	75 555	**75 186**	**–**	**75 555**	**75 186**	**–**
Liabilities						
Repurchase agreements	76 963	101 924	101 645	76 963	101 924	101 645
	76 963	**101 924**	**101 645**	**76 963**	**101 924**	**101 645**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at USD88.6 million (2018: USD113 million and 2017: USD112 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 (repos).

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.

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

19. Sovereign debt securities

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Bonds	20 575	–	22 214	20 575	–	22 214
	20 575	**–**	**22 214**	**20 575**	**–**	**22 214**
The country risk of the sovereign debt securities lies in the following geography:						
South Africa	20 575	–	22 214	20 575	–	22 214
	20 575	**–**	**22 214**	**20 575**	**–**	**22 214**
Gross amount	20 575	–	22 214	20 575	–	22 214
Expected credit loss*	–	–	–	–	–	–
	20 575	**–**	**22 214**	**20 575**	**–**	**22 214**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

20. Bank debt securities

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Bonds	88 612	137 604	108 399	88 612	137 604	108 399
	88 612	**137 604**	**108 399**	**88 612**	**137 604**	**108 399**
United Kingdom	50 418	51 250	52 076	50 418	51 250	52 076
United States	38 194	86 354	56 323	38 194	86 354	56 323
	88 612	**137 604**	**108 399**	**88 612**	**137 604**	**108 399**
Gross amount	88 672	137 604	108 399	88 672	137 604	108 399
Expected credit loss*	(60)	–	–	(60)	–	–
	88 612	**137 604**	**108 399**	**88 612**	**137 604**	**108 399**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

21. Other debt securities

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Bonds	22 717	27 129	93 501	22 717	27 129	93 501
Other investments	2 261	3 043	6 701	2 261	3 043	6 701
	24 978	**30 172**	**100 202**	**24 978**	**30 172**	**100 202**
South Africa	–	–	51 177	–	–	51 177
United Kingdom	2 668	2 889	18 492	2 668	2 889	18 492
Europe excl UK	20 050	24 240	7 783	20 050	24 240	7 783
Australia	2 260	3 043	6 701	2 260	3 043	6 701
United States of America	–	–	16 048	–	–	16 048
	24 978	**30 172**	**100 202**	**24 978**	**30 172**	**100 202**
Gross amount	25 085	30 172	100 202	25 085	30 172	100 202
Expected credit loss*	(107)	–	–	(107)	–	–
	24 978	**30 172**	**100 202**	**24 978**	**30 172**	**100 202**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

22. 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 and the bank in an orderly market transaction at balance sheet date.

	2019			2018			2017		
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	455 756	4 875	(32)	447 211	834	(405)	339 621	2 381	(3 099)
Currency swaps	–	–	(1 137)	16 667	–	(2 981)	60 106	4 376	(372)
	455 756	**4 875**	**(1 169)**	**463 878**	**834**	**(3 386)**	**399 727**	**6 757**	**(3 471)**
Interest rate derivatives									
Interest rate swaps	100 772	168	(503)	55 879	497	(122)	120 714	945	(1 071)
Equity and stock index derivatives									
Stay in option	–	12 018	–	–	16 106	–	–	14 102	–
Derivatives per balance sheet	**556 528**	**17 061**	**(1 672)**	**519 757**	**17 437**	**(3 508)**	**520 441**	**21 804**	**(4 542)**
Bank									
Foreign exchange derivatives									
Forward foreign exchange contracts	455 756	4 875	(32)	447 211	834	(405)	339 621	2 381	(3 099)
Currency swaps	–	–	(1 137)	16 667	–	(2 981)	60 106	4 376	(372)
	455 756	**4 875**	**(1 169)**	**463 878**	**834**	**(3 386)**	**399 727**	**6 757**	**(3 471)**
Interest rate derivatives									
Interest rate swaps	100 772	168	(503)	55 879	497	(122)	120 714	945	(1 071)
Equity and stock index derivatives									
Stay in option	–	12 018	–	–	16 106	–	–	14 102	–
Derivatives per balance sheet	**556 528**	**17 061**	**(1 672)**	**519 757**	**17 437**	**(3 508)**	**520 441**	**21 804**	**(4 542)**

Most of the group's and 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.

23. Investment portfolio

At 31 March US$'000	Group 2019	Group 2018	Group 2017	Bank 2019	Bank 2018	Bank 2017
Listed equities	3 195	9	23	3 195	9	23
Unlisted equities	2 250	12 984	14 450	2 250	12 984	14 450
	5 445	**12 993**	**14 473**	**5 445**	**12 993**	**14 473**

24. Loans and advances to customers

At 31 March US$'000	Group and Bank 2019	2018	2017
At amortised cost	1 002 903	964 687	921 790
At fair value	38 245	–	–
Gross amount	**1 041 148**	**964 687**	**921 790**
Expected credit loss*	(6 879)	–	–
Impairment charges	–	(12 050)	(7 795)
Net loans and advances to customers	**1 034 269**	**952 637**	**913 995**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

For further analysis on loans and advances refer to pages 14 to 58 in the risk management section.

Reconciliation of movements in expected credit loss

At 31 March US$'000	Group and Bank 2019	2018	2017
Expected credit loss			
Balance at beginning of year	12 050	–	–
IFRS 9 transitional adjustment	(1 741)	–	–
	10 309	**–**	**–**
Reversal recognised in the income statement (note 7)	(2 720)	–	–
Written off out of allowance	(240)	–	–
Intergroup transfers	(470)	–	–
Balance at end of year	**6 879**	**–**	**–**

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

Reconciliation of movements in specific and portfolio impairments

At 31 March US$'000	2019	2018	2017
Specific impairment			
Balance at beginning of year	–	653	–
Charge recognised in the income statement	–	3 026	584
Intergroup transfers	–	1 130	77
Exchange adjustment	–	67	(8)
Balance at end of year	**–**	**4 876**	**653**
Portfolio impairment			
Balance at beginning of year	–	7 142	6 690
Charge recognised in the income statement	–	188	452
Intergroup transfers	–	(156)	–
Balance at end of year	**–**	**7 174**	**7 142**
Total impairments	**–**	**12 050**	**7 795**
Interest income recognised on loans that have been impaired	**63**	**420**	**1 291**
Reconciliation with income statement			
Loans and advances to customers	**2 720**	**(3 214)**	**(3 535)**
Expected credit loss	2 720	–	–
Specific impairment charged to income statement	–	(3 026)	(584)
Portfolio impairment charged to income statement	–	(188)	(452)
Loss on disposal of loans and advances	–	–	(2 495)
Loans and advances written off	–	–	(4)
Income statement reversal/(charge)	**2 720**	**(3 214)**	**(3 535)**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	10 256	13 467	23 714

25. Investment in associate

At 31 March US$'000	2019	2018	2017
Group and bank			
Interests in associated undertaking consist of:			
Net asset value	4 635	4 598	4 160
Investment in associated undertaking	**4 635**	**4 598**	**4 160**
Investment in associate			
Analysis of the movement in our share of net assets:			
At beginning of year	4 598	4 160	3 720
Share of profit in associate	144	138	448
Foreign currency adjustments through OCI	(107)	300	(8)
At end of year	**4 635**	**4 598**	**4 160**

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	2019	2018	2017
Group and bank			
Share of associate's balance sheet:			
Assets	18 432	21 040	19 381
Liabilities	(5 016)	(7 729)	(7 337)
Net assets	**13 416**	**13 311**	**12 044**
Share of net associate's assets	**4 635**	**4 598**	**4 160**
Share of associate's revenue and profit:			
Revenue	**874**	**1 611**	**2 449**
Share of profit	**144**	**138**	**448**

26. Deferred taxation

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Deferred taxation assets	514	614	514	512	613	462
Deferred taxation liabilities	(217)	(176)	(157)	(217)	(176)	(157)
Net deferred taxation assets	**297**	**438**	**357**	**295**	**437**	**305**
The net deferred taxation assets arise from:						
Impairment of loans and advances to customers	345	597	514	345	597	462
Capital allowances	4	2	–	2	1	–
Income and expenditure accruals	(52)	(161)	(157)	(52)	(161)	(157)
Net deferred taxation assets	**297**	**438**	**357**	**295**	**437**	**305**
Reconciliation of net deferred taxation assets						
At beginning of year	438	357	116	437	305	116
Charge to income statement – current year taxation	(141)	81	241	(142)	132	189
At year end	**297**	**438**	**357**	**295**	**437**	**305**

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.

27. Other assets

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Settlement debtors	25	29	15	25	29	15
Prepayments and accruals	1 439	1 459	1 733	1 389	1 399	1 733
Other	2 836	5 715	2 773	2 714	5 709	2 772
	4 300	**7 203**	**4 521**	**4 128**	**7 137**	**4 520**

28. Equipment

At 31 March US$'000	Computer equipment	Furniture and fittings	Office equipment	Motor vehicles	Total
Group					
2019					
Cost					
At beginning of year	217	643	410	33	1 303
Additions	47	5	13	–	65
Foreign exchange movements	(50)	(65)	71	–	(44)
At end of year	**214**	**583**	**494**	**33**	**1 324**
Accumulated depreciation					
At beginning of year	187	359	329	33	908
Depreciation charge for year	2	52	51	–	105
Foreign exchange movements	(8)	(8)	(27)	–	(43)
At end of year	**181**	**403**	**353**	**33**	**970**
Net carrying value	**33**	**180**	**141**	**–**	**354**
Bank					
2019					
Cost					
At beginning of year	217	643	409	33	1 302
Additions	47	5	13	–	65
Foreign exchange movements	(50)	(65)	71	–	(44)
At end of year	**214**	**583**	**493**	**33**	**1 323**
Accumulated depreciation					
At beginning of year	187	359	329	33	908
Depreciation charge for year	2	52	51	–	105
Foreign exchange movements	(8)	(8)	(27)	–	(43)
At end of year	**181**	**403**	**353**	**33**	**970**
Net carrying value	**33**	**180**	**140**	**–**	**353**

28. Equipment *(continued)*

At 31 March US$'000	Computer equipment	Furniture and fittings	Office equipment	Motor vehicles	Total
Group					
2018					
Cost					
At beginning of year	206	489	393	76	1 164
Additions	12	174	27	–	213
Disposals	–	–	–	(43)	(43)
Foreign exchange movements	(1)	(20)	(10)	–	(31)
At end of year	**217**	**643**	**410**	**33**	**1 303**
Accumulated depreciation					
At beginning of year	171	318	305	76	870
Disposals	–	–	–	(43)	(43)
Depreciation charge for year	17	51	41	–	109
Foreign exchange movements	(1)	(10)	(17)	–	(28)
At end of year	**187**	**359**	**329**	**33**	**908**
Net carrying value	**30**	**284**	**81**	**–**	**395**
Bank					
2018					
Cost					
At beginning of year	206	489	393	76	1 164
Additions	12	174	26	–	212
Disposals	–	–	–	(43)	(43)
Foreign exchange movements	(1)	(20)	(10)	–	(31)
At end of year	**217**	**643**	**409**	**33**	**1 302**
Accumulated depreciation					
At beginning of year	171	318	305	76	870
Disposals	–	–	–	(43)	(43)
Depreciation charge for year	17	51	41	–	109
Foreign exchange movements	(1)	(10)	(17)	–	(28)
At end of year	**187**	**359**	**329**	**33**	**908**
Net carrying value	**30**	**284**	**80**	**–**	**394**
Group and Bank					
2017					
Cost					
At beginning of year	191	463	363	76	1 093
Additions	23	31	25	–	79
Foreign exchange movements	(8)	(5)	5	–	(8)
At end of year	**206**	**489**	**393**	**76**	**1 164**
Accumulated depreciation					
At beginning of year	141	274	272	69	756
Depreciation charge for year	30	44	26	7	107
Foreign exchange movements	–	–	7	–	7
At end of year	**171**	**318**	**305**	**76**	**870**
Net carrying value	**35**	**171**	**88**	**–**	**294**

29. Amounts due to/from group companies

At 31 March US$'000	Group 2019	Group 2018	Group 2017	Bank 2019	Bank 2018	Bank 2017
Assets						
Amount due from group companies						
Holding bank	1 010	1 276	–	1 010	1 275	–
Fellow subsidiaries	–	2 090	3 698	6	2 090	4 040
	1 010	**3 366**	**3 698**	**1 016**	**3 365**	**4 040**
Liabilities						
Amount due to group companies						
Holding bank	21 282	26 051	1 985	21 212	26 051	1 985
Fellow subsidiaries	5 431	5 979	9 902	5 431	5 973	10 333
	26 713	**32 030**	**11 887**	**26 643**	**32 024**	**12 318**

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. Outstanding balances at year-end are unsecured, non-interest bearing with no fixed terms of repayment except for borrowings where security is given. For the year ended 31 March 2019, the bank has not made any impairment loss relating to amounts owed by related parties (2018 and 2017: Nil).

30. Investment in subsidiary

			Issued ordinary shares			Shares at book value			Net indebtedness		
At 31 March	Nature of business	Holding (%)	**2019 US$'000**	2018 US$'000	2017 US$'000	**2019 US$'000**	2018 US$'000	2017 US$'000	**2019 US$'000**	2018 US$'000	2017 US$'000
Investec Wealth and Investment (Mauritius) Limited	Investment manager	100	1 050	1 050	1 050	467	467	467	10	5	(89)
Analysis of the movement in investment in subsidiary											
At the beginning of the year			1 050	1 050	600	467	467	17			
Acquisition of shares			–	–	450	–	–	450			
At the end of the year			**1 050**	**1 050**	**1 050**	**467**	**467**	**467**	**10**	**5**	**(89)**

Consolidated structured entities

The bank consolidates its financial statements as at 31 March 2019.

31. Customer deposits

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	**2018**	**2017**
Private clients						
– Current accounts	59 533	54 743	79 335	59 533	54 743	79 335
– Term deposits	47 932	31 214	41 740	47 932	31 214	41 740
Corporates						
– Current accounts	658 812	570 493	826 514	659 584	570 813	826 514
– Term deposits	270 559	236 947	254 592	270 559	236 947	254 592
	1 036 836	**893 397**	**1 202 181**	**1 037 608**	**893 717**	**1 202 181**

32. Debt securities in issue

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Redeemable cumulative non-participating preference shares of nominal value USD 191,525,000 and EUR 52,700,000 at no par value (2018 and 2017: USD 191,525,000 and EUR52 700 000).						
	252 866	**258 563**	**249 879**	**252 866**	**258 563**	**249 879**

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

CLASS IMRP1	Fixed rate 3.962% up to 4 September 2019 thereafter 3 month Euribor+1.35% up to 27 August 2021
CLASS IMRP2	Fixed rate 3.99% up to 23 October 2019 thereafter 3 month Euribor+1.35% up to 27 August 2021
CLASS IMRP3	3 month Euribor+1.63% up to 28 November 2021
CLASS IMRP4	Fixed rate 3.075% up to 1 April 2018 thereafter 3 month USD LIBOR+1.35% up to 27 August 2021
CLASS IMRP5	Fixed rate 1.912% up to 28 July 2017 thereafter 3 month USD LIBOR+1% up to 28 July 2023
CLASS IMRP6	3 month USD LIBOR+1.35% up to 27 August 2021
CLASS IMRP7	Fixed rate 3.394% up to 22 May 2019 thereafter 3 month USD LIBOR+1.35% up to 27 August 2021

33. Other liabilities

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Settlement liabilities	14 019	1 374	55 639	14 019	1 374	55 639
Other creditors and accruals	4 860	4 607	3 835	4 764	4 514	3 729
Other non-interest-bearing liabilities	2 653	1 444	1 635	2 645	1 434	1 631
Expected credit loss on off balance sheet	304	–	–	304	–	–
	21 836	**7 425**	**61 109**	**21 731**	**7 322**	**60 999**

34. Ordinary share capital

At 31 March US$'000	Group 2019	Group 2018	Group 2017	Bank 2019	Bank 2018	Bank 2017
Authorised						
Issued and fully paid						
56 478 463 (2018 and 2017: 56 478 463) ordinary shares	56 478	56 478	56 478	56 478	56 478	56 478

Fair value reserve/available-for-sale reserve

This reserve comprised fair value movements recognised on available-for-sale financial assets/financial assets at fair value through OCI.

Foreign currency translation reserve

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

Regulatory general risk 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 and the provision computed under the Prudential Norm.

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 bank

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

35. Notes to the cash flow statements

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Profit before taxation adjusted for non-cash items is derived as follows:						
Profit before taxation	35 463	33 604	27 820	34 954	33 305	27 868
Adjustment for non-cash items included in net income before taxation:						
Foreign exchange (gain)/loss on cash and cash equivalent	(4 138)	(21 846)	6 320	(4 138)	(21 846)	6 320
Loss on disposal of equipment	–	3	15	–	3	15
Depreciation of equipment	105	109	107	105	109	107
Expected credit loss Impairment reversal excluding cash and cash equivalents	(2 208)	–	–	(2 208)	–	–
Impairment losses on loans and advances	–	3 214	3 535	–	3 214	3 535
Interest and foreign exchange (gain)/loss on debt securities in issue	(5 694)	8 683	(3 669)	(5 694)	8 684	(3 669)
Interest and foreign exchange loss on debt and investment securities	2 264	591	12 250	2 264	591	12 250
Interest and foreign exchange (gain)/loss on securities sold under repurchase agreement	(6 931)	15 720	(6 615)	(6 931)	15 720	(6 615)
Profit on disposal of investment	(110)	(1 364)	(26)	(110)	(1 364)	(26)
Share of gain in associate	(144)	(138)	(448)	(144)	(138)	(448)
Loss/(gain) on debt and investment securities and derivatives	7 928	(1 510)	5 668	7 928	(1 510)	5 668
Profit before taxation adjusted for non-cash items	**26 535**	**37 066**	**44 957**	**26 026**	**36 768**	**45 005**
(Increase)/decrease in operating assets						
Balance with central bank – restricted	2 751	1 452	(4 963)	2 751	1 452	(4 963)
Derivative financial instruments	(1 249)	7 358	779	(1 249)	7 358	779
Loans and advances to customers	(77 701)	(41 856)	(26 432)	(77 701)	(41 856)	(26 432)
Other assets	2 906	(2 812)	(2 045)	3 011	(2 747)	(2 043)
Amount due from group companies	2 355	335	(164)	2 348	677	(85)
	(70 938)	**(35 523)**	**(32 825)**	**(70 840)**	**(35 116)**	**(32 744)**
(Decrease)/increase in operating liabilities						
Derivative financial instruments	(1 836)	(1 034)	(2 068)	(1 836)	(1 034)	(2 068)
Customer deposits	143 439	(308 784)	124 274	143 891	(308 464)	124 274
Amount due to group companies	(5 317)	20 140	2 203	(5 381)	19 704	2 634
Other liabilities	14 412	(53 687)	33 555	14 410	(53 681)	33 445
	150 698	**(343 365)**	**157 964**	**151 084**	**(343 475)**	**158 285**

36. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	Group			Bank		
At 31 March US$'000	Less than 12 months	Over 12 months	**Total**	Less than 12 months	Over 12 months	**Total**
2019						
Assets						
Cash and balances at central bank	8 325	5 818	14 143	8 325	5 818	14 143
Due from banks	494 313	–	494 313	494 313	–	494 313
Reverse repurchase agreements	75 555	–	75 555	75 555	–	75 555
Sovereign debt securities	20 575	–	20 575	20 575	–	20 575
Bank debt securities	88 612	–	88 612	88 612	–	88 612
Other debt securities	–	24 978	24 978	–	24 978	24 978
Derivative financial instruments	17 061	–	17 061	17 061	–	17 061
Investment portfolio	–	5 445	5 445	–	5 445	5 445
Loans and advances to customers	445 327	588 942	1 034 269	445 327	588 942	1 034 269
Investment in associate	–	4 635	4 635	–	4 635	4 635
Deferred taxation assets	–	297	297	–	295	295
Other assets	4 300	–	4 300	4 128	–	4 128
Equipment	–	354	354	–	353	353
Amount due from group companies	1 010	–	1 010	1 016	–	1 016
Investment in subsidiary	–	–	–	–	467	467
Total	**1 155 078**	**630 469**	**1 785 547**	**1 154 912**	**630 933**	**1 785 845**
Liabilities						
Derivative financial instruments	295	1 377	1 672	295	1 377	1 672
Repurchase agreements	76 963	–	76 963	76 963	–	76 963
Customer deposits	1 031 719	5 117	1 036 836	1 032 491	5 117	1 037 608
Debt securities in issue	–	252 866	252 866	–	252 866	252 866
Amount due to group companies	26 713	–	26 713	26 643	–	26 643
Current taxation liabilities	573	–	573	508	–	508
Other liabilities	19 549	2 287	21 836	19 444	2 287	21 731
Total	**1 078 849**	**338 610**	**1 417 459**	**1 156 344**	**261 647**	**1 417 991**
Net	**76 229**	**291 859**	**368 088**	**(1 432)**	**369 286**	**367 854**
2018						
Assets						
Cash and balances at central bank	8 126	8 569	16 695	8 126	8 569	16 695
Due from banks	459 119	–	459 119	459 119	–	459 119
Reverse repurchase agreements	75 186	–	75 186	75 186	–	75 186
Bank debt securities	18 980	118 624	137 604	18 980	118 624	137 604
Other debt securities	3 043	27 129	30 172	3 043	27 129	30 172
Derivative financial instruments	16 940	497	17 437	16 940	497	17 437
Investment portfolio	–	12 993	12 993	–	12 993	12 993
Loans and advances to customers	453 012	499 625	952 637	484 986	467 651	952 637
Investment in associate	–	4 598	4 598	–	4 598	4 598
Deferred taxation assets	–	438	438	–	437	437
Other assets	7 203	–	7 203	7 137	–	7 137
Equipment	–	395	395	–	394	394
Amount due from group companies	3 366	–	3 366	3 365	–	3 365
Investment in subsidiary	–	–	–	–	467	467
Total	**1 044 975**	**672 868**	**1 717 843**	**1 076 882**	**641 359**	**1 718 241**
Liabilities						
Derivative financial instruments	405	3 103	3 508	405	3 103	3 508
Repurchase agreements	–	101 924	101 924	–	101 924	101 924
Customer deposits	887 890	5 507	893 397	888 210	5 507	893 717
Debt securities in issue	–	258 563	258 563	–	258 563	258 563
Amount due to group companies	32 030	–	32 030	32 024	–	32 024
Current taxation liabilities	1 020	–	1 020	1 020	–	1 020
Other liabilities	7 425	–	7 425	7 322	–	7 322
Total	**928 770**	**369 097**	**1 297 867**	**928 981**	**369 097**	**1 298 078**
Net	**116 205**	**303 771**	**419 976**	**147 901**	**272 262**	**420 163**

36. Maturity analysis of assets and liabilities *(continued)*

At 31 March US$'000	Group Less than 12 months	Group Over 12 months	Group Total	Bank Less than 12 months	Bank Over 12 months	Bank Total
2017						
Assets						
Cash and balances at central bank	3 694	10 021	13 715	3 694	10 021	13 715
Due from banks	812 376	–	812 376	812 376	–	812 376
Sovereign debt securities	–	22 214	22 214	–	22 214	22 214
Bank debt securities	–	108 399	108 399	–	108 399	108 399
Other debt securities	51 177	49 025	100 202	51 177	49 025	100 202
Derivative financial instruments	16 843	4 961	21 804	16 843	4 961	21 804
Investment portfolio	–	14 473	14 473	–	14 473	14 473
Loans and advances to customers	345 973	568 022	913 995	345 973	568 022	913 995
Investment in associate	–	4 160	4 160	–	4 160	4 160
Deferred taxation assets	–	357	357	–	305	305
Other assets	4 521	–	4 521	4 520	–	4 520
Equipment	–	294	294	–	294	294
Amount due from group companies	3 698	–	3 698	4 040	–	4 040
Investment in subsidiary	–	–	–	–	467	467
Total	**1 238 282**	**781 926**	**2 020 208**	**1 238 623**	**782 341**	**2 020 964**
Liabilities						
Derivative financial instruments	3 100	1 442	4 542	3 100	1 442	4 542
Repurchase agreements	–	101 645	101 645	–	101 645	101 645
Customer deposits	1 196 300	5 881	1 202 181	1 196 300	5 881	1 202 181
Debt securities in issue	–	249 879	249 879	–	249 879	249 879
Amount due to group companies	11 887	–	11 887	12 318	–	12 318
Current taxation liabilities	950	–	950	950	–	950
Other liabilities	61 109	–	61 109	60 999	–	60 999
Total	**1 273 346**	**358 847**	**1 632 193**	**1 273 667**	**358 847**	**1 632 514**
Net	**(35 064)**	**423 079**	**388 015**	**(35 044)**	**423 494**	**388 450**

37. Commitments

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 reporting date they do contain credit risk and are therefore part of the overall risk of the bank.

The table below sets out such contingent liabilities and commitments:

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Undrawn facilities	239 293	178 125	156 986	239 293	178 125	156 986
	239 293	**178 125**	**156 986**	**239 293**	**178 125**	**156 986**

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 rentals payable under non-cancellable operating leases as at 31 March are, as follows:

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Not later than one year	342	440	399	342	438	396
Later than one year and not later than five years	1 480	233	634	1 480	232	628
	1 822	**673**	**1 033**	**1 822**	**670**	**1 024**

38. Contingent liabilities

	Group			Bank		
At 31 March US$'000	**2019**	2018	2017	**2019**	2018	2017
Guarantees and assets pledged as collateral security:						
– Guarantees and irrevocable letters of credit	6 867	9 426	5 384	6 867	9 426	5 384
	6 867	**9 426**	**5 384**	**6 867**	**9 426**	**5 384**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date. Guarantees are issued by Investec Bank (Mauritius) Limited on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Guarantees

Guarantees commit the bank to make payments on behalf of customers on the occurrence or non-occurence 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.

39. Related party disclosures

For the year to 31 March US$'000	Group 2019	Group 2018	Group 2017	Bank 2019	Bank 2018	Bank 2017
Compensation of key management personnel						
Short-term employee benefits	2 274	2 531	2 393	2 080	1 865	2 047
Other benefits	420	719	854	400	663	854
Transactions with key management personnel						
Loans and advances to key management personnel	311	141	3 585	180	–	3 585
Deposits from key management personnel	2 804	2 420	2 668	2 804	2 420	2 668

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 2019 US$'000	Holding bank	Associate	Fellow subsidiaries	Significant influence*	Pension Fund	Corporate Social Responsibility Fund	Total
Group							
Income statement							
Interest income	11 051	278	1 042	120	–	–	12 491
Interest expense	(13 399)	(48)	(99)	–	–	–	(13 546)
Fee income	–	–	–	–	–	–	–
Fee expense	(664)	–	(403)	–	–	–	(1 067)
Operating costs	–	–	–	–	(136)	–	(136)
Statement of financial position							
Assets							
Due from banks	91 368	–	–	–	–	–	91 368
Reverse repurchase agreements	–	–	25 560	–	–	–	25 560
Derivative assets	17 058	–	3	–	–	–	17 061
Investment portfolio	–	–	–	–	–	–	–
Interest in associated undertakings	–	4 635	–	–	–	–	4 635
Amount due from group companies	1 011	–	–	–	–	–	1 011
Loans and advances	–	3 821	–	3 087	–	–	6 909
Other assets	1 081	195	–	–	–	–	1 276
Liabilities							
Derivative liabilities	(1 668)	–	(4)	–	–	–	(1 672)
Amount due from group companies	(21 212)	–	(5 431)	–	–	–	(26 643)
Deposits	–	(2 226)	–	(6 159)	–	–	(8 385)
Debt securities in issue	(252 866)	–	–	–	–	–	(252 866)
Other liabilities	–	(90)	–	–	–	–	(90)
Off-balance sheet							
Guarantees received	3 285	–	–	–	–	–	3 285

* *This refers to significant influences defined by the Bank of Mauritius (BoM) guidelines, but not as defined by IFRS.*

39. Related party disclosures *(continued)*

For the year to 31 March 2018 US$'000	Holding bank	Associate	Fellow subsidiaries	Significant influence*	Pension Fund	Corporate Social Responsibility Fund	**Total**
Group							
Income statement							
Interest income	770	330	754	2 589	–	–	4 443
Interest expense	(8 226)	(87)	(31)	–	–	–	(8 344)
Fee income	608	102	–	–	–	–	710
Fee expense	(1 094)	–	(410)	–	–	–	(1 504)
Operating costs	–	–	–	–	(122)	–	(122)
Statement of financial position							
Assets							
Due from banks	15 762	–	–	–	–	–	15 762
Reverse repurchase agreements	–	–	25 089	–	–	–	25 089
Derivative assets	17 431	–	5	–	–	–	17 436
Investment portfolio	–	–	–	12 984	–	–	12 984
Investment in associate	–	4 598	–	–	–	–	4 598
Amount due from group companies	1 276	–	2 090	–	–	–	3 366
Loans and advances	–	4 487	–	592	–	–	5 079
Other assets	1 131	188	–	–	–	–	1 319
Liabilities							
Derivative liabilities	(3 508)	–	–	–	–	–	(3 508)
Amount due to group companies	(26 051)	–	(5 979)	–	–	–	(32 030)
Deposits	–	(3 745)	–	(6 673)	–	–	(10 418)
Debt securities in issue	(258 563)	–	–	–	–	–	(258 563)
Other liabilities	(36)	–	–	–	–	–	(36)
Off-balance sheet							
Guarantees received	1 893	–	–	–	–	–	1 893

* *This refers to significant influences defined by the BoM guidelines, but not as defined by IFRS.*

39. Related party disclosures *(continued)*

For the year to 31 March 2017 US$'000	Holding bank	Associate	Fellow subsidiaries	Significant influence*	Pension Fund	Corporate Social Responsibility Fund	**Total**
Group							
Income statement							
Interest income	952	345	1 103	2 434	–	–	4 834
Interest expense	(6 544)	(14)	(11)	–	–	–	(6 569)
Fees income	109	329	–	–	–	–	438
Fees expense	(380)	–	(543)	–	–	–	(923)
Operating costs	–	–	–	–	(172)	(24)	(196)
Statement of financial position							
Assets							
Due from banks	15 766	–	–	–	–	–	15 766
Derivative assets	2 970	–	4 731	–	–	–	7 701
Investment portfolio	–	–	–	14 450	–	–	14 450
Investment in associate	–	4 160	–	–	–	–	4 160
Amount due from group companies	–	–	3 698	–	–	–	3 698
Loans and advances	–	–	–	41 840	–	–	41 840
Other assets	–	463	–	–	–	–	463
Liabilities							
Derivative liabilities	(4 505)	–	(37)	–	–	–	(4 542)
Amount due to group companies	(1 986)	–	(9 901)	–	–	–	(11 887)
Deposits	–	(2 618)	–	(3 713)	–	–	(6 331)
Debt securities in issue	(249 877)	–	–	–	–	–	(249 877)
Off-balance sheet							
Guarantees received	6 774	–	–	–	–	–	6 774

* *This refers to significant influences defined by the BoM guidelines, but not as defined by IFRS.*

39. Related party disclosures *(continued)*

For the year to 31 March 2019 US$'000	Holding bank	Subsidiary	Associate	Fellow subsidiaries	Significant influence*	Pension Fund	Corporate Social Responsibility Fund	**Total**
Bank								
Income statement								
Interest income	11 051	10	278	1 042	35	–	–	12 416
Interest expense	(13 399)	(3)	(48)	(99)	–	–	–	(13 549)
Fee income	–	–	–	–	–	–	–	–
Fee expense	(664)	–	–	(403)	–	–	–	(1 067)
Operating costs	–	–	–	–	–	(136)	–	(136)
Statement of financial position								
Assets								
Due from banks	91 368	–	–	–	–	–	–	91 368
Reverse repurchase agreements	–	–	–	25 560	–	–	–	25 560
Derivative assets	17 058	–	–	3	–	–	–	17 061
Investment portfolio	–	–	–	–	–	–	–	–
Investment in associate	–	–	4 635	–	–	–	–	4 635
Investment in subsidiary	–	467	–	–	–	–	–	467
Amount due from group companies	1 010	6	–		–	–	–	1 016
Loans and advances	–	–	3 821	–	764	–	–	4 585
Other assets	1 081	–	195	–	–	–	–	1 276
Liabilities								
Derivative liabilities	(1 668)	–	–	(4)	–	–	–	(1 672)
Amount due from group companies	(21 212)	–	–	(5 431)	–	–	–	(26 643)
Deposits	–	(772)	(2 226)	–	(6 159)	–	–	(9 157)
Debt securities in issue	(252 866)	–	–	–	–	–	–	(252 866)
Other liabilities	–	–	(90)	–	–	–	–	(90)
Off-Balance sheet								
Guarantees received	3 285	–	–	–	–	–	–	3 285

* *This refers to significant influences defined by the BoM guidelines, but not as defined by IFRS.*

39. Related party disclosures *(continued)*

For the year to 31 March 2018 US$'000	Holding bank	Subsidiary	Associate	Fellow subsidiaries	Significant influence*	Pension Fund	Corporate Social Responsi-bility Fund	**Total**
Bank								
Income statement								
Interest income	770	33	330	754	2 589	–	–	4 476
Interest expense	(8 226)	(14)	(87)	(31)	–	–	–	(8 358)
Fee income	76	–	102	–	–	–	–	178
Fee expense	(1 094)	–	–	(410)	–	–	–	(1 504)
Operating costs	–	–	–	–	–	(122)	–	(122)
Statement of financial position								
Assets								
Due from banks	15 762	–	–	–	–	–	–	15 762
Reverse repurchase agreements	–	–	–	25 089	–	–	–	25 089
Derivative assets	17 431	–	–	5	–	–	–	17 436
Investment portfolio	–	–	–	–	12 984	–	–	12 984
Investment in associate	–	–	4 598	–	–	–	–	4 598
Investment in subsidiary	–	467	–	–	–	–	–	467
Amount due from group companies	1 275	–	–	2 090	–	–	–	3 365
Loans and advances	–	–	4 487	–	592	–	–	5 079
Other assets	1 131	–	188	–	–	–	–	1 319
Liabilities								
Derivative liabilities	(3 508)	–	–	–	–	–	–	(3 508)
Amount due to group companies	(26 051)	6	–	(5 979)	–	–	–	(32 024)
Deposits	–	–	(3 745)	–	(6 674)	–	–	(10 419)
Debt securities in issue	(258 563)	–	–	–	–	–	–	(258 563)
Other liabilities	(36)	–	–	–	–	–	–	(36)
Off-Balance sheet								
Guarantees received	1 893	–	–	–	–	–	–	1 893

* *This refers to significant influences defined by the BoM guidelines, but not as defined by IFRS.*

39. Related party disclosures *(continued)*

For the year to 31 March 2017	Holding bank	Subsidiary	Associate	Fellow subsidiaries	Significant influence*	Pension Fund	Corporate Social Responsibility Fund	Total
Bank								
Income statement								
Interest income	952	22	345	1 103	2 434	–	–	4 856
Interest expense	(6 544)	–	(14)	(11)	–	–	–	(6 569)
Fee income	109	–	329	–	–	–	–	438
Fee expense	(380)	–	–	(543)	–	–	–	(923)
Operating costs	–	–	–	–	–	(165)	(24)	(189)
Statement of financial position								
Assets								
Due from banks	15 766	–	–	–	–	–	–	15 766
Derivative assets	2 970	–	–	4 731	–	–	–	7 701
Investment portfolio	–	–	–	–	14 450	–	–	14 450
Investment in associate	–	–	4 160	–	–	–	–	4 160
Investment in subsidiary	467	–	–	–	–	–	–	467
Amount due from group companies	–	348	–	3 692	–	–	–	4 040
Loans and advances	–	–	6 126	–	41 840	–	–	47 966
Other assets	–	–	463	–	–	–	–	463
Liabilities								
Derivative liabilities	(4 505)	–	–	(37)	–	–	–	(4 542)
Amount due to group companies	(1 985)	–	–	(10 333)	–	–	–	(12 318)
Deposits	–	–	(2 618)	–	(3 713)	–	–	(6 331)
Debt securities in issue	(249 877)	–	–	–	–	–	–	(249 877)
Off-Balance sheet								
Guarantees received	6 774	–	–	–	–	–	–	6 774

* *This refers to significant influences defined by the BoM guidelines, but not as defined by IFRS.*

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. Outstanding balances at year-end are unsecured except for loans and advances where security is given. For the year ended 31 March 2019, the bank has not made any impairment loss relating to amounts owed by related parties (2018 and 2017: Nil).

Refer to page 70 of the corporate governance report on directors' emoluments.

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

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								
2019								
Liabilities								
Derivative financial instruments	–	31	–	264	–	1 369	8	1 672
Repurchase agreements	–	114	49 216	27 890	12 176	–	–	89 396
Customer deposits	719 117	124 638	79 361	23 853	88 180	6 121	–	1 041 270
Debt securities in issue	–	345	1 703	2 119	4 596	257 470	–	266 233
Amount due to group companies	26 713	–	–	–	–	–	–	26 713
Other liabilities	2 141	14 210	2 915	63	222	811	1 476	21 838
Total on balance sheet liabilities	**747 971**	**139 338**	**133 195**	**54 189**	**105 174**	**265 771**	**1 484**	**1 447 122**
2018								
Liabilities								
Derivative financial instruments	–	405	–	–	–	3 103	–	3 508
Repurchase agreements	–	108	338	446	892	108 182	–	109 966
Customer deposits	625 556	70 773	79 804	46 917	66 621	5 653	–	895 324
Debt securities in issue	–	283	1 479	2 359	3 506	269 980	–	277 607
Amount due to group companies	32 030	–	–	–	–	–	–	32 030
Other liabilities	3 645	243	3 018	68	447	–	–	7 421
Total on balance sheet liabilities	**661 231**	**71 812**	**84 639**	**49 790**	**71 466**	**386 918**	**–**	**1 325 856**
2017								
Liabilities								
Derivative financial instruments	–	3 072	27	1		1 372	70	4 542
Repurchase agreements	–	76	214	290	580	103 599	–	104 759
Customer deposits	905 849	95 579	104 462	20 851	70 812	6 065	–	1 203 618
Debt securities in issue	–	283	1 384	1 933	3 065	270 090	–	276 755
Amount due to group companies	11 887	–	–	–	–	–	–	11 887
Other liabilities	55 806	419	388	121	237	303	–	57 274
Total on balance sheet liabilities	**973 542**	**99 429**	**106 475**	**23 196**	**74 694**	**381 429**	**70**	**1 658 835**

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.

40. 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								
2019								
Liabilities								
Derivative financial instruments	–	31	–	264	–	1 369	8	1 672
Repurchase agreements	–	114	49 216	27 890	12 176	–	–	89 396
Customer deposits	719 117	124 638	79 361	23 853	88 180	6 121	–	1 041 270
Debt securities in issue	–	345	1 703	2 119	4 596	257 470	–	266 233
Amount due to group companies	26 643	–	–	–	–	–	–	26 643
Other liabilities	2 035	14 210	2 915	63	222	811	1 476	21 732
Total on balance sheet liabilities	**747 795**	**139 338**	**182 321**	**79 679**	**114 981**	**184 627**	**1 484**	**1 450 224**
2018								
Liabilities								
Derivative financial instruments	–	405	–	–	–	3 103	–	3 508
Repurchase agreements	–	108	338	446	892	108 182	–	109 966
Customer deposits	625 556	70 773	79 804	46 917	66 621	5 653	–	895 324
Debt securities in issue	–	283	1 479	2 359	3 506	269 980	–	277 607
Amount due to group companies	32 024	–	–	–	–	–	–	32 024
Other liabilities	3 645	243	3 121	68	447	–	–	7 524
Total on balance sheet liabilities	**661 225**	**71 812**	**84 742**	**49 790**	**71 466**	**386 918**	**–**	**1 325 750**
2017								
Liabilities								
Derivative financial instruments	–	3 072	27	1		1 372	70	4 542
Repurchase agreements	–	76	214	290	580	103 599	–	104 759
Customer deposits	905 849	95 579	104 462	20 851	70 812	6 065	–	1 203 618
Debt securities in issue	–	283	1 384	1 933	3 065	270 090	–	276 755
Amount due to group companies	12 318	–	–	–	–	–	–	12 318
Other liabilities	55 806	313	490	121	237	303	–	57 270
Total on balance sheet liabilities	**973 973**	**99 323**	**106 577**	**23 196**	**74 694**	**381 429**	**70**	**1 659 262**

41. Segmental business units

For management purposes, the bank is organised into three operating segments based on products and services as follows:

Private Clients – Individual and corporate customers' loans

Corporate Clients – Treasury function and corporate customers' loans

Investment Strategies – Investment banking services and finance

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are at normal commercial rates in a manner similar to transactions with third parties.

The following table presents income/expenses and profit/loss and certain asset and liability information regarding the bank's operating segments.

For the year ended 31 March US$'000	Private Clients	Corporate Clients	Investment Strategies	Interdivisional adjustment	**Total**
Group					
2019					
Interest income	16 270	89 732	4 311	(36 767)	73 546
Interest expense	(7 745)	(59 275)	(520)	36 767	(30 773)
Net interest income	**8 525**	**30 457**	**3 791**	**–**	**42 773**
Fee income	1 112	5 566	798	–	7 476
Fee expense	(299)	(1 855)	(3)	–	(2 157)
Net fee income	**813**	**3 711**	**795**	**–**	**5 319**
Investment income/(loss)	5 918	109	(7 434)	–	(1 407)
Net trading (loss)/income	(359)	(495)	576	–	(278)
Total operating income/(loss) before impairment	**14 897**	**33 782**	**(2 272)**	**–**	**46 407**
Expected credit loss impairment (reversals)/ charge	(124)	2 343	–	–	2 219
Operating income/(loss)	**14 773**	**36 125**	**(2 272)**	**–**	**48 626**
Operating costs	(4 043)	(9 264)	–	–	(13 307)
Operating profit	**10 730**	**26 861**	**(2 272)**	**–**	**35 319**
Cost to income ratio	**27,1%**	**27,4%**	**0,0%**	**0,0%**	**28,7%**
Total assets	**389 605**	**2 769 609**	**455 142**	**(1 828 810)**	**1 785 547**
Total liabilities	**(369 707)**	**(2 742 885)**	**(133 676)**	**1 828 810**	**(1 417 459)**
2018					
Interest income	18 586	76 938	5 870	(31 856)	69 538
Interest expense	(8 238)	(48 133)	(1 954)	31 856	(26 469)
Net interest income	**10 348**	**28 805**	**3 916**	**–**	**43 069**
Fee income	3 407	5 849	1 116	–	10 372
Fee expense	(364)	(1 070)	–	–	(1 434)
Net fee income	**3 043**	**4 779**	**1 116**	**–**	**8 938**
Investment income/(loss)	–	1 362	(3 040)	–	(1 678)
Net trading income/(loss)	109	1 085	(825)	–	369
Total operating income before impairment	**13 500**	**36 031**	**1 167**	**–**	**50 698**
Impairment (losses)/reversals on loans and advances	(1 699)	(1 803)	288	–	(3 214)
Operating income	**11 801**	**34 228**	**1 455**	**–**	**47 484**
Operating costs	(3 273)	(9 495)	(1 250)	–	(14 018)
Operating profit	**8 528**	**24 733**	**205**	**–**	**33 466**
Cost to income ratio	**24.2%**	**26.4%**	**107.1%**	**–**	**27.6%**
Total assets	**431 959**	**2 576 638**	**506 717**	**(1 797 471)**	**1 717 843**
Total liabilities	**(418 943)**	**(2 548 992)**	**(127 403)**	**1 797 471**	**(1 297 867)**

41. Segmental business units *(continued)*

For the year ended 31 March US$'000	Private Clients	Corporate Clients	Investment Strategies	Interdivisional adjustment	Total
Group					
2017					
Interest income	18 882	66 735	5 492	(28 600)	62 509
Interest expense	(8 405)	(39 010)	(2 194)	28 600	(21 009)
Net interest income	**10 477**	**27 725**	**3 298**	**–**	**41 500**
Fee income	972	6 843	376	–	8 191
Fee expense	(166)	(1 238)	(377)	–	(1 781)
Net fee income/(expense)	**806**	**5 605**	**(1)**	**–**	**6 410**
Investment income/(loss)	–	18	(5 169)	–	(5 151)
Net trading (loss)/income	(35)	1 595	(515)	–	1 045
Total operating income/(loss) before impairment	**11 248**	**34 943**	**(2 387)**	**–**	**43 804**
Impairment (losses)/reversals on loans and advances	(39)	(3 572)	76	–	(3 535)
Operating income/(loss)	**11 209**	**31 371**	**(2 311)**	**–**	**40 269**
Operating costs	(3 344)	(9 359)	(194)	–	(12 897)
Operating profit/(loss)	**7 865**	**22 012**	**(2 505)**	**–**	**27 372**
Cost to income ratio	**29.7%**	**26.8%**	**(8.1%)**	**–**	**29.4%**
Total assets	**386 966**	**2 947 042**	**426 406**	**(1 740 206)**	**2 020 208**
Total liabilities	**(374 625)**	**(2 927 789)**	**(69 985)**	**1 740 206**	**(1 632 193)**

41. Segmental business units *(continued)*

For the year ended 31 March US$'000	Private Clients	Corporate Clients	Investment Strategies	Interdivisional adjustment	Total
Bank					
2019					
Interest income	16 270	89 732	4 315	(36 767)	73 549
Interest expense	(7 745)	(59 275)	(531)	36 767	(30 784)
Net interest income	**8 526**	**30 457**	**3 784**	**–**	**42 765**
Fee income	1 112	5 566	–	–	6 678
Fee expense	(299)	(1 844)	–	–	(2 143)
Net fee income	**813**	**3 722**	**–**	**–**	**4 535**
Investment income/(loss)	5 918	109	(7 435)	–	(1 407)
Net trading (loss)/income	(359)	(495)	580	–	(274)
Total operating income/(loss) before impairment	**14 897**	**33 793**	**(3 071)**	**–**	**45 619**
Expected credit loss impairment (losses)/reversals	(124)	2 343	–	–	2 219
Operating income/(loss)	**14 773**	**36 136**	**(3 071)**	**–**	**47 838**
Operating costs	(4 023)	(9 005)	–	–	(13 028)
Operating profit/(loss)	**10 750**	**27 131**	**(3 071)**	**–**	**34 810**
Cost to income ratio	**27.0%**	**26.6%**	**–**	**–**	**28.6%**
Total assets	**389 605**	**2 769 907**	**455 142**	**(1 828 810)**	**1 785 845**
Total liabilities	**(369 707)**	**(2 743 418)**	**(133 676)**	**1 828 810**	**(1 417 991)**
2018					
Interest income	18 586	76 938	5 903	(31 856)	69 571
Interest expense	(8 238)	(48 133)	(1 968)	31 856	(26 483)
Net interest income	**10 348**	**28 805**	**3 935**	**–**	**43 088**
Fee income	3 407	5 849	–	–	9 256
Fee expense	(364)	(1 070)	–	–	(1 434)
Net fee income	**3 043**	**4 779**	**–**	**–**	**7 822**
Investment income/(loss)	–	1 362	(3 040)	–	(1 678)
Net trading income/(loss)	109	1 085	(873)	–	321
Total operating income before impairment	**13 500**	**36 031**	**22**	**–**	**49 553**
Impairment (losses)/reversals on loans and advances	(1 699)	(1 803)	288	–	(3 214)
Operating income	**11 801**	**34 228**	**310**	**–**	**46 339**
Operating costs	(3 354)	(9 730)	(88)	–	(13 172)
Operating profit	**8 447**	**24 498**	**222**	**–**	**33 167**
Cost to income ratio	**24.8%**	**27.0%**	**398.4%**	**–**	**26.6%**
Total assets	**431 959**	**2 576 959**	**506 794**	**(1 797 471)**	**1 718 241**
Total liabilities	**(418 943)**	**(2 549 313)**	**(127 293)**	**1 797 471**	**(1 298 078)**

41. Segmental business units *(continued)*

For the year ended 31 March US$'000	Private Clients	Corporate Clients	Investment Strategies	Interdivisional adjustment	Total
2017					
Interest income	18 882	66 756	5 492	(28 600)	62 530
Interest expense	(8 405)	(39 010)	(2 194)	28 600	(21 009)
Net interest income	**10 477**	**27 746**	**3 298**	**–**	**41 521**
Fee income	972	6 637	–	–	7 609
Fee expense	(166)	(1 613)	(2)	–	(1 781)
Net fee income/(loss)	**806**	**5 024**	**(2)**	**–**	**5 828**
Investment income/(loss)	–	18	(5 169)	–	(5 151)
Net trading (loss)/income	(35)	1 598	(515)	–	1 048
Total operating income/(loss) before impairment	**11 248**	**34 386**	**(2 388)**	**–**	**43 246**
Impairment (losses)/reversals on loans and advances	(39)	(3 572)	76	–	(3 535)
Operating income/(loss)	**11 209**	**30 814**	**(2 312)**	**–**	**39 711**
Operating costs	(3 227)	(8 870)	(194)	–	(12 291)
Operating profit/(loss)	**7 982**	**21 944**	**(2 506)**	**–**	**27 420**
Cost to income ratio	**28.7%**	**25.8%**	**(8.1%)**	**–**	**28.4%**
Total assets	**386 966**	**2 947 798**	**426 406**	**(1 740 206)**	**2 020 964**
Total liabilities	**(374 625)**	**(2 928 110)**	**(69 985)**	**1 740 206**	**(1 632 514)**

42. Statutory segmental reporting

		Segment A		
For the year to 31 March US$'000		**2019**	2018	2017
Group				
Income statement				
Interest income	I	2 619	2 543	2 259
Interest expense	I	(659)	(554)	(479)
Net interest income		**1 960**	**1 989**	**1 780**
Fee income	II	1 264	1 705	1 382
Fee expense	II	(18)	–	–
Net fee income		**1 246**	**1 705**	**1 382**
Investment loss	III	–	–	–
Net trading (loss)/income	IV	(3)	48	(3)
Total operating income before impairment		**3 203**	**3 742**	**3 159**
Expected credit loss impairment reversals		563	–	–
Impairment losses on loans and advances		–	(856)	(370)
Operating income		**3 766**	**2 886**	**2 789**
Operating costs	V	(1 090)	(1 341)	(1 296)
Operating profit		**2 676**	**1 545**	**1 493**
Share of profit in associate		144	138	448
Profit before taxation		**2 820**	**1 683**	**1 941**
Taxation		(435)	(259)	(291)
Profit after taxation		**2 385**	**1 424**	**1 650**

Segment B			Total		
2019	2018	2017	**2019**	2018	2017
70 927	66 995	60 250	73 546	69 538	62 509
(30 114)	(25 915)	(20 530)	(30 773)	(26 469)	(21 009)
40 813	**41 080**	**39 720**	**42 773**	**43 069**	**41 500**
6 212	8 667	6 809	7 476	10 372	8 191
(2 139)	(1 434)	(1 781)	(2 157)	(1 434)	(1 781)
4 073	**7 233**	**5 028**	**5 319**	**8 938**	**6 410**
(1 407)	(1 678)	(5 151)	(1 407)	(1 678)	(5 151)
(275)	321	1 048	(278)	369	1 045
43 204	**46 956**	**40 645**	**46 407**	**50 698**	**43 804**
1 656	–	–	2 219	–	–
–	(2 358)	(3 165)	–	(3 214)	(3 535)
44 860	**44 598**	**37 480**	**48 626**	**47 484**	**40 269**
(12 217)	(12 677)	(11 601)	(13 307)	(14 018)	(12 897)
32 643	**31 921**	**25 879**	**35 319**	**33 466**	**27 372**
–	–	–	144	138	448
32 643	**31 921**	**25 879**	**35 463**	**33 604**	**27 820**
(1 460)	(1 645)	(1 592)	(1 895)	(1 904)	(1 883)
31 183	**30 276**	**24 287**	**33 568**	**31 700**	**25 937**

42. Statutory segmental reporting *(continued)*

As at 31 March US$'000	Notes	Segment A 2019	2018	2017
Group				
Balance sheet				
Cash and balances at central bank		14 143	16 695	13 715
Due from banks		10 007	60 378	90 205
Reverse repurchase agreement	VI	–	–	–
Sovereign debt securities	VII	–	–	–
Bank debt securities	VIII	–	–	–
Other debt securities	IX	–	–	–
Derivative financial instruments		–	–	–
Investment portfolio	X	–	–	–
Loans and advances to customers	XII	50 815	54 374	54 536
Investment in associate		4 635	4 598	4 160
Deferred taxation asset		297	438	357
Other assets	XIII	1 652	1 486	2 291
Equipment		354	395	294
Amount due from group companies	XI	4	10	6
		81 907	**138 374**	**165 564**
Liabilities				
Derivative financial instruments		–	–	–
Repurchase agreements		–	–	–
Customer deposits	XIV	29 263	34 934	47 734
Debt securities in issue		–	–	–
Amount due to group companies	XI	70	6	–
Current taxation liabilities		573	1 020	950
Other liabilities	XV	3 819	3 836	3 543
		33 725	**39 796**	**52 227**
Equity				
Ordinary share capital				
Other reserves				
Retained income				
Total liabilities and equity				

Segment B			Total		
2019	2018	2017	**2019**	2018	2017
–	–	–	14 143	16 695	13 715
484 306	398 741	722 171	494 313	459 119	812 376
75 555	75 186	–	75 555	75 186	–
20 575	–	22 214	20 575	–	22 214
88 612	137 604	108 399	88 612	137 604	108 399
24 978	30 172	100 202	24 978	30 172	100 202
17 061	17 437	21 804	17 061	17 437	21 804
5 445	12 993	14 473	5 445	12 993	14 473
983 454	898 263	859 459	1 034 269	952 637	913 995
–	–	–	4 635	4 598	4 160
–	–	–	297	438	357
2 648	5 717	2 230	4 300	7 203	4 521
–	–	–	354	395	294
1 006	3 356	3 692	1 010	3 366	3 698
1 703 640	**1 579 469**	**1 854 644**	**1 785 547**	**1 717 843**	**2 020 208**
1 672	3 508	4 542	1 672	3 508	4 542
76 963	101 924	101 645	76 963	101 924	101 645
1 007 573	858 463	1 154 447	1 036 836	893 397	1 202 181
252 866	258 563	249 879	252 866	258 563	249 879
26 643	32 024	11 887	26 713	32 030	11 887
–	–	–	573	1 020	950
18 017	3 589	57 566	21 836	7 425	61 109
1 383 734	**1 258 071**	**1 579 966**	**1 417 459**	**1 297 867**	**1 632 193**
			56 478	56 478	56 478
			75 109	65 152	66 277
			236 501	298 346	265 260
			1 785 547	**1 717 843**	**2 020 208**

42. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Notes	Segment A 2019	 2018	 2017
Bank				
Income statement				
Interest income	I	2 622	2 577	2 280
Interest expense	I	(670)	(568)	(479)
Net interest income		**1 952**	**2 009**	**1 801**
Fee income	II	466	589	800
Fee expense	II	(4)	–	–
Net fee income		**462**	**589**	**800**
Investment loss	III	–	–	–
Net trading (loss)/income	IV	–	–	–
Total operating income before impairment		**2 414**	**2 598**	**2 601**
Expected credit loss impairment reversals		563	–	–
Impairment losses on loan and advances		–	(856)	(370)
Operating income		**2 977**	**1 742**	**2 231**
Operating costs	V	(811)	(495)	(690)
Operating profit		**2 166**	1 247	1 541
Share of profit in associate		144	138	448
Profit before taxation		**2 310**	**1 385**	**1 989**
Taxation		(347)	(208)	(298)
Profit after taxation		**1 963**	**1 177**	**1 691**

Segment B			Total		
2019	2018	2017	**2019**	2018	2017
70 927	66 994	60 250	73 549	69 571	62 530
(30 114)	(25 915)	(20 530)	(30 784)	(26 483)	(21 009)
40 813	**41 079**	**39 720**	**42 765**	**43 088**	**41 521**
6 212	8 667	6 809	6 678	9 256	7 609
(2 139)	(1 434)	(1 781)	(2 143)	(1 434)	(1 781)
4 073	**7 233**	**5 028**	**4 535**	**7 822**	**5 828**
(1 407)	(1 678)	(5 151)	(1 407)	(1 678)	(5 151)
(274)	321	1 048	(274)	321	1 048
43 205	**46 955**	**40 645**	**45 619**	**49 553**	**43 246**
1 656	–	–	2 219	–	–
–	(2 358)	(3 165)	–	(3 214)	(3 535)
44 861	**44 597**	**37 480**	**47 838**	**46 339**	**39 711**
(12 217)	(12 677)	(11 601)	(13 028)	(13 172)	(12 291)
32 644	**31 920**	**25 879**	**34 810**	**33 167**	**27 420**
–	–	–	144	138	448
32 644	**31 920**	**25 879**	**34 954**	**33 305**	**27 868**
(1 460)	(1 645)	(1 637)	(1 807)	(1 853)	(1 935)
31 184	**30 275**	**24 242**	**33 147**	**31 452**	**25 933**

42. Statutory segmental reporting *(continued)*

As at 31 March US$'000	Notes	Segment A 2019	2018	2017
Bank				
Balance sheet				
Cash and balances at central bank		14 143	16 695	13 715
Due from banks		10 007	60 378	90 205
Reverse repurchase agreements	VI	–	–	–
Sovereign debt securities	VII	–	–	–
Bank debt securities	VIII	–	–	–
Other debt securities	IX	–	–	–
Derivative financial instruments		–	–	–
Investment portfolio	X	–	–	–
Loans and advances to customers	XII	50 815	54 374	54 536
Investment in associate		4 635	4 598	4 160
Deferred taxation asset		295	437	305
Other assets	XIII	1 480	1 420	2 290
Equipment		353	394	294
Amount due from group companies	XI	10	9	348
Investment in subsidiary		467	467	467
		82 205	**138 772**	**166 320**
Liabilities				
Derivative financial instruments		–	–	–
Repurchase agreements		–	–	–
Customer deposits	XIV	30 035	35 254	47 734
Debt securities in issue		–	–	–
Amount due to group companies	XI	–	–	431
Current taxation liabilities		508	1 020	950
Other liabilities	XV	3 714	3 733	3 433
		34 257	**40 007**	**52 548**
Equity				
Ordinary share capital				
Other reserves				
Retained income				
Total equity				
Total liabilities and equity				

Segment B			Total		
2019	2018	2017	**2019**	2018	2017
–	–	–	14 143	16 695	13 715
484 306	398 741	722 171	494 313	459 119	812 376
75 555	75 186	–	75 555	75 186	–
20 575	–	22 214	20 575	–	22 214
88 612	137 604	108 399	88 612	137 604	108 399
24 978	30 172	100 202	24 978	30 172	100 202
17 061	17 437	21 804	17 061	17 437	21 804
5 445	12 993	14 473	5 445	12 993	14 473
983 454	898 263	859 459	1 034 269	952 637	913 995
–	–	–	4 635	4 598	4 160
–	–	–	295	437	305
2 648	5 717	2 230	4 128	7 137	4 520
–	–	–	353	394	294
1 006	3 356	3 692	1 016	3 365	4 040
–	–	–	467	467	467
1 703 640	**1 579 469**	**1 854 644**	**1 785 845**	**1 718 241**	**2 020 964**
1 672	3 508	4 542	1 672	3 508	4 542
76 963	101 924	101 645	76 963	101 924	101 645
1 007 573	858 463	1 154 447	1 037 608	893 717	1 202 181
252 866	258 563	249 879	252 866	258 563	249 879
26 643	32 024	11 887	26 643	32 024	12 318
–	–	–	508	1 020	950
18 017	3 589	57 566	21 731	7 322	60 999
1 383 734	**1 258 071**	**1 579 966**	**1 417 991**	**1 298 078**	**1 632 514**
			56 478	56 478	56 478
			75 109	65 152	66 277
			236 267	298 533	265 695
			367 854	**420 163**	**388 450**
			1 785 845	**1 718 241**	**2 020 964**

42. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Segment A 2019	2018	2017
I. Net interest income			
Group			
Cash, near cash and bank debt and sovereign debt securities	380	340	214
Core loans and advances	2 239	2 203	2 045
Other debt securities	–	–	–
Interest income on derivative financial instruments	–	–	–
Total interest income	**2 619**	**2 543**	**2 259**
Deposits by banks and other debt-related securities	–	–	–
Customer accounts	659	554	479
Amount due to group companies	–	–	–
Interest expense on derivative financial instruments	–	–	–
Total interest expense	**659**	**554**	**479**
Net interest income	**1 960**	**1 989**	**1 780**
Bank			
Cash, near cash and bank debt and sovereign debt securities	383	374	235
Core loans and advances	2 239	2 203	2 045
Other debt securities	–	–	–
Interest income on derivative financial instruments	–	–	–
Total interest income	**2 622**	**2 577**	**2 280**
Deposits by banks and other debt-related securities	–	–	–
Customer accounts	659	567	479
Amount due to group companies	11	1	–
Interest expense on derivative financial instruments	–	–	–
Total interest expense	**670**	**568**	**479**
Net interest income	**1 952**	**2 009**	**1 801**
II. Net fee income			
Group			
Credit related fees	239	254	504
Brokerage fees received	110	194	163
Client transactions and maintenance fees	117	141	133
Wealth management fees	798	1 116	582
Total fee income	**1 264**	**1 705**	**1 382**
Credit related fees	4	–	–
Other fees paid	14	–	–
Total fee expense	**18**	**–**	**–**
Net fee income	**1 246**	**1 705**	**1 382**

Segment B			Total		
2019	2018	2017	**2019**	2018	2017
13 009	14 198	9 945	13 389	14 538	10 159
45 201	43 538	42 003	47 440	45 741	44 048
2 326	472	3 525	2 326	472	3 525
10 391	8 787	4 777	10 391	8 787	4 777
70 927	**66 995**	**60 250**	**73 546**	**69 538**	**62 509**
10 341	8 729	7 629	10 341	8 729	7 629
15 009	10 584	6 413	15 668	11 138	6 892
1 846	983	12	1 846	983	12
2 918	5 619	6 476	2 918	5 619	6 476
30 114	**25 915**	**20 530**	**30 773**	**26 469**	**21 009**
40 813	**41 080**	**39 720**	**42 773**	**43 069**	**41 500**
13 009	14 197	9 945	13 392	14 571	10 180
45 201	43 538	42 003	47 440	45 741	44 048
2 326	472	3 525	2 326	472	3 525
10 391	8 787	4 777	10 391	8 787	4 777
70 927	**66 994**	**60 250**	**73 549**	**69 571**	**62 530**
10 341	8 729	7 629	10 341	8 729	7 629
15 009	10 571	6 413	15 668	11 138	6 892
1 846	996	12	1 857	997	12
2 918	5 619	6 476	2 918	5 619	6 476
30 114	**25 915**	**20 530**	**30 784**	**26 483**	**21 009**
40 813	**41 079**	**39 720**	**42 765**	**43 088**	**41 521**
4 194	5 273	3 535	4 433	5 527	4 039
1 076	1 563	1 443	1 186	1 757	1 606
942	1 831	1 831	1 059	1 972	1 964
–	–	–	798	1 116	582
6 212	**8 667**	**6 809**	**7 476**	**10 372**	**8 191**
2 139	1 426	1 752	2 143	1 426	1 752
–	8	29	14	8	29
2 139	**1 434**	**1 781**	**2 157**	**1 434**	**1 781**
4 073	**7 233**	**5 028**	**5 319**	**8 938**	**6 410**

42. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Segment A 2019	2018	2017
II. Net fee income *(continued)*			
Bank			
Credit related fees and commissions	239	254	504
Foreign exchange dealings	110	194	163
Client transactions and maintenance fees	117	141	133
Other fees received	–	–	–
Total fee income	**466**	**589**	**800**
Brokerage fees paid	–	–	–
Credit related fees and commissions	4	–	–
Other fees paid	–	–	–
Total fee expense	**4**	**–**	**–**
Net fee income	**462**	**589**	**800**
III. Investment loss			
Group and Bank			
Investment portfolio (listed and unlisted equities)	–	–	–
– Realised	–	–	–
– Unrealised	–	–	–
Debt securities (sovereign, bank and other)			
– Realised	–	–	–
– Unrealised	–	–	–
Other asset categories			
– Realised	–	–	–
– Unrealised	–	–	–
Dividend income	–	–	–
	–	**–**	**–**
IV. Net trading (loss)/income			
Group			
Changes in fair value of derivative financial instruments	–	–	–
Net foreign exchange (loss)/gain	(3)	48	(3)
	(3)	**48**	**(3)**
Bank			
Changes in fair value of derivative financial instruments	–	–	–
Net foreign exchange gain/(loss)	–	–	–
	–	**–**	**–**
V. Operating costs			
Group			
Staff costs	613	1 021	903
Premises expenses	38	25	34
Equipment expenses	220	123	167
Business expenses	189	155	166
Marketing expenses	10	14	20
Depreciation on equipment	7	3	6
Special levy	13	–	–
	1 090	**1 341**	**1 296**

Segment B			Total		
2019	2018	2017	**2019**	2018	2017
4 194	5 273	3 535	4 433	5 527	4 039
1 076	1 563	1 443	1 186	1 757	1 606
942	1 831	1 831	1 059	1 972	1 964
–	–	–	–	–	–
6 212	**8 667**	**6 809**	**6 678**	**9 256**	**7 609**
2 139	1 426	1 752	2 143	1 426	1 752
–	8	29	–	8	29
2 139	**1 434**	**1 781**	**2 143**	**1 434**	**1 781**
4 073	**7 233**	**5 028**	**4 535**	**7 822**	**5 828**
(4 240)	–	–	(4 240)	–	–
(3 194)	(3 039)	(5 177)	(3 194)	(3 039)	(5 177)
109	1 364	26	109	1 364	26
–	–	–	–	–	–
2 694	(3)	–	2 694	(3)	–
3 224	–	–	3 224	–	–
–	–	–	–	–	–
(1 407)	**(1 678)**	**(5 151)**	**(1 407)**	**(1 678)**	**(5 151)**
(495)	559	1 601	(495)	559	1 601
220	(238)	(553)	217	(190)	(556)
(275)	**321**	**1 048**	**(278)**	**369**	**1 045**
(495)	559	1 601	(495)	559	1 601
220	(238)	(553)	220	(238)	(553)
(275)	**321**	**1 048**	**(278)**	**321**	**1 048**
5 842	6 084	5 910	6 455	7 105	6 813
533	542	505	571	567	539
3 310	3 125	2 746	3 530	3 248	2 913
2 114	2 650	2 025	2 303	2 805	2 191
113	170	314	123	184	334
98	106	101	105	109	107
207	–	–	220	–	–
12 217	**12 677**	**11 601**	**13 307**	**14 018**	**12 897**

42. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Segment A 2019	Segment A 2018	Segment A 2017
V. Operating costs *(continued)*			
Bank			
Staff costs	388	238	352
Premises expenses	35	21	30
Equipment expenses	220	122	163
Business expenses	140	104	120
Marketing expenses	8	7	19
Depreciation on equipment	7	3	6
Special levy	13	–	–
	811	**495**	**690**
VI. Reverse repurchase agreements			
Group and Bank			
Reverse repurchase agreements	**–**	**–**	**–**
VII. Sovereign debt securities			
Group and Bank			
Financial assets designated at fair value through profit or loss			
– Government related-debt securities	**–**	**–**	**–**
VIII. Bank debt securities			
Group and Bank			
Financial assets designated at fair value through profit or loss			
– Bonds	**–**	**–**	**–**
IX. Other debt securities			
Group and Bank			
Financial assets designated at fair value through profit or loss			
– Bonds	–	–	–
– Other investments	–	–	–
	–	**–**	**–**
X. Investment portfolio			
Group and Bank			
Financial assets designated at fair value through profit or loss			
– Quoted equities	–	–	–
– Unquoted equities	–	–	–
	–	**–**	**–**
XI. Amount due from/to group companies			
Remaining term to maturity			
(a) Amount due from group companies			
Group			
Within 3 months	4	10	6
	4	**10**	**6**
Bank			
Within 3 months	10	9	348
	10	**9**	**348**

Segment B			Total		
2019	2018	2017	**2019**	2018	2017
5 842	6 084	5 910	6 230	6 322	6 262
533	542	505	569	563	535
3 309	3 125	2 746	3 529	3 247	2 909
2 114	2 650	2 025	2 254	2 754	2 145
113	170	314	121	177	333
98	106	101	105	109	107
207	–	–	220	–	–
12 217	**12 677**	**11 601**	**13 028**	**13 172**	**12 291**
75 555	**75 186**	**–**	**75 555**	**75 186**	**–**
20 575	**–**	**22 214**	**20 575**	**–**	**22 214**
88 612	**137 604**	**108 399**	**88 612**	**137 604**	**108 399**
22 717	27 129	93 501	22 717	27 129	93 501
2 261	3 043	6 701	2 261	3 043	6 701
24 978	**30 172**	**100 202**	**24 978**	**30 172**	**100 202**
3 195	9	23	3 195	9	23
2 250	12 984	14 450	2 250	12 984	14 450
5 445	**12 993**	**14 473**	**5 445**	**12 993**	**14 473**
1 006	3 356	3 692	1 010	3 366	3 698
1 006	**3 356**	**3 692**	**1 010**	**3 366**	**3 698**
1 006	3 356	3 692	1 016	3 365	4 040
1 006	**3 356**	**3 692**	**1 016**	**3 365**	**4 040**

42. Statutory segmental reporting *(continued)*

	Segment A		
For the year to 31 March US$'000	**2019**	2018	2017
XI. Amount due from/to group companies *(continued)*			
Remaining term to maturity *(continued)*			
Group			
(b) Amount due to group companies			
Within 3 months	70	6	–
	70	**6**	**–**
Bank			
Within 3 months	–	–	431
	–	**–**	**431**
XII. Loans and advances to customers			
Group and Bank			
(a) Remaining term to maturity			
Within 3 months	6 911	1 411	5 505
Over 3 to 6 months	1 237	1 071	4 418
Over 6 to 12 months	2 266	3 903	1 686
Over 1 to 5 years	38 806	33 193	40 025
Over 5 years	1 595	14 796	2 902
	50 815	**54 374**	**54 536**
(b) Allowance for impairment			
(i) Expected credit loss impairment reversals			
Expected credit loss impairment reversals are recognised in the income statement on the following assets			
Loans and advances to customers	573	–	–
Other balance sheet assets	(1)	–	–
Off balance sheet commitments and guarantees	(9)	–	–
Total expected credit loss impairment reversals	**563**	**–**	**–**
Balance at beginning of year	1 770	–	
IFRS 9 transitional adjustment	(295)	–	–
	1 475	**–**	**–**
Reversal recognised in the income statement	(573)	–	–
Written off out of allowance	–	–	–
Intergroup transfers	–	–	–
Balance at end of year	**902**	**–**	**–**
(ii) Portfolio provision			
At 1 April	–	922	552
Charge to the income statement	–	14	370
Exchange adjustment	–	–	–
At 31 March	**–**	**936**	**922**
(iii) Specific impairment			
At 1 April	–	–	–
Charge to the income statement	–	842	–
Intergroup transfers	–	–	–
Exchange adjustment	–	(8)	–
At 31 March	**–**	**834**	**–**

	Segment B			Total		
	2019	2018	2017	**2019**	2018	2017
	26 643	32 024	11 887	26 713	32 030	11 887
	26 643	**32 024**	**11 887**	**26 713**	**32 030**	**11 887**
	26 643	32 024	11 887	26 643	32 024	12 318
	26 643	**32 024**	**11 887**	**26 643**	**32 024**	**12 318**
	150 741	127 710	47 019	157 652	129 121	52 524
	118 340	141 995	90 267	119 576	143 066	94 685
	165 440	176 922	197 078	167 706	180 825	198 764
	474 315	344 719	403 219	513 122	377 912	443 244
	74 618	106 917	121 876	76 213	121 713	124 778
	983 454	**898 263**	**859 459**	**1 034 269**	**952 637**	**913 995**
	2 147	–	–	2 720	–	–
	(196)	–	–	(197)	–	–
	(295)	–	–	(304)	–	–
	1 656	**–**	**–**	**2 219**	**–**	**–**
	10 280	–	–	12 050	–	–
	(1 446)	–	–	(1 741)	–	–
	8 834	**–**	**–**	**10 309**	**–**	**–**
	(2 147)	–	–	(2 720)	–	–
	(240)	–	–	(240)	–	–
	(470)	–	–	(470)	–	–
	5 977	**–**	**–**	**6 879**	**–**	**–**
	–	6 220	6 138	–	7 142	6 690
	–	174	82	–	188	452
	–	(156)	–	–	(156)	–
	–	**6 238**	**6 220**	**–**	**7 174**	**7 142**
	–	653	–	–	653	–
	–	2 184	584	–	3 026	584
	–	1 130	77	–	1 130	77
	–	75	(8)	–	67	(8)
	–	**4 042**	**653**	**–**	**4 876**	**653**

42. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Segment A 2019	2018	2017
XII. Loans and advances to customers *(continued)*			
(b) Allowance for impairment *(continued)*			
(iv) Total provision			
At 1 April,	–	922	552
Charge to the income statement	–	856	370
Intergroup transfers	–	–	–
Exchange adjustment	–	(8)	–
At 31 March	**–**	**1 770**	**922**

For the year to 31 March US$'000	Gross amount of loans	Non-performing loans
Group and Bank		
(c) Allowance for credit losses by sector		
Agriculture, forestry and fishing	17 259	–
Construction	71 036	–
Households	26 164	2 249
Real estate activities	217 213	4 453
Financial and insurance activities	388 170	–
Wholesale and retail trade	32 556	–
Manufacturing	5 681	–
Transportation and storage	108 032	5 242
Accommodation and food service activities	1 321	562
Electricity, gas, steam and air conditioning supply	48 908	–
Information and communication	56 028	–
Administrative and support service activities	18 931	–
Human health and social work activities	33 443	–
Mining and Quarrying	6 822	–
Other entities	9 584	–
	1 041 148	**12 506**
Analyst by segments:		
Segment A		
Households	5 079	–
Real estate activities	7 664	1 381
Financial and insurance activities	36 992	–
Manufacturing	1 982	–
	51 717	**1 381**

	Segment B			Total		
	2019	2018	2017	**2019**	2018	2017
	–	6 873	6 138	–	7 795	6 690
	–	2 358	666	–	3 214	1 036
	–	1 130	77	–	1 130	77
	–	(81)	(8)	–	(89)	(8)
	–	**10 280**	**6 873**	**–**	**12 050**	**7 795**

	Total impairment		
	2019	2018	2017
	53	–	16
	220	978	1 712
	125	232	233
	2 036	3 403	1 412
	1 201	2 928	2 056
	100	74	–
	18	132	115
	2 021	3 881	1 466
	568	103	119
	151	18	310
	173	150	112
	59	3	1
	103	81	–
	21	–	–
	30	67	243
	6 879	**12 050**	**7 795**
	30	100	115
	639	1 183	454
	221	456	329
	12	31	24
	902	**1 770**	**922**

42. Statutory segmental reporting *(continued)*

For the year to 31 March US$'000	Gross amount of loans	Non-performing loans
XII. Loans and advances to customers *(continued)*		
Segment B		
Agriculture, forestry and fishing	17 259	–
Construction	71 036	–
Households	21 085	2 249
Real estate activities	209 549	3 073
Financial and insurance activities	351 179	–
Wholesale and retail trade	32 556	–
Manufacturing	3 699	–
Transportation and storage	108 032	5 242
Accommodation and food service activities	1 321	562
Electricity, gas, steam and air conditioning supply	48 908	–
Information and communication	56 028	–
Administrative and support service activities	18 931	–
Human health and social work activities	33 443	–
Mining and Quarrying	6 822	–
Other entities	9 584	–
	989 432	**11 126**
	1 041 148	**12 506**

Total impairment		
2019	2018	2017
53	–	16
220	978	1 712
95	132	118
1 397	2 220	958
980	2 472	1 727
100	74	–
6	120	94
2 021	3 881	1 466
568	103	119
151	18	310
173	150	112
59	3	1
103	81	–
21	–	243
30	67	–
5 977	**10 280**	**6 873**
6 879	**12 050**	**7 795**

42. Statutory segmental reporting *(continued)*

	Segment A		
For the year to 31 March US$'000	**2019**	2018	2017
XIII. Other assets			
Group			
Settlement debtors	–	–	–
Prepayments and accruals	1 235	1 243	1 561
Other	417	243	730
	1 652	**1 486**	**2 291**
Bank			
Settlement debtors	–	–	–
Prepayments and accruals	1 185	1 183	1 561
Other	295	237	729
	1 480	**1 420**	**2 290**
XIV. Customer deposits			
Group			
Demand	15 783	20 874	37 978
Term deposits with remaining term to maturity			
Within 3 months	7 848	3 139	2 685
Over 3 to 6 months	1 718	997	2 004
Over 6 to 12 months	3 914	4 416	2 516
Over 1 to 5 years	–	5 507	2 551
	29 263	**34 933**	**47 734**
Bank			
Demand	15 783	20 874	37 978
Term deposits with remaining term to maturity			
Within 3 months	8 620	3 459	2 685
Over 3 to 6 months	1 718	997	2 004
Over 6 to 12 months	3 914	4 416	2 516
Over 1 to 5 years	–	5 507	2 551
	30 035	**35 253**	**47 734**
XV. Other liabilities			
Group			
Amounts payable and sundry creditors	**3 819**	**3 836**	**3 543**
Bank			
Amounts payable and sundry creditors	**3 714**	**3 733**	**3 433**
XVI. Contingent liabilities			
Group and Bank			
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.			
Guarantees	1 714	2 139	680
Commitments			
– Irrevocable unutilised facilities	8 501	1 495	4 111
	10 215	**3 634**	**4 791**

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

	Segment B			Total		
	2019	2018	2017	**2019**	2018	2017
	25	29	15	25	29	15
	204	216	172	1 439	1 459	1 733
	2 419	5 472	2 043	2 836	5 715	2 772
	2 648	**5 717**	**2 230**	**4 300**	**7 203**	**4 521**
	25	29	15	25	29	15
	204	216	172	1 389	1 399	1 733
	2 419	5 472	2 043	2 714	5 709	2 772
	2 648	**5 717**	**2 230**	**4 128**	**7 137**	**4 520**
	703 334	604 682	867 871	719 117	625 556	905 849
	194 945	146 525	197 137	202 793	149 664	199 822
	21 850	45 853	18 720	23 568	46 850	20 724
	82 326	61 404	67 391	86 240	65 820	69 905
	5 118	–	3 318	5 118	5 507	5 881
	1 007 573	**858 464**	**1 154 437**	**1 036 836**	**893 397**	**1 202 181**
	703 334	604 682	867 871	719 117	625 556	905 849
	194 945	146 525	197 137	203 565	149 984	199 822
	21 850	45 853	18 720	23 568	46 850	20 724
	82 326	61 404	67 391	86 240	65 820	69 905
	5 118	–	3 318	5 118	5 507	5 881
	1 007 573	**858 464**	**1 154 437**	**1 037 608**	**893 717**	**1 202 181**
	18 017	**3 589**	**57 566**	**21 836**	**7 425**	**61 109**
	18 017	**3 589**	**57 566**	**21 731**	**7 322**	**60 999**
	5 153	7 287	4 704	6 867	9 426	5 384
	230 792	176 630	152 875	239 293	178 125	156 986
	235 945	**183 917**	**157 579**	**246 160**	**187 551**	**162 370**

43. Transitional note

Overview of IFRS 9 transitional impact

The adoption of IFRS 9 has resulted in the following day one impact for the group.

Balance sheet impairment allowance and provisions

Total balance sheet impairment allowance and provisions decreased by USD 1.7 million from USD 12.0 million as at 31 March 2018 to USD 10.4 million as at 1 April 2018. This is driven by an decrease in Stage 1, Stage 2 and Stage 3 impairments.

Classification and measurement overview

Since 1 April 2018 the group has classified all of its financial assets which fall within the scope of IFRS 9 in the following measurement categories:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL).

The classification into one of these categories is based on the entity's business model for managing the assets and the contractual cash flow characteristics of the assets.

The standard sets out three types of business models:

- **Hold to collect:** it is intended to hold the asset to maturity to earn interest; collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost.
- **Hold to collect and sell:** this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity as circumstances change. These assets are accounted for at FVOCI.
- **Hold to sell/managed on a fair value basis:** the entity originates or purchases an asset with the intention of disposing of it in the short- or medium-term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the assets' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Designation at fair value

The adoption of IFRS 9 also necessitates a review of the designation of financial instruments at fair value. IFRS 9 requires that the designation is revoked where there is no longer an accounting mismatch at 1 April 2018 and permits designations to be revoked or additional designations created at 1 April 2018 if there are accounting mismatches at that date.

As a result:

- Fair value designations for financial liabilities have been created where there is an accounting mismatch, as permitted IFRS 9; and
- Fair value designations have been revoked for certain assets where accounting mismatches no longer exist as a result of the adoption of the classification rules of IFRS 9.

Reconciliation of movements and revaluation

The table below reflects the impact of IFRS 9 implementation on the balance sheet lines and shows movements between amortised cost and fair value:

Only assets and liabilities which have changes are shown.

43. Transitional note *(continued)*

US$'000	IAS 39 carrying amount at 31 March 2018	Reclassification	Expected reclassification credit loss	IFRS 9 carrying amount at 1 April 2018
Group and bank				
Assets				
Financial assets at amortised cost (previously loans and receivables and held-to-maturity)				
Due from banks	459 119	–	(12)	459 107
Bank debt securities	112 535	–	(161)	112 374
Other debt securities	10 136	–	(123)	10 013
Reverse repurchase agreements	75 186	–	(17)	75 169
Loans and advances to customers	952 637	(35 243)	1 741	919 135
Other assets	5 962	(2 990)	–	2 972
Financial assets at fair value through profit or loss				
Loans and advances to customers	–	38 233	–	38 233
Financial assets at fair value through other comprehensive income (previously available-for-sale)				
Bank debt securities	25 069	–	(44)	25 025
Other debt securities	20 036	–	(130)	19 906
Liabilities				
Financial liabilities at amortised cost				
Other liabilities	7 322	–	(265)	7 057

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles prior year's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 April 2018:

US$'000	Loan loss allowance and provision IAS 39 At 31 March 2018	Expected credit loss under IFRS 9 At 1 April 2018	Net decrease in impairment allowances
Group and bank			
Assets			
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)			
Due from banks	–	(12)	–
Bank debt securities	–	(161)	–
Other debt securities	–	(123)	–
Reverse repurchase agreements	–	(17)	–
Loans and advances to customers	(12 050)	(10 309)	(1 741)
Available-for-sale (IAS 39)/ Financial assets at fair value through other comprehensive income (IFRS 9)			
Bank debt securities	–	(44)	–
Other debt securities	–	(130)	–
Liabilities			
Off balance sheet exposures (recognised in other liabilities)			
Guarantees	–	(21)	–
Committed facilities related to loans and advances to customers	–	(244)	–

43. Transitional note *(continued)*

The impact of transition to IFRS 9 on equity

	Other reserves		
US$'000	Fair value/ Available-for-sale reserve	Retained income	Total affected equity components
Group and bank			
Closing balance under IAS 39 at 31 March 2018	**(185)**	**298 533**	**298 348**
Recognition of expected credit loss	–	(1 741)	(1 741)
Closing balance under IFRS 9 at 1 April 2018	**(185)**	**296 792**	**296 607**

The requirements of IFRS 9 'Financial Instruments' were adopted from 1 April 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The group is not restating comparatives on initial application as permitted by IFRS 9.

The accounting policies related to financial instruments as at 31 March 2018 under IAS 39 'Financial Instruments: Recognition and Measurement' are noted below:

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 measurement 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 with transaction costs being expensed in income statement.

Derivatives are 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 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 non-derivative financial assets 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 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.

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, loans and advances to customers, other assets and amounts due from group companies

These financial assets 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 or loss.

After initial measurement, these financial assets 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 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.

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.

Financial liabilities include amounts due to group companies and customer deposits.

Repurchase agreements

Securities sold under agreements to be repurchased at a specified future date (repos) 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 on the balance sheet as 'repurchase agreement', reflecting its economic substance as a loan.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or re-pledge the securities, the bank reclassifies those securities in its balance sheet to 'reverse repurchase agreement'.

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 'repurchase agreements', reflecting the transaction's economic substance as a loan. 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 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 on 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.

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 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.

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 write-off is later recovered, the recovery is credited to the income statement.

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.

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

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 (68)
BA(Econ) (Hons), MCom
Chairman

Peter RS Thomas (74)***
CA(SA)

Craig C McKenzie (58)
BSc, MSc (Agric Economics), CFA
Chief executive officer (CEO)

Pierre de Chasteigner du Mée (66)
ACEA, FBIM, FMAAT

Angelique A Desvaux de Marigny (43)**
LLB, Barrister-at-Law
Maitrise en Droit Privé (Université de Paris I Panthéon-Sorbonne)

Zarina BM Bassa (55)*
B Acc, DipAcc, CA(SA)

Ramdeo (Dev) Erriah (60)*
LLB, LLM, TEP, Barrister-at-law (Grays Inn)

Board committees

Board sub-committee

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

Audit committee

Peter RS Thomas (chairman)***
Zarina BM Bassa****
Ramdeo (Dev) Erriah****
Angelique A Desvaux de Marigny**
Pierre de Chasteigner du Mée

In attendance

Craig C McKenzie (CEO)
Lara Ann Vaudin (COO)
David Desvaux de Marigny (head of finance)
Farzanah Nowbuth (head of compliance)
Group head of internal audit
Group compliance officer
External auditors

Nomination and remuneration committee

David M Lawrence (chairman)
Peter RS Thomas***
Pierre de Chasteigner du Mée
Zarina BM Bassa****

In attendance

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

Conduct review committee

Pierre de Chasteigner du Mée (chairman)
David M Lawrence
Peter RS Thomas***
Ramdeo (Dev) Erriah****

In attendance

Craig C McKenzie (CEO)

Corporate governance committee

Angelique A Desvaux de Marigny (chairperson)**
David M Lawrence
Peter RS Thomas***
Zarina BM Bassa****
Ramdeo (Dev) Erriah****

Investment committee

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

Risk management committee

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

In attendance

Peter RS Thomas***
Angelique A Desvaux de Marigny**
Zarina BM Bassa****
Ramdeo (Dev) Erriah****
Lara Ann Vaudin (COO)
David Desvaux de Marigny (head of finance)
Farzanah Nowbuth (head of compliance)

* *Appointed 21 February 2019*
** *Resigned 25 March 2019*
*** *Resigned 18 June 2019*
**** *Appointed 6 May 2019 (as member)*

NOTES